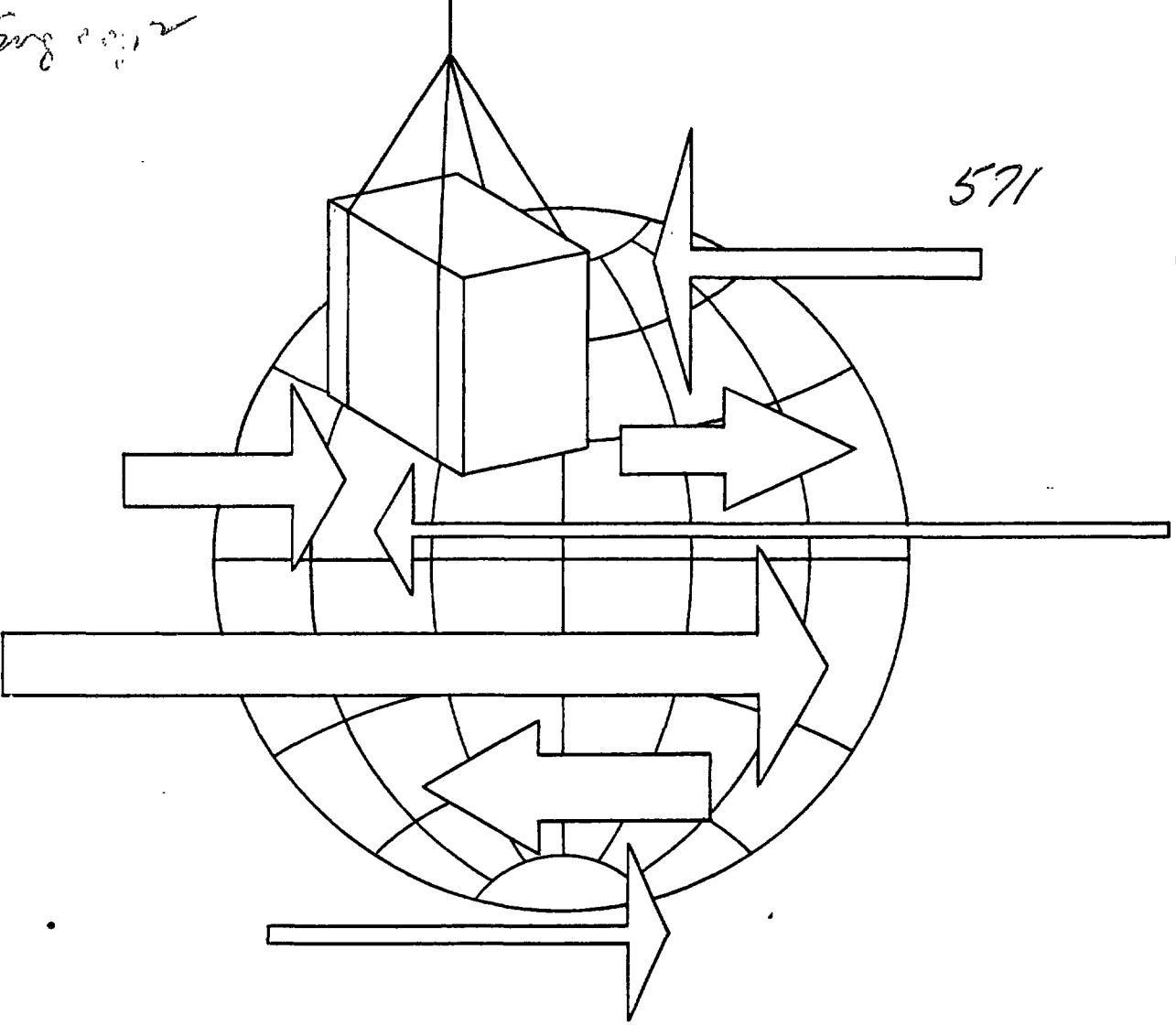


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# TRADE AND DEVELOPMENT

*Policy Statements*



UNITED NATIONS

Proceedings  
of the United Nations Conference  
on  
**TRADE AND DEVELOPMENT**

Geneva, 23 March—16 June 1964

Volume II

**POLICY STATEMENTS**



UNITED NATIONS

New York, 1964

## NOTE

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## FOREWORD

The United Nations Conference on Trade and Development held in Geneva in the spring of 1964 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 in which the poor nations, which make up the great majority of mankind, will at long last be able to have an adequate share in the fruits of economic and technological progress.

The Conference has taken the first steps towards the establishment of a new trade policy for development. It has, moreover, recognized that if the acceptance of broad principles and policies for the conduct of international trade is to have real meaning, those principles and policies must be translated into practical action through effective international machinery.

The results of the Conference are an eloquent tribute to the wisdom and maturity of its participants. Despite differences of opinion on many problems, they laboured unremittingly to achieve the greatest possible degree of agreement on a number of urgent measures which should be taken by both developed and developing countries. They also decided to study further a number of other measures on which agreement had not yet been reached.

Publication of the Conference proceedings is intended in the first instance to furnish Governments and the General Assembly with a full account of what has been accomplished and what remains to be done. It should also help to meet the wider public interest in questions of development and trade which the Conference has stimulated.

It is my hope that the work begun in Geneva will move forward with vigour and imagination.



U THANT

*Secretary-General of the United Nations*



## PREFATORY NOTE

This eight volume series attempts to provide a self-contained reference to the Proceedings of the United Nations Conference on Trade and Development. Apart from the actual Proceedings of the Conference, and the reports of the five Main Committees, it contains most of the background material prepared for the Conference and other documents referred to in the proceedings. Only papers of a more limited character, such as country studies or special commodity studies have, for technical reasons, been excluded.

The Final Act adopted by the Conference (including the thirty-five Principles and fifty-seven Recommendations) together with the Report of the Conference are published in volume I. This volume also contains a complete check list of all documents used during the Conference.

The report "Towards a New Trade Policy" submitted by the Secretary-General of the Conference prior to the opening of the Conference is published in volume II. This volume also contains the opening addresses delivered by the President of the Swiss Confederation, the Secretary-General of the United Nations and the President and Secretary-General of the Conference together with the opening and closing policy statements of the heads of delegations, and representatives of specialized agencies and GATT, regional economic groupings, non-governmental organizations, etc.

The pre-Conference documents are published in volumes III to VII inclusive. For the sake of convenience the material has been divided into five parts according to the agenda items for the five Main Committees:

First Committee	International commodity problems
Second Committee	Trade in manufactures and semi-manufactures
Third Committee	Improvement of the invisible trade of developing countries and financing for expansion of international trade
Fourth Committee	Institutional arrangements
Fifth Committee	Expansion of international trade and its significance for economic development and implications of regional economic groupings

The allocation of the papers is of necessity somewhat arbitrary since some of these apply to more than one Committee. The texts of the pre-Conference documents are here presented in the form in which they were originally submitted to the Conference, with no editorial changes as regards references. However, where references have been made to documents bearing E/CONF.46... symbols and which have been reprinted in this series, the number of the volume in which they appear has been inserted.

Volume VIII contains those documents of the Conference on Trade and Development which, it was felt, should be published for reference purposes, but which did not fall obviously into any of the categories covered by the other volumes of the series. These documents consist of the reports of the three sessions of the Preparatory Committee, followed by a letter from the Secretary-General of the Conference containing a list of the questions that were brought up in preliminary discussions on the various topics of the agenda, as had been promised at the Third Session of the Preparatory Committee; a number of letters and memoranda concerning some of the other issues raised during the meetings, five draft recommendations which could not be discussed for lack of time, but which the Conference felt were of sufficient interest to warrant their transmission to the "continuing machinery", the relevant extract from a booklet published by the FAO which is now difficult to obtain but which was frequently referred to during the Conference, memoranda from two of the non-governmental organizations and finally the list of members of delegations attending the Conference, of observers sent by various organizations, and also of the secretariat of the Conference.

The titles of the eight volumes of the series are as follows:

I	Final Act and Report	VI	Trade expansion and regional groupings Part 1
II	Policy statements	VII	Trade expansion and regional groupings Part 2
III	Commodity trade	VIII	Miscellaneous documents and list of participants
IV	Trade in manufactures		
V	Financing and invisibles Institutional arrangements		

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## EXPLANATORY NOTE

The following symbols have been used in the tables throughout the series:

Three dots (...) in some studies or two dots (..) in others indicate that data are not available or are not separately reported

A dash (—) indicates that the amount is nil or negligible

A blank in a table indicates that the item is not applicable

A minus sign (–) indicates a deficit or decrease, except as indicated

A full stop (.) is used to indicate decimals

A comma (,) in the text and a space in the tables are used to distinguish thousands and millions

A stroke (/) indicates a crop year or financial year, e.g., 1960/61

Use of a hyphen (-) between dates representing years, e.g., 1961-1963, signifies the full period involved, including the beginning and end years.

Reference to "tons" indicates metric tons, and to "dollars" United States dollars, unless otherwise stated. The term "billion" signifies a thousand million.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals, because of rounding.

Certain abbreviations have been used:

AID	Agency for International Development (United States).
CICT	Commission on International Commodity Trade.
CMEA	Council of Mutual Economic Assistance.
DAC	Development Assistance Committee (of the Organisation for Economic Co-operation and Development)
EDF	European Development Fund (of the European Economic Community).
EEC	European Economic Community.
EFTA	European Free Trade Association.
EPTA	Expanded Programme of Technical Assistance (of the United Nations).
FAO	Food and Agriculture Organization of the United Nations.
GATT	General Agreement on Tariffs and Trade.
IBRD	International Bank for Reconstruction and Development.
ICCICA	Interim Co-ordinating Committee for International Commodity Arrangements.
ICICI	Industrial Credit and Investment Corporation of India.
IDA	International Development Association.
EDB	Inter-American Development Bank.
IFC	International Finance Corporation.
OAS	Organization of American States.
OECD	Organisation for Economic Co-operation and Development.
OEEC	Organisation for European Economic Co-operation.
OPEC	Organization of Petroleum Exporting Countries.
SITC	Standard International Trade Classification.
UNICEF	United Nations Children's Fund.
UNRWA	United Nations Relief and Works Agency for Palestine Refugees.
UNSF	United Nations Special Fund.

"Rhodesia and Nyasaland" stands for the Federation of Rhodesia and Nyasaland.

The Republic of South Africa is so designated even where the material covers the period prior to 31 May 1961, when the country was known as the Union of South Africa.

Where statistical presentation has rendered it necessary, "Malaya" has been used to designate the Federation of Malaya and Singapore; "South Africa", the Republic of South Africa, South West Africa and the High Commission territories of Basutoland, Bechuanaland and Swaziland; and "UAR" the United Arab Republic.

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Report by the Secretary-General  
of the Conference




## PREFACE

The United Nations Conference on Trade and Development meets at a time of growing world-wide recognition that there is no acceptable alternative to international co-operation if mankind is to survive. Only through co-operation between all countries, irrespective of their political or social system, can the peace of the world be ensured. And only through co-operation can sufficient impetus be given to the struggle of mankind for a better and fuller life.

In December 1961, the United Nations General Assembly created new goals for international co-operation by setting a target to be achieved by all developing countries by 1970. The target of the Development Decade is a minimum annual rate of growth of 5 per cent. In adopting this target, the United Nations explicitly recognized that its achievement is a matter of international as well as national concern. And the countries participating in this effort implicitly accepted an obligation to contribute in every way they could to the attainment of the common goal.

During the past year a further vital step has been taken. The idea has gained universal acceptance that the development goals of the United Nations have direct implications for international trade and aid. A continuation of existing trends in world trade, adverse to the developing countries, would greatly intensify the difficulty of reaching adequate growth objectives. It is vital for the world community to create an international trade environment that would facilitate the growth of developing countries, and not thwart it.

That is the basic aim of the United Nations Conference on Trade and Development, and it is also the aim that inspires this report. All the experience of the United Nations has been mobilized in preparing this report and the success of the Conference will depend on the willingness of Governments to face all the implications of that experience and take action accordingly. I commend this report to Governments, to the Conference, and to the public generally, in the hope and conviction that it will contribute to a better understanding of the need for a new international trade policy for the Development Decade.



U THANT

*Secretary-General of the United Nations*

## INTRODUCTION

This report constitutes an attempt to present the principal issues with which the United Nations Conference on Trade and Development is confronted and to suggest an integrated programme of measures to assist Governments in considering ways of dealing with these issues.

It draws heavily on ideas expressed and recommendations made in the various United Nations organs and in the numerous studies and reports of the United Nations Secretariat. Its preparation would not, however, have been possible without the extensive and creative labours of the Preparatory Committee of the Conference. The discussions of the Preparatory Committee, in particular at its second session, furnished a comprehensive account of the issues facing the Conference and of possible solutions to the crucial problems of trade and development. It is the work of the Preparatory Committee that has enabled the secretariat of the Conference to prepare this report which, together with all the other detailed studies and reports, will, it is hoped, constitute a working basis for the Conference.

If the report goes beyond the findings of the Preparatory Committee, this is to no small extent due to the extensive consultations which took place with officials of many Governments in all parts of the world and at various sessions of the regional economic commissions. These consultations enabled the Secretary-General of the Conference to reach a better understanding of the problems and issues involved. He is grateful to all government officials and representatives of the various international organizations who so generously gave of their time.

In preparing the report, the Secretary-General of the Conference was also fortunate in being able to consult the Executive Secretaries of the four regional economic commissions who spared no effort in providing him with suggestions for which he is most grateful.

The report is founded on the conviction that practical action in the field of trade and development is second to no other responsibility which the United Nations, established to maintain peace, must face in the 1960s. It is on the basis of this conviction that the Organization has convened a Conference whose primary objective it is to point the way *towards a new trade policy for development*.



Raúl PREBISCH  
*Secretary-General of the United  
Nations Conference on Trade and Development*

# TOWARDS A NEW TRADE POLICY FOR DEVELOPMENT

## Part One

### THE PROBLEM OF INTERNATIONAL TRADE AND DEVELOPMENT

#### *Chapter I*

#### THE INTERNATIONAL ECONOMY: THE PAST AND THE PRESENT

##### 1. THE UNITED NATIONS DEVELOPMENT DECADE AND THE POTENTIAL TRADE GAP

This second world trade Conference, convened by the United Nations, is meeting under a star very different from that under which the first one met at Havana sixteen years ago.

The first conference was clearly influenced by experience of the events that preceded the great depression of the 1930s, experience of a system reaching back to the nineteenth century. At that time, the remarkable expansion of world trade, with multilateralism in full swing, acted as a powerful catalyst of spontaneous development in the peripheral countries, which provided the industrial centres with food and raw materials.

The great depression precipitated the break-down of this old order, already undermined by the political impact of the First World War. In view of all this and of the consequences of the Second World War, it is out of the question to think of restoring the old order now. In the not too distant days of Havana it might have been possible to harbour illusions of doing this, but the subsequent course of events has finally dispelled these illusions once and for all.

It is imperative to build a new order with a view to solving the serious problems of trade and development that beset the world, especially the problems that affect the developing countries.

From the standpoint of the developing countries, the Conference will be particularly concerned with a phenomenon that was a subject of controversy until recently, but which is today a matter of understandable general concern: the persistent tendency towards

external imbalance associated with the development process. The phenomenon is already well known. While primary commodity exports are, with a few exceptions, expanding relatively slowly, demand for imports of manufactured goods is tending to grow rapidly, at a pace that increases with the rate of development. The resulting imbalance creates a serious external bottleneck which makes development difficult. The imbalance must be rectified if development is to be accelerated in conditions of dynamic equilibrium.

One of the main objectives of the United Nations Development Decade is the attainment of a minimum annual growth rate of 5 per cent in the income of the developing countries by 1970. This is certainly a rather modest target and not much higher than the average rate of 4.4 per cent registered in the 1950s. Nevertheless, it will be extremely difficult—if not impossible—for many of the developing countries to achieve and maintain this rate of growth unless the present Conference brings about a policy of international co-operation that would make it possible to eliminate the imbalance in trade.

What are the implications of the 5 per cent minimum growth target for international trade? First and foremost, it should not be expected that, if the income of all developing countries is to rise at the minimum by 5 per cent every year, their imports can increase at a rate much less than 6 per cent. One of the main reasons for this is that any acceleration in the rate of growth requires additional investment; and the import content of this investment is normally much higher than that of income as a whole. Consequently, it is not going too far to conclude that imports would have to rise at a rate somewhat higher than that of total income. This view is supported by estimates based on the experience of developing countries.

The second implication of the 5 per cent growth target is that exports of the developing countries

would also have to rise at the rate of 6 per cent *per annum*, in order to maintain balance-of-payments equilibrium. More precisely, a volume of exports should rise at a rate which, after allowing for changes in the terms of trade, would pay for a volume of imports increasing each year at a rate of 6 per cent.

As we all know, experience during the 1950s was highly unsatisfactory in this respect. The annual rate of growth in export volume of the developing countries during that decade was only 4 per cent *per annum*, and, if the petroleum-exporting countries are excluded, the average is significantly lower. At the same time, the terms of trade deteriorated, so that the purchasing power of exports over imports rose more slowly still, by under 2 per cent *per annum*.

Thus, even at existing rates of growth there is a widening gap in the balance of payments of the developing countries; at higher rates of growth consistent with the objectives of the Development Decade, the gap would be even greater if the trends of the 1950s continued.

This, then, has to be the starting-point of the Conference. One cannot posit a 5 per cent rate of development without accepting also all the consequences that this implies for the rates of growth of imports and exports.

There are many ways, of course, in which the external resources of the developing countries could be increased: through additional exports of primary products, through more exports of manufactures; or through greater external aid. To some extent, each of these possible solutions is a substitute for the others. To the extent that one fails in solving the problem under one heading, one increases the burden to be borne under other headings. For example, in so far as one fails to secure any significant improvement in the rate of growth of exports of developing countries, recourse must be had to a greater inflow of international finance. And within any given target rate of increase in exports as a whole, the less that is done to widen market opportunities for foodstuffs and raw materials, the greater need will there be to open up new markets for manufactures. A combination of interdependent elements is involved; and it is an essential condition for success that the various measures adopted should be integrated within an over-all policy for achieving the desired result.

Unless these measures are adopted, the trade gap of the developing countries will be immense; available estimates show that, if the factors responsible for the present trend in world trade continue, the trade gap may reach an order of magnitude of about \$20,000 million<sup>1</sup> by 1970 if the growth rate of 5 per cent is to be achieved. This gap is potential and not real: if the means of bridging the gap are not found, the developing countries will be forced to reduce their rates of

growth unless they are prepared to achieve higher rates at an excessive economic and social cost involving serious political consequences.

The rate of growth of 5 per cent *per annum*, set as an objective of the Development Decade, can in no sense be considered fully satisfactory. It would mean an annual rate of increase of only 2.6 per cent in the average per capita income of the peripheral countries in view of the rapid rate of population growth, which is higher than in any previous era and makes it all the more difficult to expedite development.

Nearly half of the capital invested in the developing countries is needed to provide for the increase in population, thereby limiting the resources available for substantially and steadily raising the over-all level of living. Unless the present tempo of population growth slows down,<sup>2</sup> it would take eighty years at an annual rate of growth of 5 per cent for the developing countries to reach the current average per capita income level of western Europe, and approximately forty years more for them to reach that of the United States. For the least advanced countries, accounting for one half of the population of developing areas, the period required to reach the present western European level would be of the order of two hundred years.

A 5 per cent annual rate of growth could therefore be considered acceptable only for a short transitional period in which to create the internal and international conditions required for accelerated development.

On the other hand, even if a fall in the rate of population growth were to help in alleviating certain problems and tensions, it would in no sense be an excuse for slackening rather than intensifying the domestic development effort or for narrowing the scope of international co-operation; rather should it provide an opportunity for accelerating development so that its basic objectives may be attained in a shorter period of time, a period that is politically and socially acceptable.

The potential of modern technology is so enormous that the developing countries should not have to wait as long as the present industrially advanced countries had to wait to develop their technologies step by step and use them for the eradication of poverty and its inherent evils. Indeed, they cannot wait as long, because the acceleration of their development is an absolute necessity that brooks no delay. The pressure exerted by the masses for real improvements in their levels of living has never been as strong as it is now, and in the years to come it will become a growing source of internal and world-wide tension if it is not met by a vigorous policy of economic and social development in which international co-operation must play a decisive role.

The obstacles which the economic and social structures of the peripheral countries place in the way of development policy are well known. It is quite clear

<sup>1</sup> This figure has been calculated on the basis of a 5 per cent *average* rate of income growth. If a *minimum* growth rate of 5 per cent is used, the figure for the potential trade gap will be higher.

<sup>2</sup> During the 1950s, the annual growth rate of the population of the developing countries as a whole was 2.2 per cent. It is estimated that it will rise to 2.4 per cent between 1960 and 1980.

that important decisions must be taken to bring about structural changes, as has been indicated in previous reports of the United Nations and its specialized agencies. Suffice it to state here that, without such structural changes, and without a determined political effort to promote development and remove the internal obstacles from its path, measures of international co-operation, however good in themselves, will be very limited in their effect.

## 2. THE OLD ORDER

The imposing code of rules and principles, drawn up at Havana and partially embodied in the General Agreement on Tariffs and Trade (GATT), does not reflect a positive conception of economic policy in the sense of a rational and deliberate design for influencing economic forces so as to change their spontaneous course of evolution and attain clear objectives. On the contrary, it seems to be inspired by a conception of policy which implies that the expansion of trade to the mutual advantage of all merely requires the removal of the obstacles which impede the free play of these forces in the world economy. These rules and principles are also based on an abstract notion of economic homogeneity which conceals the great structural differences between industrial centres and peripheral countries with all their important implications. Hence, GATT has not served the developing countries as it has the developed ones. In short, GATT has not helped to create the new order which must meet the needs of development, nor has it been able to fulfill the impossible task of restoring the old order.

In the context of the nineteenth century and the initial decades of the twentieth, as we see it, there was no place for this idea of rationally influencing and so modifying the course of events. The course of events had merely to be followed and anything that obstructed it eliminated. Development in the periphery was a spontaneous phenomenon of limited scope and social depth; it came about under the dynamic influence of a unique combination of external factors which have since ceased to exist.

The situation can be presented simply in the following terms. During the last quarter of the nineteenth century, the United Kingdom, as the world's leading dynamic centre, accounted for 36 per cent of world exports of manufactures and 27 per cent of the imports of primary commodities. Since the historical accident of the industrial revolution happened in the United Kingdom before it did in other parts of the world, that country, with its limited resources and given its level of technology at the time, had to grow outwards and there emerged the classic pattern of exchanging manufactured goods for primary commodities. Imports of primary goods and other commodities by the United Kingdom grew apace, as did their share in the national income: the over-all import coefficient rose from approximately 18 per cent in 1850 to the very high figure of almost 36 per cent in 1880-84, as a

result of free trade. This phenomenon influenced the rest of Europe, although not to the same extent, and its effects on the development of countries on the periphery of the world economy were striking.

Actually the process was the opposite of that which has gradually come into existence since the end of the First World War and especially since the great depression: the substitution of imports of food and raw materials for domestic production and not *vice versa*.

There was another factor which encouraged the growth of consumption and primary commodity imports: these imports were not yet subject to the adverse effects of technological progress as they would be in later years. Per capita income was still able to sustain an active demand for foodstuffs, synthetic production of raw materials had not yet begun on a larger scale, and European farmers still clung to their traditional methods.

## 3. THE GREAT DEPRESSION AND WORLD TRADE

It is sufficient to mention these facts to emphasize the radical change which was ushered in during the First World War as a result of political and economic factors and which grew in scope and intensity as a result of the world depression of the 1930s.

The United States displaced the United Kingdom as the leading dynamic centre. This was more than a mere change of hegemony; it had a far-reaching influence on the rest of the world. The enormous natural resources of the vast territory of the United States and the resolutely protectionist policy it pursued from the start of its development were apparent in the steady decline of its import coefficient. In 1929, on the eve of the world depression, this coefficient was barely 5 per cent of total income and the restrictive measures resulting from the depression reduced it still further. In 1939, at the beginning of the Second World War, it had fallen to 3.2 per cent.

The effects of these developments on the rest of the world were of enormous importance. With the advent of the great depression, the order that dated back to the nineteenth century, and which the First World War had seriously shaken, now disintegrated. The trends towards agricultural self-sufficiency were encouraged to an extraordinary degree in the industrial countries, which were striving to cut their imports in order to cope with the violent contraction in their exports. Bilateralism and discrimination emerged as means of mitigating the intensity of this phenomenon. This movement spread throughout the world and forced many developing countries to adopt even more drastic restrictive measures, since the value of primary exports was declining more sharply than that of industrial goods.

The precipitous fall in the import coefficient of the United States, the leading dynamic centre, and the slow recovery in the level of its activity, compelled the other

countries of the world to lower their import coefficients too by all kinds of restrictive expedients. Under the most-favoured-nation clause, the restrictions ought to have been applied to all countries alike, but the discrimination fostered by bilateralism allowed them to be directed mainly against the United States, as a means of remedying the acute dollar shortage.

This problem recurred after the Second World War. As in the 1930s, recourse was then had to bilateralism but this phase was very short-lived. Western Europe decided to attack its difficulties boldly, not just by adopting negative and defensive attitudes but by positive action of enormous scope: the modernization of its economy, which boosted its export capacity, and the policy of integration, which promoted its reciprocal trade to the particular detriment of imports paid for in dollars. While this attitude contributed to over-all equilibrium, it had a serious effect on some developing countries. So it was that the European Economic Community (EEC) and the European Free Trade Association (EFTA) came into existence.

Thus ended the long period of structural imbalance *vis-à-vis* the United States, which not only unreservedly welcomed the formation of the Community but also offered it its firm support.

In their turn, eight socialist countries<sup>3</sup> formed their own grouping, the Council for Mutual Economic Assistance (CMEA), in order to integrate certain important activities, plan them jointly, and import greater fluidity to the reciprocal trade of the participating countries.

A new order is thus emerging among the more advanced industrialized States and the next few years will reveal its ultimate significance more clearly: it remains to be seen whether this new order will be one in which vast regions withdraw into their shells and isolate themselves with a minimum of trade between them, or whether it will be one in which they take advantage of a closer economic link involving new forms of the international division of labour.

Hence the vital significance of the massive cut in tariffs proposed by the late President Kennedy for the next round of GATT negotiations. The success of these negotiations among the advanced countries which conduct their trade relations mainly by means of tariffs will thus have a considerable influence on the future development of the world economy.

The EEC authorities have repeatedly affirmed the outward-looking character of their economic policy, a position which coincides with that of the United States. There has been a gradual relaxation of that country's traditional protectionism and it is to be hoped that this new policy can now enter upon a very broad phase.

The socialist States of CMEA have also repeatedly expressed their support of the principle of the inter-

national division of labour. The success of the Kennedy round and the improvement in the international political atmosphere could considerably facilitate the adoption of formulae which would enable the socialist countries to play an active part in world trade by removing the obstacles which obstruct their participation. This refers not only to relations between them and other industrially advanced countries, irrespective of the differences in their economic and social systems, but also to relations with the developing countries, in view of the interdependence of world trade.

#### 4. THE DISINTEGRATION OF THE OLD PATTERN AND THE DEVELOPING COUNTRIES

All this is highly important for the developing countries, but it is far from enough, as will be seen later. What was happening in those countries after the great depression, while such significant changes were taking place in the industrial countries?

The break-down of the old pattern of trade created new problems for the developing countries. The persistent trend towards external imbalance began, first, as a result of the contraction of their exports during the great depression and, later as a result of their slow rate of growth. From the outset, a number of countries tried to counteract this imbalance by means of import substitution, i.e., by inward-looking industrialization, without foreign markets, and later, after the Second World War, by continuing this policy without interruption and by drawing on the international financial resources made available to them.

The external imbalance was thus covered, but in a precarious manner in the countries which at that time were pushing ahead with their industrialization. As time went on, the consequences of this system became increasingly apparent. Industrialization encounters growing difficulties in the countries where it is pursued furthest. These difficulties arise from the smallness of national markets and also from the following peculiar fact. The further substitution proceeds in respect of some imports, the more other imports grow because of the heavier demand for capital goods and, subsequently, because of the effects of higher income. In addition to this pressure, the adverse effects of the decline in the terms of trade in recent years have weakened the effectiveness of financial contributions from international sources.

Furthermore, these contributions entail a heavy burden of servicing which is mounting rapidly, mainly owing to the amount of amortization in respect of relatively short-term credits. Thus servicing competes with an active demand for imports for the relatively scanty supply of foreign exchange earned by exports.

This phenomenon has no historical parallel. The old pattern of international trade, as it existed in the nineteenth century, was characterized, as has already been pointed out, by a strong and steady growth in exports,

<sup>3</sup> For the sake of brevity, the term "socialist countries" in this report refers to the countries designated as "countries with centrally-planned economies" in United Nations publications.



which provided the means for servicing debts. Any difficulties which arose were due not to structural defects, as now, but rather to financial misbehaviour or short-term cyclical contractions. In addition to all this, there is the mounting burden of external payments for maritime freight and insurance. The developing countries own only 6 per cent of the world maritime tonnage and this creates a series of problems. Moreover, while the system of shipping Conferences may be explained by the very nature of sea transport, it involves combines that restrict competition and affects the developing countries as regards both the cost of services and the impact of this cost on various products depending on their degree of processing. The desire to extend import substitution policy to these services is therefore very understandable, but the information so far available in support of this policy is very meagre. All this necessitates further inquiry, and it is to be hoped that the information needed for the purpose will be forthcoming.

This is a characteristic picture of many of the developing countries, especially those where industrialization has made most headway. None of the others, however, is, over the short or long term, immune to the persistent tendency towards imbalance, except in certain exceptional cases; and what is now happening in the more industrialized developing countries foreshadows what will happen in the others unless a conscious and deliberate effort is made to influence the course of economic events and to apply the enlightened policy which those events have made imperative.

## Chapter II

### PRIMARY COMMODITY EXPORTS AND THE DETERIORATION IN THE TERMS OF TRADE

#### 1. THE SLOW GROWTH OF EXPORTS

As has been pointed out, the trend towards external imbalance in the developing countries is mainly a manifestation of the disparity between the rate of growth of their primary exports and that of their imports of industrial goods. While primary exports, with certain exceptions, develop fairly slowly, demand for industrial imports tends to accelerate. This is a spontaneous feature of economic development.

The slow growth of primary exports is an inevitable result of technological progress in the industrial centres. On the one hand, there are direct consequences, since technological progress leads to the increasing substitution of synthetics for natural products; and it is also reflected in one way or another in the smaller raw material content of finished goods. On the other hand, there are indirect consequences, since only a small part of the increased per capita income generated by technological progress goes into the demand for foodstuffs and other staple consumer goods, as com-

pared to the demand for industrial goods and services which tends to rise rapidly. It is significant for example, that, in absolute terms, total consumption of wheat in the United States has remained almost constant since the beginning of the century, in spite of the rise in both population and per capita income.

To all these developments must be added the remarkable effects of the propagation of modern agricultural techniques in the advanced countries.

One of the characteristics of technological progress is that it has not permeated all productive activities or all countries evenly, a fact which largely explains the structural differences and consequent contrasts and disparities in the development process. Until fairly recent times, technological progress was confined to industrial production and had not spread to agriculture to any great extent, except for mechanization. Finally, however, the technological revolution reached this lagging sector, first in the United States and then in Europe. Modern farming techniques made rapid headway and in fact agriculture is becoming industrialized; thus, new dynamic elements are being introduced into the economic complex, at both the internal and the international levels. The old pattern of trade, under which less developed countries were the suppliers of agricultural exports, is undergoing a change which may become permanent and thus help to develop new forms of the international division of labour.

It so happens, however, that the enormous increase in output that has ensued in some major industrial countries, has further weakened the export trade in a number of agricultural products from the temperate zones and also in some tropical or semi-tropical products. And here a very significant fact emerges which is not the inevitable result of technological progress but of political attitudes towards this progress, attitudes that are certainly capable of being changed. In spite of the huge increases in productivity, domestic prices in the industrial countries concerned usually stay higher—and often much higher—than those on the international market. In this way, or through the payment of subsidies to farmers, the adverse effects of technological progress on prices are countered. But this policy also provides an additional incentive to expand production, and the expansion is often carried out on marginal holdings and at excessive costs. In order to guarantee a domestic consumer market for the increased output, imports from other producing countries are restricted or eliminated by various devices that are not always compatible with the provisions of GATT. If this encouragement results in exportable surpluses, such surpluses are exported by means of subsidies or other incentives which tend to depress world prices, while other producing countries are unable to follow suit because of the very weakness of their economies.

Hence, the tendency of the terms of trade to deteriorate occurs in the case of the highly industrialized countries too, largely as a result of technological progress and in spite of their economic strength.

This tendency is the outcome of the well-known readjustment difficulties experienced by primary production which are aggravated by technological progress, as will be explained in the relevant part of this report.

The measures adopted in those countries and the social motives underlying them are understandable: they do not wish the benefits of greater productivity to be transferred to other sectors to the detriment of producers. It is not this policy we have to discuss but rather the fact that the harmful effects of such measures on the primary exporting countries do not appear to have been taken sufficiently into account. It is possible to conceive of a price or income policy which does not encourage marginal production in the industrialized countries and which guarantees the developing countries a reasonable share in consumption. In other words, we should visualize a policy which does not seek to solve the domestic problems of the industrial countries by aggravating the problems of the developing countries.

The restrictive measures applied to imports by the industrial countries cover the whole vast range of primary items except for those which, by their nature, cannot be produced domestically in these countries.

In western Europe, cereals and meats, milk products, vegetable fats and oils, sugar and other foodstuffs are thus well-protected by fixed or flexible tariffs and import quotas. Thanks to this protection, it is possible to pay domestic producers, as stated above, prices much higher than those prevailing on the international market, or to grant them substantial subsidies. While the effects on consumption vary, depending on the nature of the measures adopted, all these measures serve to stimulate increased domestic production at the expense of imports, which have thus dropped to a level where they are merely residual.

In the United States, too, the impact of protectionism is significant and is intensified, in the case of some agricultural products, by the sale of surpluses abroad, which, despite efforts to prevent them from invading traditional markets, have a harmful effect on other producing countries.

It is often asserted that the weight of the restrictive measures applied to agricultural products from the temperate zones falls mainly on the primary exports of industrial countries and that they consequently have little effect on developing countries. But there are two reasons why this is not so. The first is that certain Latin American and Mediterranean developing countries which export such temperate-zone products are seriously affected by these restrictions. The other is that the sale of surpluses in world markets often displaces tropical or semi-tropical products. One example is rice in the consumption of countries of the Far East and Canada. Furthermore, oils and fats from the industrial countries are tending to oust imports from developing countries; temperate-zone fruits are tending to take the place of tropical varieties; and the competition between beet sugar and cane sugar is

seriously harming the developing countries, as are highly subsidized exports of cotton, maize and tobacco from industrial countries.

In addition to the foregoing, the following consideration must also be borne in mind. International trade cannot be arbitrarily fragmented, and the unfavourable effect that sales of surpluses have on exports from other developed countries also impairs their capacity to import from the developing countries.

Thus, for example, the difficulties experienced by such countries as Australia, Canada, the United States and New Zealand are bound to affect the ability and willingness of these countries to open up their internal markets to larger shipments from developing countries.

Tropical products are not subject to import restrictions in the markets of the industrial countries, but their consumption is discouraged in some of them by internal taxes which are usually more than the value of the items imported. Furthermore, the preferences granted to certain countries which export these tropical products are detrimental to the interests of other developing countries.

Imports of many mineral products tend to rise as industrial development progresses. This is happening in the countries of western Europe, which continue to depend on imports for most of their requirements in minerals and non-ferrous metals, while the United States has become a net importer rather than a net exporter of this group of products. Nevertheless, the United States continues to restrict imports in the interest of domestic production of lead, zinc and petroleum. Similarly, certain coal-producing western European countries levy duties and taxes on petroleum products that compete most directly with coal.

The foregoing remarks relate to the advanced private-enterprise countries. The socialist countries too have obviously made great efforts to stimulate their primary production, and the technological revolution in agriculture is proceeding there also. In recent years, as will be seen elsewhere, their imports of primary commodities from the developing countries have increased rapidly, although not yet commensurately with their economic potential. Consequently, the aforesaid objectives as regards a reasonable share in consumption hold good in the case of the socialist countries as well.

## 2. WHY THE PRICES OF PRIMARY COMMODITIES TEND TO DETERIORATE IN RELATIVE TERMS

The easing or elimination of protectionism in the industrial centres could have a far-reaching effect on the prices of the goods benefiting thereby. But it would be idle to believe that this can have any decisive effect on the downward trend of the terms of trade for primary commodities in relation to industrial products, which has again prevailed in the past decade. The factors operating in this direction have deeper roots in the peripheral countries than in the industrial centres. The former suffer from a congenital weakness

that makes it extremely difficult, if not impossible, for the deterioration to be checked by a decision on their part and on their part alone.

Owing to the slowness of the growth of demand for primary commodities, only a dwindling proportion of the increment in the economically active population in the developing countries can be absorbed in their production, and the more productivity in primary activities rises as a result of the assimilation of advanced techniques, the smaller will that proportion be. The economically active population therefore has to be shifted to industry and other activities.

This shift is a lengthy process, even in the industrial countries where the proportion of the economically active population employed in primary production is already relatively small. Hence the phenomena discussed above. If the switch-over were effected rapidly and primary production were quick to adjust itself to the slow growth of demand, one of the requisites for obviating the deterioration of the terms of trade would be fulfilled.

For this to happen, industry and other sectors would have to develop very rapidly in the peripheral countries and achieve a rate of growth much higher than that heretofore attained in those countries, particularly if efforts to introduce advanced techniques into primary production and other low-productivity activities were intensified.

The magnitude of this process is indeed enormous. It should be remembered that, although there are differences from country to country, about 60 per cent, on the average, of the economically active population of the developing countries is still engaged in agriculture and other branches of primary production, working generally at a low rate of productivity, and that to this figure must be added that part of the economically active population engaged in artisan activities and personal services at very low scales of remuneration. All these sectors of the population exert constant pressure on the real level of wages in the developing countries and make it extremely difficult for this level to rise in direct proportion to productivity as the latter improves with technological progress. The increase in income generated by higher productivity in the agricultural sector thus tends to shift to other parts of the domestic market or abroad, as the case may be, provided that the shortage of available land does not absorb the increase in income by raising the rent for the benefit of landowners and provided that the play of market forces is left undisturbed.

In the industrial countries, on the other hand, the relative shortage of labour and strong trade-union organization allow wages not only to rise as productivity increases but even, as often happens, to outstrip the increase.

Thus there is a fundamental disparity in these trends. It is a consequence of the structural differences between industrial centres and peripheral countries and it explains the tendency of the terms of trade to

worsen. The protection enjoyed by the primary commodities of the industrial centres obviously encourages this tendency because it accentuates the disparity between demand for primary commodities in the centres and demand for imports of manufactures in the periphery.

This should not be regarded as an immutable law. It is a trend which can be slowed down or halted when the demand for primary commodities in the major centres expands very rapidly either because of the speed with which income rises or because of extraordinary requirements, and it cannot be immediately followed by a corresponding expansion in primary production. The terms of trade will then become favourable; and if, as is usually the case, both land and manpower are available, production will expand to the point where it exceeds demand and the tendency of the terms of trade to deteriorate will reappear, particularly if techniques which increase productivity are applied and the demand of the industrial countries is restricted at the same time.

With an effort of the imagination it is possible to visualize a situation of dynamic equilibrium in the distant future in which the trend in question disappears as a result of the world-wide process of industrialization. If the advanced centres themselves have not yet succeeded in reaching that stage, the countries on the periphery of the world economy can hardly be expected to do so within a short space of time. The readjustment will come about in the end when the structural change is completed, but the period of transition will be very long. In the meantime, it is precisely through this period of transition that the present and successive generations are destined to live, and it is those generations which will have to bring about the change. The change will also require capital formation on a vast scale, to say nothing of time. In the developed economies, capital formation, intrinsically very strong, is facilitated by the very increase in productivity which accompanies technological progress, whereas in the developing countries, owing to the transfer abroad of income caused by the deterioration in the terms of trade, the capacity for capital formation, intrinsically very feeble, will be further diminished.

It is obvious that, if technological progress in primary production is intensified and if technology in the developing countries also undergoes a revolution, without which they cannot grow faster, the tendency of the terms of trade to deteriorate may be even stronger than in the recent past. This is not a prediction. But, what factors can we descry on the economic horizon that are capable of countering this tendency?

There are those who are inclined to set great store by the recent firmness of primary commodity prices and indeed, the United Nations index of world commodity export prices, having declined by the beginning of 1961 to a level of 8 per cent below that of 1953, remained stable during 1961 and 1962 and has since recovered more than half of the loss since 1953. But can it be argued that the general trend has finally reversed itself

and that there is no longer any need to worry about the possibility of further deterioration? Or ought we, on the contrary, to face up to this phenomenon with a great sense of foresight?

There are various ways in which this can be done: by means of commodity agreements, which not only improve prices but also facilitate access to the markets of the industrial countries, or by compensatory financing. These are in fact convergent measures, the nature of which will be analysed in the appropriate part of this report. Suffice it to say here that there are difficulties but that they can be solved. However, for the technical discussion to be profitable, it must be preceded by a political decision of the first importance, namely, a decision to transfer, in one way or another, to the countries exporting primary commodities the extra income accruing to the industrial countries as a result of the deterioration in the terms of trade.

From a pragmatic point of view this means recognizing that countries experiencing a deterioration in the terms of trade have a *prima facie* claim upon additional international resources—resources over and above those which they would have received in the normal course of events.

Some aspects of this matter are rather delicate and might lead the discussion on to barren ground unless we keep these pragmatic considerations uppermost in our minds. Practically speaking, the position is this. The foreign earnings of the developing countries have suffered severely from the deterioration in the terms of trade. Unless these countries succeed in obtaining additional resources, they will be unable to achieve the reasonable rate of growth set as a target in their plans. The situation will be worse still if the terms of trade deteriorate further in the future. Additional resources, then, are indispensable, and it is the purpose of compensatory financing to provide them through such a transfer, in so far as the purpose is not achieved through higher prices. This would give economic development plans a large measure of stability which can certainly not be achieved by expedients designed simply to cushion the impact of fluctuations in exports, although such expedients are an important step in the right direction. These plans will have to be reviewed whenever necessary in order to deal with the consequences of deterioration. In other words, compensatory operations must be an integral part of a more rational policy for financing development.

### 3. THE INFLUENCE OF THESE FACTORS ON THE DEVELOPMENT OF PERIPHERAL EXPORTS

All the factors mentioned above can be summed up in some very eloquent figures. These figures reflect the fundamental changes that have been taking place in the international economy and having such a great effect on the peripheral countries. They reveal first and foremost the contrast between the periods before and after the great world depression.

Before the depression, trade in manufactures and trade in primary commodities grew steadily and at much the same rate. Between 1876 and 1929, the cumulative annual rate of growth of both was approximately 2.5 per cent.

With the great depression, a truly striking disparity began to appear, for the first time since the industrial revolution. Trade in manufactures expanded faster than during the earlier period, while primary commodity trade slumped. Thus the first group of products registered an annual rate of growth of 3.1 per cent,<sup>4</sup> while the latter trade grew at an annual rate of only 1 per cent<sup>5</sup> (see the following table):

World production and exports of primary commodities and manufactures, 1960

	Volume index (1928=100)	Average annual percentage increase (1928 to 1960)
<b>Production</b>		
Total . . . . .	236	2.7
Manufacturing . . . . .	293	3.4
Primary . . . . .	170	1.7
Primary, excluding petroleum.	159	1.4
<b>Exports</b>		
Total . . . . .	190	2.0
Manufactures . . . . .	260	3.1
Primary commodities . . . . .	158	1.4
Primary commodities, excluding petroleum . . . . .	137	1.0

SOURCE: Bureau of General Economic Research and Policies of the United Nations Secretariat.

This sharp decline in primary exports was due to a combination of two types of factors, as explained above. First, there were spontaneous economic factors which led to a slackening in relative demand for primary commodities, and, secondly, there were factors deriving from the protectionist policy of the industrial centres.

The first type is reflected in the difference in the growth rate of output for the two groups of products. During the same period of 1928-1960, when the annual rate of growth of output of manufactures for the world as a whole was 3.4 per cent, the corresponding percentage for primary commodities was only 1.4.<sup>5</sup> The second type is reflected in the difference between the latter growth rate of 1.4 per cent and the growth rate of 1 per cent for primary exports.<sup>5</sup> Primary exports increased at a slower rate than the aforesaid 1.4 per cent because production for the home market developed more rapidly than exports, mainly owing to the barriers placed in the way of exports.

Now we come to another very interesting aspect. These figures for the period following the great world

<sup>4</sup> Throughout the chapter, data relate to non-socialist countries unless otherwise specified.

<sup>5</sup> Excluding petroleum.

depression do not reflect the full complexity of the situation. The first part of the period was influenced by the adverse effects of the depression and the Second World War. But thereafter primary exports made a strong recovery which carried them to levels even higher than those reached during the pre-depression period. Thus, between 1950 and 1961, world exports of these products grew at an annual rate of 4.6 per cent. Nevertheless, there were no grounds for satisfaction for most of the developing countries, since this trend did not help them. First, the large industrial countries—usually on the basis of subsidies—and the few petroleum-exporting countries accounted for the marked increase in primary exports. Secondly, there were the adverse effects of the deterioration in the terms of trade.

The significance of these facts is such that they deserve further elaboration. The industrial countries greatly enlarged their share of world exports of primary commodities from 47 per cent in 1950 to 55 per cent in 1961, whereas over the same period the share of the developing countries fell from 41 per cent to 29 per cent.<sup>6</sup>

Thus, while world exports of primary commodities grew at the rate of 4.6 per cent, the exports of the developing countries expanded at the rate of 1.9 per cent.<sup>7</sup>

We may now turn to the adverse effects of the deterioration in the terms of trade. Between 1950 and 1961, the terms of trade of primary commodities fell by 26 per cent<sup>7</sup> in relation to those of manufactures, mainly owing to the rise in the price of the latter.

It should be noted, however, that the magnitude of the deterioration was less for some developing countries than this figure indicates, because those countries also import primary commodities and export manufactures, even if on a small scale in the latter case. From the over-all standpoint, even if these circumstances are taken into account, the deterioration in the terms of trade between developing and developed countries over the period in question was 17 per cent.<sup>7</sup>

In order to bring out the significance of this fact, we may compare the effects of the movement in the terms of trade with the net allocation of international finance to the developing countries. The net inflow of all types of finance (loans, investments and grants-in-aid) from 1950 to 1961 amounted to \$47,400 million.<sup>8</sup> This figure drops to \$26,500 million, if remittances of interest and profits for the same period are deducted. The fall in the purchasing power of total exports<sup>9</sup> from the developing countries due to the deterioration in the terms of trade has been estimated at almost \$13,100 million, which means that, after the cost of servicing is deducted, approximately half of the benefit

of this inflow was nullified by the adverse effects of the deterioration in the terms of trade. This phenomenon occurred in different degrees of intensity in the several developing regions and was particularly severe in Latin America, where the effects of the deterioration for the same period were calculated at approximately \$10,100 million. It should be emphasized, in addition, that during the same period net inflows of foreign capital of all types<sup>10</sup> to this region reached the figure of \$9,600 million, whereas Latin American remittances abroad amounted to \$13,400 million.

Let us now examine the impact on growth rates. As mentioned above, from 1950 to 1961 the volume of the developing countries' exports of primary commodities, excluding petroleum, rose by 1.9 per cent a year. The figure rises to 3.6 per cent if their exports of manufactures and petroleum<sup>11</sup> are included. If there had been no deterioration in the terms of trade, the import capacity generated by exports together with the inflow of international resources—again minus the cost of servicing—would have increased by 4.5 per cent a year. Because of the deterioration, however, this did not happen, so that the developing countries' capacity to import expanded by only 3.5 per cent a year.

This expansion in the capacity to import was very far from satisfying the demand for imports generated by economic development. The rate of growth of the aggregate income of the peripheral countries during the period was approximately 4.4 per cent. The demand for imports, for the reasons already indicated elsewhere, must have been considerably greater than this average rate. Through import substitution it was possible to reduce the effective growth of imports to 4.6 per cent, which is still higher than the rate of 3.5 per cent at which the capacity to import was growing. The developing countries were able to do this only by making inroads in their currency reserves and increasing their external short-term liabilities.

### Chapter III

#### INDUSTRIALIZATION AND THE NEED TO EXPORT MANUFACTURES

##### 1. INWARD-LOOKING INDUSTRIALIZATION

If the peripheral countries manage to secure a larger share for their primary exports in the consumption of the industrial countries, this, together with the transfer of income from the latter countries to the former to offset the effects of the deterioration in the terms of trade, will help to narrow the trade gap but will not in itself be enough to close it. These measures will be palliatives, and the relief they afford, though considerable in some cases, will be of limited scope owing to the size of the gap. Hence, the absolute necessity of building up trade in industrial exports.

<sup>6</sup> Excluding petroleum.

<sup>7</sup> Excluding petroleum. Based on data provided by the Statistical Office of the United Nations.

<sup>8</sup> Including private reinvestment.

<sup>9</sup> Including socialist countries and petroleum.

<sup>10</sup> Including private reinvestment.

<sup>11</sup> Including socialist countries.

Exports of manufactures ought to have been the natural complement of the industrialization of the peripheral economies. But it would not have been easy to develop such exports in the very midst of the world slump of the 1930s, when industrialization was beginning to gain momentum in a number of peripheral countries. At that time, the industrial countries, as has already been stated, were obliged to adopt measures severely restricting their imports. Would they, in those circumstances, have permitted the entry of industrial exports from developing countries when they were placing such serious barriers in the way of the latter's primary exports?

Some developing countries, too, had to protect themselves in those days by applying similar measures in order to offset the shrinkage of their export trade and, later, the patent and persistent tendency of that trade to expand slowly.

Thus protected, industrialization began to gain momentum, rather as a defensive reaction aimed at overcoming adverse circumstances and external imbalance than as a clearly conceived and rational design.

A process thus took shape that was very different from the one that had characterized the emergence of new industrialized countries from the latter half of the nineteenth century onwards following the example originally set by the United Kingdom. The United Kingdom at that time applied no protectionist tariffs; they were, generally speaking, relatively low in the European countries; and in the peripheral countries they either did not exist or usually served fiscal purposes. In this propitious international setting, industrialization was able to turn outwards, in addition to satisfying internal requirements. And in this way the countries in process of industrialization reaped the benefits of specialization and of an adequate scale of production. Industrialization thus proceeded in an environment of expanding international trade.

The contrast with what happened after the great depression is striking. Circumstances compelled industrialization to turn inwards like a simple import substitution process—simple but generally costly. Could there have been any alternative? Could the industrialized countries, in their efforts to fight the depression with tariffs and other restrictions, conceivably have encouraged imports of industrial goods from the peripheral regions? Of course not. Nor is it at all likely, given the ease with which domestic production could be geared to import substitution under strong protection and with a relatively guaranteed and expanding internal market, that the countries just embarking on industrialization would have set a different course and directed their efforts towards hostile and risky external markets.

Thus, in the developing countries which undertook to industrialize at that time, industrialization proceeded piecemeal in a large number of watertight compartments with little inter-communication, to the serious detriment of productivity.

The Second World War gave this form of inward-looking industrialization still further impetus, and nothing happened thereafter to alter this characteristic trend. Industrialization based on import substitution has certainly been of great assistance in raising income in those developing countries, but it has done so to a much lesser extent than would have been the case had there been a rational policy judiciously combining import substitution with industrial exports.

The experience of the countries—especially the Latin American countries—which were thus becoming industrialized in watertight compartments is of particular interest in this connexion, because it illustrates the problems that the other developing countries may have to face if, for lack of external markets, they too are forced to look inwards in their industrial development. The former countries are now confronted with the following consequences of their industrial development:

(a) The simple and relatively easy phase of import substitution has reached, or is reaching, its limit in the countries where industrialization has made most progress. As this happens, the need arises for technically complex and difficult substitution activities, which usually require great capital intensity and very large markets if a reasonable degree of economic viability is to be attained. Thus there are limits to import substitution in the developing countries which cannot be exceeded without a frequent and considerable waste of capital.

Moreover, the extension of import substitution to a wider range of goods generates or increases demand for other imports, whether of raw materials and intermediate goods to manufacture products in respect of which such substitution is taking place, or of new lines of capital goods or consumer goods that technology is constantly creating.

(b) The relative smallness of national markets, in addition to other adverse factors, has often made the cost of industries excessive and necessitated recourse to very high protective tariffs; the latter in turn has had unfavourable effects on the industrial structure because it has encouraged the establishment of small uneconomical plants, weakened the incentive to introduce modern techniques, and slowed down the rise in productivity. Thus a real vicious circle has been created as regards exports of manufactured goods. These exports encounter great difficulties because internal costs are high, and internal costs are high because, among other reasons, the exports which would enlarge the markets are lacking. Had it been possible to develop industrial exports, the process of industrialization would have been more economical, for it would have made possible the international division of labour in manufacturing.

(c) Usually industrialization has not been the result of a programme but has been dictated by adverse external circumstances which made it necessary to restrict or ban imports; these measures have been applied especially to non-essential imports that can be

dispensed with or postponed. Thus home production of these goods has been encouraged, absorbing scarce production resources, often regardless of cost. A more rational policy would have given priority to import substitution in respect of goods which could be produced under more favourable conditions than others, not only consumer goods, as has generally been the case, but also raw materials and intermediate and capital goods.

(d) This substitution in respect of non-essential or not urgently needed goods has led those developing countries which are most advanced in the process of industrialization to concentrate, so far as their imports are concerned, on essential goods, particularly those required by productive activities. Hence, any sizable drop in the earnings of primary exports cannot be offset as easily as in former times by compressing imports, because nowadays the margin of such imports that can be eliminated without slowing the pace of internal economic activity and employment is much narrower.

(e) Finally, excessive protectionism has generally insulated national markets from external competition, weakening and even destroying the incentive necessary for improving the quality of output and lowering costs under the private-enterprise system. It has thus tended to stifle the initiative of enterprises as regards both the internal market and exports.

The development of industrial exports, in addition to counteracting the potential trade gap, will make it possible gradually to increase the advantages of industrialization by correcting its defects. This applies not only to the developing countries which have already started this process and are making headway, but also to the others, especially those which have emerged with the collapse of the colonial system. A process of fragmentation even greater than that which previously existed in the international economy is now taking place. Nearly one hundred of the developing countries have each less than 15 million inhabitants and in two thirds of them the population is less than 5 million; their national markets are handicapped not only by the smallness of their populations but also, in many cases, by their extremely low incomes per capita.

These countries must become industrialized, come what may, for, generally speaking, they do not have sufficient agriculture to provide adequate employment for the increment in the economically active population, particularly when new techniques are introduced which increase productivity and reduce the relative demand for labour.

On the other hand, the circumstances in which the great industrial countries now find themselves are very different from those of the 1930s and the post-war period, yet the atmosphere prevailing in those countries has often not encouraged industrial exports from the developing countries. Moreover, the latter, in their turn, usually lack a clear-cut policy for promoting their manufactured goods.

## 2. BARRIERS IN THE INDUSTRIAL CENTRES TO EXPORTS OF MANUFACTURES FROM THE PERIPHERY

The barriers which the industrial countries have placed in the way of exports of manufactures from the developing countries are of long standing and have recently become greater in some cases.

Among the foremost of such barriers special mention should be made of differential tariffs. These tariffs seriously hamper the processing of raw materials in the developing countries, because as a rule they rise in proportion to the degree of processing.<sup>12</sup>

No special attention has been devoted to these differential tariffs in the GATT customs negotiations, although their importance has been recognized in that organization's reports. It is understandable that the tariff cuts granted to each other by the industrial countries which are Contracting Parties of GATT, although extended to the less advanced countries under the most-favoured-nation clause, had no significant effect on them, since the goods to which they applied were usually those of interest to the former countries and not to the latter.

Furthermore, in cases where some developing countries have surmounted the obstacles and, as a result of preferences or relatively low tariffs, have succeeded in securing a foothold for their industrial exports in certain major centres, the latter have imposed restrictions on imports from such countries to prevent a disruption of the market.

This has happened even in cases where there were no balance-of-payments or unemployment problems, two of the reasons usually cited to justify import restrictions. The countries of western Europe, in spite of their large trade surplus and manpower shortage, have not been noted for a liberal import policy towards manufactures from developing countries. Thus, in 1962, so far as total manufactures<sup>13</sup> imported by the EEC countries are concerned, the proportion imported from all developing countries fluctuated between only 1 and 4 per cent, whereas, the corresponding proportions were 11 per cent for the United States and 12 per cent for the United Kingdom. The United Kingdom imports more manufactures from the developing countries than does the entire European Economic Community, and between 40 and 50 per cent of the cotton textiles it consumes comes from them and Japan.

Unfortunately, both the United States and the United Kingdom have made their policy considerably less liberal by concluding agreements with the developing countries which severely limit the latter's exports of manufactures. For example, under existing arrangements, if exports to the United States and the United Kingdom remain unchanged, it seems unlikely that exports of cotton textiles, which expanded at the rate of

<sup>12</sup> These differential tariffs also exist in the developing countries and obstruct their reciprocal trade.

<sup>13</sup> Excluding non-ferrous metals and slightly processed materials.



14 per cent from 1955 to 1961, will be able to increase by more than 3 per cent in the next few years.

Apart from cotton textiles, there are also restrictions on jute and tobacco products, preserved fish, coconut fibre articles, sewing-machines and bicycles.

It should be noted that, in addition to import restrictions, limitations are frequently imposed through administrative procedures. Sometimes private enterprises also introduce their own restrictions, either by preventing imports of products manufactured by their subsidiaries or affiliates in the developing countries or in other ways.<sup>14</sup>

The problems created by some industrial imports from developing countries cannot be disregarded, but neither should they be exaggerated. Unfortunately these imports have covered a small range of products and countries,<sup>15</sup> and if the range or both were substantially wider, this diversification would by itself considerably reduce the risk of disrupting the markets of the developing countries.

Moreover, the volume of industrial goods which the developing countries need to export to reach their growth targets is by no means unmanageable. As will be seen below, if half the potential gap were to be covered by such exports by 1970, this would represent only between 4 and 5 per cent of the increment in the advanced private-enterprise countries' consumption of manufactures. These proportions would, of course, be lower still if the more industrially advanced socialist countries are included in the calculations.

Can so tiny a figure possibly be a cause of anxiety? Reference is often made to the sacrifice that exports from the peripheral countries would entail for the industrial countries. But neither the above figure nor the nature of the process involved can really be described as a sacrifice. For these additional exports from the developing countries would very soon be reflected in further imports from the major centres, particularly of capital and intermediate goods. These are precisely the goods in which the productivity of the industrial centres is very high and which earn very substantial sums. To export such goods in increasing quantities against imports of articles which they manufacture with relatively less efficiency, far from being a sacrifice, would be a positive advantage.

### 3. A NEW SUBSTITUTION POLICY WITHIN THE REGIONAL GROUPINGS

The stress just laid on industrial exports does not mean that import substitution policy should be abandoned. On the contrary, it should be maintained.

<sup>14</sup> A well-known example of this type of action is the so-called Noordwijk Club, formed by producers of cotton textiles in Austria, Switzerland and the EEC countries for the purpose of preventing the re-export to countries members of the Club and to the associated African States of cotton textiles imported from the developing countries. The Noordwijk agreement is implemented by the Governments of the Club members.

<sup>15</sup> India, Hong Kong, Israel and Mexico account for more than half of the industrial exports from developing countries.

In calculating the potential trade gap, it was assumed that the tempo of the substitution process will remain the same as in the past. There is still a margin for import substitution, although it has shrunk considerably in those peripheral countries which have made more headway with industrialization. The margin could be appreciably widened if substitution were to be carried out, not within each individual country's domestic market, but within groupings of countries so as to reap more easily the benefits of competition, specialization and economies of scale.

This more rational form of substitution policy could be applied to imports not only of goods but also of services, such as freight and insurance, which form an important component of the potential gap. Furthermore, in some cases the export of these services might be increased if a collective approach were to be adopted through such groupings. But the difficulties in the way are by no means negligible.

It is sometimes assumed that the formation of such groupings is a valid alternative to the expansion of industrial exports to the developed countries. Import substitution policy, if applied by a large grouping of developing countries, could certainly carry the process further and ensure greater economic viability than at present. But the effectiveness of such a policy has its limitations.

First and foremost, beyond a certain point import substitution becomes increasingly difficult and costly. Several factors account for this: the lack of natural resources; the technical complexity of certain industries; and the inadequate scale of production even in a grouping of developing countries. If even large economic areas, endowed with a wide variety of abundant natural resources and a high level of technical skill, are interested in promoting the international division of labour, they do so because they find the interchange advantageous. Can countries in a less satisfactory economic and technological position possibly deny themselves such advantage even if they group together? In any event, it takes time for these groupings to develop, and, even if they made considerable and effective headway with their substitution policy, they would still have to pass through a period during which it would be extremely convenient for them to export increasing quantities of manufactures in order to supply themselves especially with the capital goods they require to complete and consolidate this development.

Again, the steady advance of technology in the manufacture both of new and more efficient capital goods and of consumer goods adds further advantages to those of trade visualized in purely static terms. Not all the industrial countries keep step so far as modern techniques are concerned and these innovations are not evenly distributed over the vast range of goods. A mounting flow of trade has the merit of quickly disseminating the goods that incorporate these new techniques. If the developing countries were to closet themselves within their own groupings, they would be



lagging behind continually in the march of technological progress, since their primary exports would not earn them nearly enough to purchase such goods. It is inconceivable that, in the foreseeable future, they will have access to the innovations in question or be able to incorporate them in their own production if they are compelled to restrict their imports of capital goods in this way.

Lastly, within a regional grouping, particularly if it is very limited in scope, there is a risk that its smaller members may become too dependent on their larger associates; perhaps the best way to prevent this is through the diversification of their export trade in respect of both products and countries of destination. And this can only be achieved at the world trade level.

All these points explain why the developing countries have displayed great interest in expanding their trade with the more advanced countries. Actually the problem of narrowing and closing the potential gap must be attacked simultaneously on both fronts. Their interdependence is obvious. The expansion of industrial exports to the rest of the world will undoubtedly have beneficial effects on trade between countries of the same region. In turn, if regional exports of manufacture are thus increased, the industries concerned will be in a better position to compete with the rest of the world.

#### Chapter IV

### GATT AND THE DEVELOPING COUNTRIES

#### 1. THE ACHIEVEMENTS OF GATT

GATT has important achievements to its credit. Following the inter-war period of chaos, it introduced a new concept of a rule of law in world trade. One may criticize the particular character of some of the law that has been applied.<sup>5</sup> But this should not be allowed to obscure the fact that the decision of Governments that world trade should be subject to this law was in itself of vital importance in this field.

In the past, increases in trade restrictions by particular countries have frequently led to a spiral of retaliation in which all have lost and none have gained. The application of a rule of law in world trade has already helped to limit excesses of this type and could do much more if the law itself were made more responsive to contemporary needs.

A second virtue of GATT is its machinery for complaint and consultation. Each member country has an opportunity to bring forward instances in which it feels that it has suffered injury at the hands of another member, and can claim the redress authorized or adequate compensation, although it must be admitted this procedure has often not been effective in practice.

GATT also provides a forum in which countries can discuss the impact of one another's trade policies, with a view to reaching a satisfactory accommodation.

Within this framework of rules and consultative machinery, GATT has brought about considerable reductions in the tariffs and other restrictions on world trade that were established during the difficult period following the great depression.

It is true, however, that these reductions have been of benefit mainly to the industrial countries and that the developing countries generally have obtained very little benefit from this process. But in so far as the reduction of tariffs and restrictions may have created a more favourable basis for growth in the industrial countries, some indirect benefit will have accrued to the developing countries in the form of a higher demand for their exports than would otherwise have occurred.

Finally, since the publication of the report, *Trends in International Trade*, in October 1958, GATT has been making a serious effort to conduct its activities in a way that would take more adequate account of the unsatisfactory position of developing countries in world trade. Still, it must be admitted that the positive results of these efforts, after more than five years, have been somewhat disappointing. But the problem itself has been recognized, and this recognition led to the consideration of a Programme of Action by a GATT Meeting of Ministers in May 1963, and subsequently to efforts to implement that Programme. The matter now rests with Governments: if this Programme of Action could be fully carried out by all countries concerned, a very important step forward would have been taken. The resolutions relating to the Kennedy round were also adopted at this Meeting of Ministers. The principle of not demanding full reciprocity from the developing countries was accepted, among others, during these negotiations on tariffs and other barriers to trade. In addition, the achievement of satisfactory conditions of access to world markets for agricultural products was set as an objective.

The GATT Tariff Conference of 1960/61 resulted in very limited benefits for the less developed countries; it is to be hoped that the Kennedy round will produce a more favourable balance in view of its significance as crucial evidence of the practical benefits which GATT can offer to the developing countries.

Furthermore, it is acknowledged that GATT has a very efficient secretariat, a fact that is borne out by its studies and the careful preparation of its negotiations; and it has also shown its ability to adapt itself to the changing realities of the times.

The above comments on GATT should be approached within a broad perspective. We can now see clearly things which were still confused and vague in the Havana days. The absolute necessity of industrialization for the peripheral countries had not been recognized or realized nor had the need to intensify this process as advanced techniques permeated into agriculture. Another thing which was not properly understood was the persistent trend towards external imbalance, which was attributed more to the inflationary policy of Governments than to the nature of the growth phenomenon. In addition, the developing

countries were still very far from stating their position and defining their aspirations and attitudes. The end of the colonial era was only just in sight. And social tensions in the developing countries were not then so conspicuous or so pressing as they now are. We can now see all this clearly and there is an increasingly strong feeling that a very great effort will have to be made to alleviate and eliminate those tensions, which have such a great impact on world peace.

This effort could no longer take the form of a few rules and principles specifying what must be avoided; it is essential also to determine what must be done and to formulate a policy which meets this need for positive action.

Why has GATT not been as efficacious for the developing countries as for the industrial countries? There are two main reasons. First, the Havana Charter, as has already been said, is based on the classic concept that the free play of international economic forces by itself leads to the optimum expansion of trade and the most efficient utilization of the world's productive resources; rules and principles are therefore established to guarantee this free play. Secondly, the rules and principles in question have not always been strictly complied with and, even though they seem to have been observed in the letter in certain instances, the spirit underlying them has not been respected.

## 2. THE STRUCTURAL DIFFERENCES AND THEIR CONSEQUENCES

The free play concept is admissible in relations between countries that are structurally similar, but not between those whose structures are altogether different as are those of the industrially advanced and the developing countries. These structural differences show themselves in various ways which were outlined in the preceding section.

The structural origin of the deterioration in the terms of trade has already been indicated and there is no need to revert to the subject here. It will be recalled that the Havana Charter mentions this phenomenon at one point. Elsewhere, however, in the articles relating to commodity agreements, the predominant idea that ultimately emerges is that basic market trends should not be impeded.

We have also commented on the disparities in international demand, which also derive from structural differences. This is a fundamental point which does not seem to have been given the importance it deserves in the Havana Charter. Thus, in seeking to lower or eliminate tariffs and restrictions with a view to promoting trade, neither the Charter nor the Agreement draws any distinction between developed and developing countries. And since there is an initial assumption of homogeneity, such reductions have to be equivalent everywhere. This is the principle of conventional reciprocity that prevailed until recently. The fact that these disparities place primary and industrial exporting countries in diametrically opposite

positions has not been taken into consideration. Hence the importance of the fact that the need to depart from the idea of conventional reciprocity was recognized in the Kennedy round.

The former group of countries, given the relatively slow growth of their primary exports, cannot cope with the intensive demand for industrial imports unless they alter the composition of the imports in question, replacing some of them by domestic production so as to be able to increase others. In the absence of an export trade in manufactured goods, the only alternative left open to the developing countries is to grow at the slow tempo set by their primary exports, or to encourage these substitution activities by means of protectionism so as to develop more rapidly and prevent or correct the external imbalance as they develop.

If protectionism is kept within certain bounds, i.e., if it is applied only to the extent necessary to counteract the disparity in demand, there is no reason why it should have a depressive effect on the dynamics of world trade; on the contrary, it should have a purely balancing influence. Within these limits, not only is industrialization compatible with the development of primary production and exports, but an optimum relation between the two, conducive to intensive economic development, is conceivable. Of course, if a developing country weakens its primary export position by measures which act as disincentives and its place is not filled by other exporting countries, these depressive effects on international trade will be inevitable. But such effects, however we may look at them, are not inherent in the industrialization of the peripheral countries.

On the other hand, protectionism in respect of primary production in the countries exporting manufactured goods does exert a depressive influence, since the disparity in demand, instead of being levelled out, is accentuated, to the obvious detriment of world trade and the growth of the developing countries. In this form, protectionism helps in these centres to slow down still further the growth of the developing countries' primary exports, and hence the expansion of imports of the manufactures needed for their development. In other words, protectionism in respect of primary production in the industrial countries has definitely unfavourable repercussions on international trade and compels the peripheral countries to adopt further import substitution measures so they can continue their development; thus it makes this development even more difficult by curtailing their opportunities for an advantageous international division of labour. The Havana Charter fails to recognize this lack of symmetry and its practical implications for trade policy.

Given the prevailing conception, the objective pursued when that Charter was drawn up could be summed up in the following simple terms. The restrictions and tariffs which had been doing so much to disintegrate the world economy had to be gradually removed and the free play of international economic forces thus

restored. The reduction and elimination of restrictions and tariffs would also cover the primary commodities imported by the industrial countries, and, in return, the countries exporting these primary commodities would have to lower their import tariffs on manufactured goods.

Herein lies the concept of the symmetry of a situation that was far from symmetrical: if the peripheral countries wished to reap the benefits of a liberal tariff policy for primary imports in the industrial centres, they likewise had to make equivalent concessions in their own tariffs. This is the serious drawback of such a conception of trade policy: the failure to take into account the fact that those equivalent concessions would intensify the trend towards trade imbalance inherent in the disparity of international demand, instead of helping to correct it.

Great strides have been made of late towards recognizing that these rules of reciprocity in trade negotiations must be changed because of the economic inequality between countries. A clear distinction must be made, however, between this conventional reciprocity and real reciprocity.

This is a very important point which must be borne in mind. The request for reciprocity in negotiations between countries which have not structural disparity in their demand is logical. Indeed, it is essential for the stability of the world economy that any expansion of exports which a given country achieves on the basis of concessions from the others should be accompanied by concessions granted to the latter, so that its imports from them can increase.

In the case of trade between the developing and the industrial countries, the situation is different. Since the former tend to import more than they export—owing to the international disparity in demand—concessions granted by the industrial countries tend to rectify this disparity and are soon reflected in an expansion of their exports to the developing countries. In other words, the developing economies, given their great potential demand for imports, can import more than they would otherwise have been able to do had those concessions not been granted. Thus there is a real or implicit reciprocity, independent of the play of conventional concessions. And this is what must be recognized in international trade policy.

This distinction is inherent at the transitional stage through which the developing countries are passing. The disparity in world demand does not have to be a permanent phenomenon. As the structure of production gradually changes with industrialization and industrial exports, this disparity will tend to disappear. Indeed, as such exports, both to advanced and to other developing countries, make headway, the disparity can be levelled out gradually. When this happens—and only then—will the bases have been laid for conventional reciprocity between the industrialized countries and countries that are pressing on along the road of industrialization. But this is a long process for most of the developing countries.

### 3. COMPLIANCE WITH RULES AND PRINCIPLES

It was stated at the beginning of this section that GATT had not been effective from the standpoint of developing countries for two main reasons. The first, inherent in the concept of the free play of international economic forces, has just been described. Let us now consider the second: the failure to comply with rules and principles. We shall not undertake an inquiry from the point of view of the relevant texts; we shall rather examine the spirit in which they seem to have been drafted.

The first question to be asked is whether, in the industrial countries, excessive agricultural protectionism aiming at self-sufficiency is consistent with this spirit of GATT, with this objective of expanding trade and not restricting it. This is especially relevant to the restrictions on agricultural imports in western European countries which were intensified at a time when the restrictions on industrial imports, imposed during the post-war period, were being liberalized. It has already been seen that such protectionism—and protectionism in respect of primary commodities in general—accentuates the disparities of demand and compels the peripheral countries to reduce their imports still further to the detriment of trade and the tempo of development in the periphery.

In practice, whenever the industrial countries have needed to safeguard their domestic production, whether in agriculture or in mining, from foreign competition, they have found direct and indirect ways of doing so.

This is what finally happened with respect to the developing countries. It was not so in the early days, when GATT tried to lower the tariffs of the developing countries and to keep protectionism in check. Later, however, it showed greater understanding of their difficulties. A point has thus been reached where such countries can in fact apply, in one form or another, such measures to restrict imports as the persistent trend towards external imbalance would seem to make advisable.

Hence it is not surprising that protectionism has been carried too far by many developing countries. Are the tariffs and restrictions in which this protectionism is reflected sacrosanct? The need for protectionism in the developing countries is now recognized and no longer a subject of controversy. But in several of these countries the tariffs are much higher than is needed to compensate for differences in cost. Their readjustment is thereby fully warranted and this should be an important item in the policy to be formulated at the Conference. The readjustment is justified, however, not by considerations of conventional reciprocity so long as the disparities of demand remain uncorrected, but by the desirability of progressively encouraging competition and vitalizing the industry of the developing countries, thus helping to accelerate their rate of growth. Nevertheless, no such readjustment would be possible unless exports expand and the external

bottle-neck hampering development was reduced until it ceased to exist, for if foreign competition is to have this effect, it is essential for a country to have sufficient external resources to cope with the possible impact of tariff reduction on its imports and to avoid new elements of imbalance in trade.

The correction of excessive protectionism could be undertaken only in connexion with the over-all policy considered in this report. It could not be an isolated or immediate process; it would have to take place as the targets for increasing exports were reached. In this way it will be possible to continue lowering the excessive tariffs and other unnecessary barriers by applying a rational concept of protectionism.

#### 4. PREFERENCES AND TRADE AMONG INDUSTRIAL COUNTRIES

We shall now pass to another important aspect of the GATT system, namely, the matter of preferences. What do they imply with respect to the primary objective of expanding trade? No valid generalizations can be formulated on this subject, for a distinction must be drawn between the different types of preferences before their significance can be perceived. The following types may be distinguished: preferences between industrialized countries, preferences between industrial and developing countries, and preferences between developing countries. This distinction already indicates the role played by differences of economic structure, but there are other factors too that must be considered in this examination.

The first type of preference finds its fullest expression in the EEC, whose population and economic magnitude are similar to those of the United States. The preferences that the member countries grant each other are intended to convert their reciprocal trade into internal trade.<sup>16</sup> This preferential system is giving a powerful impetus to trade among the member countries. Is this irreconcilable with the expansion of trade with other industrial countries and with the developing countries in general?

These two objectives are not at all incompatible. The integration to which the Community aspires, through the lowering of tariffs until they are completely eliminated, will tend to increase trade among its members more quickly than their aggregate income: in other words, it will tend to raise the coefficient of internal trade within the Community itself. Now this expansion of reciprocal trade could also be effected at the expense of trade with the rest of the world, with a consequent decline in the corresponding import coef-

ficient.<sup>17</sup> But not necessarily; everything will depend upon the final level of the Community's common tariff and on the degree of restrictiveness of its agricultural policy.

If the common tariffs are substantially reduced and the restrictions removed, trade with the rest of the world, too, may grow more intensely than the aggregate income of the Community. And if this income rises faster than before, the effects will be even more beneficial. These are, in the last analysis, the factors which will determine whether the development of the community is inward-looking or outward-looking. Events up to the present do not yet allow a final evaluation.

All this is important for the developing countries from various points of view. First of all, there is a manifest intention to extend to them the tariff reductions granted to each other by the advanced countries without demanding reciprocity from them, and this intention involves recognition of a principle that is very meaningful for the developing countries, as was explained above. However, the positive effects of these reductions are doubtful for the developing countries, because those advanced countries will be in a better position than the less developed ones to take advantage of them. But there is another way in which this might benefit the developing countries: if, as a result of such reductions, the advanced countries increase their trade in industrial goods of a high degree of technical complexity or in the new goods that technology is constantly creating or changing, there will be room for the developing countries to expand their own exports of those manufactures which the industrial countries are relatively less efficient at producing as compared with the former goods. But this would not come about spontaneously; rather it should be the result of deliberate action, as will be seen later.

Moreover, the developing countries in the temperate zones might also benefit if the Kennedy round of negotiations succeed in liberalizing western Europe's extremely restrictive policy towards agricultural imports, giving those countries a reasonable share in consumption.

Nevertheless, however much progress is thus registered in trade relations between industrial private-enterprise countries, and between them and the socialist countries, it will be far from constituting a basic solution so far as the developing countries and the policy they require are concerned. Conditions conducive to a policy that favours them will be created, but these conditions cannot be a substitute for that policy. For however much trade may grow between these advanced countries, it will not provide the dynamism required by the export trade of the peripheral countries gradually to bridge the potential trade gap so that they can enjoy the benefits of international trade to an increasing degree.

As has been seen, a similar impulse was given in the nineteenth century by a unique combination of

<sup>16</sup> Neither the juridical aspect of these preferences nor the preferences of EFTA and the Latin American Free Trade Association (LAFTA) are discussed here. What we are discussing is their economic effect, as will be seen in the text. In the case of EEC, once the tariffs between member countries are completely eliminated, the influence of EEC on international trade will largely depend on its common tariff vis-à-vis the rest of the world, as in the case, for example, of United States tariffs.

favourable factors which have not recurred since then and are not likely to recur in a spontaneous way. So the impetus now required must be the outcome of a policy, the result of a deliberate effort to alter the course that events would probably follow if there were no such effort.

##### 5. GENERAL PREFERENCES IN FAVOUR OF THE DEVELOPING COUNTRIES

This policy would require the industrial countries to grant preferences to the developing countries in order to create markets for their exports of manufactures and, at the same time, to bring about the gradual elimination of the difficulties that now hinder the entry of these exports to the industrial countries. This brings us to the second type of preferences mentioned, namely, those that the industrial countries could grant to the developing countries. In principle, GATT does not allow these preferences except in so far as they existed when the Agreement was signed. But, in view of the need to revise some of the principles of the Agreement, this problem could be approached from a substantive rather than a formal point of view to see whether the preferences that the industrial countries may grant to the developing countries would or would not promote GATT's basic objective: the expansion of international trade. A study of this matter was begun at the last GATT Meeting of Ministers.

We have already shown that, unless the developing countries manage to expand their exports by stepping up their characteristically slow rate of growth, they will have to continue import substitution in spite of the obstacles in the way. If they were able to export more industrial goods under a preferential system, they could also import more, and this would enable them to relax the substitution policy and make it more rational.

Now would this really constitute a net increment in world trade or simply a diversion of trade? Various situations may be envisaged. In the case of certain articles, preferences would make it possible for imports from the developing countries to compete with the domestic industrial production of the countries granting them; in other cases, such imports would be effected at the expense of other countries that customarily supplied the articles in question. In the first case, there would be a net expansion of world trade, while in the second there would be a simple diversion of the flows of trade, without any real increase in its volume.

It would be a mistake, however, to situate the problem within a narrow frame of reference, since the lowering of tariffs and restrictions of the industrial countries, mentioned earlier, could more than offset the absolute or relative decline that some of their exports might suffer owing to the competition of the developing countries. In other words, expanding trade among industrial countries, if concentrated in highly specialized and complex goods and in the new products constantly being created by technology as it advances,

would leave ample room for exports of manufactures from the periphery.

It follows that, from the standpoint of the growth of world trade, the ultimate effect of a preferential policy towards the developing countries would largely depend upon the success of the Kennedy round and of the consequent expansion of trade among the industrial countries. Similarly, as we have seen, whether or not the preferential system of the European groupings will help to promote an increase in world trade will depend on the outcome of these negotiations. Still, it was possible for the groupings to come into existence long before those negotiations.

This is further evidence of the fact that world trade problems cannot be examined piecemeal; they must be considered as a whole if their interdependence is to be properly grasped.

Be that as it may, the effects of a preferential policy in favour of the developing countries could not be considered only from the standpoint of world trade. Actually, trade is only a means of promoting growth, and, if the preferential policy helps to accelerate it in the developing countries, it will have fully accomplished its purposes.

Let us now pass to another aspect of the same subject. Should the developing countries give concessions to the industrial countries in return for the preferences granted by the latter? Such concessions would not be justified in the light of what has already been said concerning implicit reciprocity. The developing countries need to export more in order to be able to import more and thus help to prevent or rectify the structural imbalance of their trade. This is really the ultimate goal of the preferences. As that goal is approached, the preferences will gradually have to disappear. The time will then have come for the gradual restoration of the system of conventional reciprocity. For once the direction of the present imbalance is corrected, care will have to be taken to prevent the scales from tipping in the other direction.

##### 6. PARTIAL PREFERENCES FOR THE DEVELOPING COUNTRIES

As has just been stated, preferences granted generally to the developing countries, besides quickening the tempo of their growth, could constitute an effective instrument for expanding world trade.

The same cannot be said of the present partial preferences favouring some developing countries at the expense of others. They generally divert but do not add to world trade flows.

This system of partial preferences was started immediately after the great depression of the 1930s. The United Kingdom applied it with the countries of the British Commonwealth and France with its colonies. These and other lesser preferences were recognized when GATT was formed, a situation very different from the later one in which the preferences that France previously had with its colonies, now

countries associated with EEC, were extended to all countries of the Community.

Although such preferences are a serious problem for some developing countries, their simple elimination could not be contemplated except within the context of a development policy. Many of the countries favoured by these preferences, particularly as regards tropical products, have only recently become independent and are in the first stage of their economic development. Obviously they will have to industrialize, and the policy of general preferences advocated in this report will enable them to carry out that process avoiding the distortions that were created by inward-looking industrialization in other parts of the world. But this will necessarily take time and consequently could not be reasonable compensation for the adverse effects of the sudden removal of existing preferences. Their elimination could be effected only in an equitable way, as part of a gradual plan accompanied by agreements which improve the prices of primary exports, and by firm pledges of extensive financial co-operation, both for infrastructural investments and for the promotion of other exports, including industrial items.

As regards the partial preferences granted for industrial products from developing countries, few have benefited from them so far, and the drawbacks to which the removal of these preferences 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 industrial countries.

These partial preferences, as is well known, have not generally been one-sided; they are also accompanied by the granting of preferences in developing countries for imports from the industrial countries in return for those granted by the latter.

Obviously, in this case it is not possible, as it is in the former, to invoke the need to encourage countries whose production is in its infancy. These preferences spring from a very understandable attitude whereby certain industrial countries take advantage of their buying power in order to obtain trade advantages in other countries that depend primarily on the markets of the former for selling their exports.

The removal of this latter type of preference, apart from its intrinsic significance as a factor in favour of multilateralism, would have the merit of enabling the developing countries to form regional groupings, according each other reciprocal benefits without having to extend them to the industrial countries to which they now grant preferences.

## 7. PREFERENCES AMONG THE DEVELOPING COUNTRIES

This leads us to a very important aspect of the subject under consideration: the preferences that developing countries might grant one another in order to promote reciprocal trade and thus help to expedite their growth.

GATT has established too rigid a framework for these preferences, requiring the formation of a customs union or of a free-trade area. The Havana Charter was more flexible in this respect, but the relevant provisions (article 15) were unfortunately omitted from the text of the Agreement. In addition to this, in certain circles there have been attitudes opposed to the conclusion of payments arrangements between the developing countries designed to promote their reciprocal trade. All this would now have to be revised.

Trade between the developing countries represents a relatively small percentage of their total trade. In 1962, only 22 per cent of the exports from these countries flowed from one to the other. In fact, goods from the developing countries are still exported within the traditional pattern of trade; a large part converges on the major industrial centres, and the peripheral countries engage in reciprocal trade only to the extent required by the differences in their primary production. Moreover, there has been a vicious circle there too, for the low level of trade is one of the factors determining the high cost of transport, and this high cost in turn discourages reciprocal trade. It is often more expensive to ship merchandise from one developing country to another than to industrial countries which are much further away but on the traditional sea routes.

The relative volume of this trade within the total trade is small and has been declining over time—from approximately 26 per cent in 1950 to about 22 per cent in 1962. This can probably be partly explained by the severity of the restrictions on imports which the developing countries were obliged to impose in order to counteract the persistent trend towards external imbalance. The lack of a preferential and payments system was one of the reasons why other developing countries could not be exempted from these restrictions.

The significance of import substitution has already been explained. Each country has engaged in this substitution process in isolation. If, in order to lighten the difficulties they encounter in this process, they carry out substitution jointly in a grouping of developing countries, their imports from the rest of the world will not decrease in volume on that account; they will merely undergo a change in composition. Their volume depends, in the last analysis, upon the attitude of the industrial countries, not on unilateral decisions on the part of the developing countries: this is a consequence of the lack of symmetry of international trade which was already explained. If the industrial countries buy more from the developing countries, their sales to them will grow correspondingly, but, if the latter buy more from the former, their sales of primary commodities will not thereby increase. The trend towards external imbalance will simply be intensified.

Thus it will be the decision taken by the industrial countries, especially those of key importance in trade, that will determine whether the groupings formed by the developing countries will be inward-looking or outward-looking.

In any event, trade among the member countries will have to grow more rapidly than their aggregate income if the grouping is to be successful. So far as trade with the rest of the world is concerned, whether it grows or does not grow faster than this income will mainly depend, as has just been said, upon the policy adopted by the industrial centres. It will be possible to consider that these groupings of developing countries are deliberately pursuing an inward-looking expansion policy only if, even though they have corrected the disparity of demand by enlarging their export trade, they intensify their protectionist policy.

In the case of groupings of industrial countries, on the other hand, the rate of growth of their trade with the developing countries depends basically on their policy towards the latter.

Be this as it may, groupings of developing countries are imperative on a number of counts: to make industrialization policy more rational and economical through specialization and the division of labour; to avoid or remedy, as the case may be, the former distortions deriving from the policy of industrialization in watertight compartments; to promote industrial competition among member countries; and to counteract the trend towards excessive agricultural protectionism in some of the developing countries.

As we have said, the existing provisions of GATT prescribe, as a condition for the establishment of a preferential system, the elimination of duties and other restrictive regulations of commerce with respect to substantially all the trade among the countries concerned through a customs union or free-trade area. It is all or nothing, as regards the preferences that the member countries may grant one another; these are the rules.

Understandably enough, by these rules it was hoped to avoid a patchwork of preferences for different products and countries, with its pernicious consequences. The most-favoured-nation clause is actually the foundation stone of GATT. But what harm would be done to international trade if developing countries formed a grouping to establish a system for eliminating duties with respect to a sizable proportion, even if it were not substantially all, of their trade? By this means, although they would not secure the benefits of full liberalization, they could introduce an element of rationality into the new import substitution activities and correct at least some of the previous distortions to which we have referred.

From another standpoint, it must be recognized that, while the legal framework of GATT is rigid in this regard, there has been a certain flexibility in its application. Such was the experience of the Latin American Free Trade Association which might possibly not have been established had it not been for

this flexibility. This flexibility also existed in the case of other groupings. But it must also be recognized, in the light of experience, that it is not enough to reach an agreement and provide the machinery required to promote reciprocal trade, but that a firm political decision to use this machinery, overriding all the opposition that naturally arises, is also indispensable. This decisive step must now be taken in LAFTA.

## 8. COMMENTS ON GATT

What has been set forth in the foregoing pages shows that the comments on GATT that are frequently made with respect to the developing countries are far from unfounded.

But it is important to stress that the purpose of such comments is not to harp back on the past in order to pass judgement, but rather to point out the course that should be followed so that GATT may become as effective an instrument for the developing as for the advanced countries. Can the measures hindering primary imports in the industrial centres at least be alleviated? Will it be able to work out a satisfactory procedure for gradually removing the preferences that favour some countries at the expense of the others? Can a preferential policy emerge which favours the developing countries' exports of manufactures? And if this can be done, will it be possible to formulate measures which will lessen the excessive protectionism of some developing countries? Will action be taken which will enable the regional groupings of peripheral countries to pursue a rational industrialization policy and promote their industrial exports? In a nutshell, can a policy basically designed to eliminate the persistent trend in the developing countries towards a trade gap possibly be put into effect?

It must not be forgotten, however, that GATT is not an abstract entity with an independent life of its own. It is what Governments wanted it to be. Whether events take a new course that furthers development will depend upon their attitudes, upon their policy decisions. This does not concern only the advanced countries. For although there is resistance in those countries to new forms of trade, there is also resistance, and in no lesser degree, in the developing countries. Many of them are accustomed, after thirty years, to a precarious inward-looking growth and there are powerful forces standing in the way of new flows of reciprocal trade and of the structural changes which this requires. To what extent will it be possible to persuade the industrial centres to leave some opening in their markets for the manufactures of the developing countries if the latter do not themselves make a serious effort to pull down the barriers and restrictions that constitute such formidable obstacles to their reciprocal trade?



## Part Two

### POSSIBLE SOLUTIONS AND INSTITUTIONAL ASPECTS

#### *Chapter I*

#### PRIMARY COMMODITY EXPORTS

##### A. *THE QUESTION OF PRICES*

##### 1. THE REDISTRIBUTION OF INCOME IN INTERNATIONAL TRADE

There are at present three major problems relating to international trade in primary commodities: the question of prices; access to the markets of the industrial countries; and agricultural surpluses and their utilization in development policy.

The phenomenon of the deterioration in the terms of trade affecting primary commodity exports is understood better today than it was a few years ago. The difficulties of other countries are usually better appreciated when they arise in one's own country.

As explained in Part One, primary production tends to increase beyond the limits of what is required by the relatively slow increase in demand. As a result, there is a tendency towards deterioration in the terms of trade; this tendency is aggravated by the effects of technological progress on the volume of production.

The industrial countries have been able to observe that, if market forces were allowed free play, shifts in the terms of trade between agriculture and industry would have distinctly regressive effects on the internal distribution of income. The primary producers would be deprived of part of their real income because of the drop in relative prices and this loss of income would, in general, be all the greater as productivity increased as a result of technological progress. In order to avoid that situation, steps have been taken to support prices of, or income from, agricultural products. Such measures of support are also necessary at the international level with respect to primary commodity exports.

This better understanding out of the problem is no doubt one reason for the recent more favourable attitude of great industrial nations towards commodity agreements. The conclusion of the International Coffee Agreement is an example of this, even though it is still early to pass judgement on its implementation. Similarly, whatever may be thought of particular features of the French plan for the organization of

markets,<sup>1</sup> the plan seems to be based on the conviction that it is necessary to intervene at the international level in order to avoid, or at least attenuate, the consequences of the regressive redistribution of income which has been taking place between developed and developing countries. These new attitudes are not, however, established as yet on a completely firm basis. To create such a basis is one of the primary objectives of the Conference.

The achievement of this objective requires that the industrial countries which import primary commodities should be prepared to consider an extremely important policy decision, namely, to take such measures as would prevent this regressive redistribution of income in the international field. It is to a consideration of the factors on which such measures must be based that we now turn.

##### 2. PRICES, MARKET FORCES AND DEMAND

It is necessary, in the first place, to face up squarely to the fact that the international prices of primary commodities would, in general, have to be supported at levels higher than those which would prevail in the absence of international regulation.

The price mechanism cannot fulfil its traditional functions when most transactions in particular commodities are subject to government regulation at the national level, so that world prices are determined in a very narrow residual market that cannot be regarded as representative of the real market forces. Speaking generally, the smaller the share of the total supply of a particular commodity that is exported, the larger the spread that is apt to develop between prices in the various national markets subject to regulation and the greater the difference that arises between national prices and world market price. The small proportion traded is not, of course, in itself a cause of these disparities: rather it reflects the protection and mutual isolation of national markets which make it impossible for international trade and competition to perform their normal equilibrating functions.

Thus the prices realized on the world market reflect the existence of temporary imbalances between supply and demand outside the main regulated markets: such

<sup>1</sup> See document E/CONF.46/P/5.



prices cannot therefore offer a sound basis for determining the level of commodity prices to be included in inter-governmental agreements.

This situation prevails particularly in the case of temperate-zone agricultural products grown by the industrial countries largely for their own consumption and insulated from the world market by various types of price-support measures. In 1959-61, less than 20 per cent of world production of these goods was traded internationally. This proportion stands in contrast with ratios characteristic of tropical products, where the proportion of production traded internationally is high.

Although world market prices are more meaningful for the tropical and mineral exports of developing countries than temperate products, they none the less do not provide valid guidance for decisions by producers or by the Governments concerned, though for a different reason from that mentioned in connexion with temperate-zone products. For, in situations in which resources devoted to agriculture or mining have little or no alternative employment and in which the response of producers to a decline in prices may, in some circumstances, be an expansion rather than a contraction of output, the price mechanism is as incapable of operating in the normal manner as it is in the case of the residual markets discussed above.

It is for these reasons that it is no longer possible to take the view that commodity agreements should not interfere with the long-term operation of underlying market forces through the price mechanism. Where prices are determined in the context of abnormal restrictions on trade, in fact they no longer reflect the operation of market forces. Under such conditions, it becomes necessary to bring about, on a permanent basis, a confrontation of the production policy and the trade policies of the various countries in order to arrive at solutions satisfactory to all.

It is recognized, of course, that prices cannot be set at any level in a completely arbitrary manner. A number of considerations have to be taken into account, notably the effect on consumption. Where domestic prices in the importing countries are higher than world prices, it would be possible to raise the latter through international agreements without affecting the prices paid by the consumer. It is clear that, where import taxes or internal levies exist with respect to imported primary products, the reduction or elimination of such charges would be necessary if prices to the consumer were not to be raised.

In the case of some tropical products, prices to consumers could be increased reasonably, without appreciable reductions in the quantities consumed. Moreover, in most cases in which such products are subject to heavy domestic taxes, world prices could be raised without any increase in the price to the consumer, provided that the internal taxes were reduced accordingly. Indeed, in some cases, these internal taxes are so high that, if they were eliminated, it would be possible not only to raise export prices but also to effect

a significant reduction in prices paid by consumers, which would naturally have a very beneficial effect on consumption.

In particular, where commodities exported by developing countries compete with output of the same commodities in developed countries, or with similar natural, synthetic or substitute products, it will be evident that the ability to raise or maintain prices depends on the co-operation of the developed countries. Even where developing countries are sole producers of a given commodity, lack of agreement among these countries themselves, or differences of interest between members of various preferential systems—as well as between them and non-members—may make concerted action to raise or maintain prices difficult to achieve.

Particularly difficult problems arise in relation to synthetics. It has been estimated that more than one third of the increase in the consumption of industrial raw materials in the developed countries between 1953 and 1961 consisted of synthetics and aluminium,<sup>2</sup> and the relative displacement of exports of developing countries was almost certainly even greater than this would imply.

How is that competition to be faced? In no circumstances could we seriously entertain the thought of restraining technological advances. That does not mean, however, that it is advisable to encourage certain types of research which should not, for the time being, enjoy any priority whatsoever, as, for instance, research into substitutes for coffee. Moreover, in some cases, the transition might be made easier for the producing countries if minimum proportions were established in the use of the natural product, just as minimums are fixed in some cases in the use of certain national primary products in relation to imported commodities.

On the other hand, it is argued that the competition of synthetics or substitutes should be countered by technological improvement in the production of the natural product. For example, there appear to be encouraging prospects for developing certain properties of wool which, in addition to the natural qualities of the product, might enable it to compete favourably with artificial fibres. It is also pointed out that there are possibilities of increasing productivity and reducing prices in order to come out ahead in competition, and natural rubber is mentioned as one of the products in which that objective could be attained. It is evident that we should then be confronted by a case in which the benefits of technological progress would be transferred abroad in the form of lower prices corresponding to lower costs, which would only be acceptable if it was accompanied by a substantial increase in export volume.

Problems also arise when natural products exported from developing countries compete with identical or similar commodities produced in the industrial

<sup>2</sup> Based on data communicated by Mr. A. Maizels, National Institute of Economic and Social Research, London.

countries. Efforts to raise the prices of cane sugar and of tropical oils and fats, for example, would be faced with the difficulty that these products compete with beet sugar and oils and fats produced by industrial countries.

Each particular case will need special consideration. Here we may note, however, that wherever it is found impossible or inadvisable to raise or maintain prices to the extent required to avoid deterioration in the terms of trade as in the case just mentioned of competition between certain natural products and synthetics, it will be necessary to resort to compensatory financing, as will be explained in the relevant chapter below. In other words, it will be necessary to achieve indirectly whatever cannot be secured through direct action on prices.

The means employed for maintaining or raising prices will generally have to include the regulation of supply, involving export quotas and possibly import quotas as well.

This would appear to be inevitable, if the measures for raising prices restricted consumption to any appreciable extent. This could happen if the countries importing a primary commodity imposed import duties in order to transfer the corresponding income to the producing countries, so as to compensate them for losses resulting from the deterioration in the terms of trade. If consumption were to fall because of the rise in internal prices and exports were not regulated, international prices would decline; and thus the exporting countries themselves, instead of benefiting, would pay the duty in whole or in part. The same would happen if instead of import duties, export taxes were levied in the producer countries.

Lastly, it should be recognized that an international commodity agreement that sets reasonable prices for primary exporters should also contain provisions involving appropriate action to be taken when and as shortages occur by setting ceiling prices in the latter eventuality. This would not only provide protection to consumers but would also be of long-run benefit to producers since unreasonably high prices would stimulate excessive production which, in turn, could lead to low prices for producers.

### 3. THE EFFECT OF HIGHER PRICES ON PRODUCTION

One of the most cogent arguments against raising the prices of primary commodities is that such increases would stimulate production. If a deterioration in the terms of trade results from the difficulty of adjusting the volume of production to the slow expansion in demand, the difficulty would be even greater if the rise in prices provided additional incentives for increasing production.

Developing countries have acquired sufficient experience in fixing prices to producers at levels different from those prevailing on the world market. Where government trading agencies have been employed,

prices received by producers have generally been different from those in force in the international market. In addition, wide-spread use has been made of export taxes and multiple exchange-rate systems. The motives for such policies have been various and have included such goals as the stabilization of producer prices; the protection of consumers from sharp changes in the cost of living; the expansion of government revenue; and the containment of inflationary forces.

If, therefore, it were decided in a particular case that the international price of some commodity might be raised above the current level through intergovernmental agreement, and that the additional proceeds should not accrue to individual agricultural producers, there is abundant experience for implementing such a decision.

The idea of not allowing price incentives to encourage over-production ought also to be applied to importing countries. As explained elsewhere, the policy of agricultural protectionism in many western European countries has resulted in very high prices, making it profitable to farm high-cost marginal land, to the detriment of imports. There is a danger that this process may be intensified during the negotiations pending within EEC. It has been estimated<sup>3</sup> that, on alternative income assumptions, EEC grain imports would average between 8.4 million and 10 million tons by the end of the present decade, at unchanged producer prices. If, however, French grain prices rose by 20 per cent in the movement towards a common price level, EEC imports would fall, on the same income assumptions, to between 2.9 million and 4.5 million tons by that time.

Every country is entitled to redistribute its income internally as it deems most fitting from the economic and social point of view. That cannot be a subject of international discussion. But it is possible to discuss the means employed to that end. There are some methods which have purely internal effects and are unobjectionable, but there are others which resolve domestic difficulties by aggravating the problems of other countries. If instead of resorting to high prices, additional revenue were to be paid to the producer without being linked to the volume of his output, it might be possible to attain the social objective sought, namely, to effect a redistribution of income without stimulating production. EEC has itself been considering the idea of utilizing subsidies instead of high prices in supporting the agricultural economy.<sup>4</sup>

Domestic price policy, as pointed out above, is closely related to the demand for imports. Any commodity agreement or other international measure agreed upon in connexion with trade in primary products would have to prescribe minimum import quotas or commitments by the industrial countries. There would be no point in agreeing on higher prices for

<sup>3</sup> *Agricultural Commodities and the European Economic Community*, prepared by the FAO secretariat (E/CONF.46/45, pp. 6-7).

<sup>4</sup> See European Economic Community, Commission, document VI/COM(60)105 (provisional edition), part II, para. 11.

internationally traded primary commodities only to find that the volume of commodities demanded was declining and perhaps tending to disappear altogether owing to the growth of domestic production in the industrial countries.

This problem is reflected in the French plan for the organization of markets in the recognition that the development of agricultural production in EEC might tend to generate agricultural surpluses; and the plan recommends the sale of such surpluses on concessional terms as a form of aid to developing countries. A number of problems would arise as regards the financing of such sales. But, in any event, it should be understood that there would be a need for firm commitments guaranteeing access to imports from the developing countries, even if such imports had the effect of increasing the volume of surplus supplies to be disposed of on concessional terms. The whole matter should, moreover, be dealt with through concerted action at the international level.

## B. ACCESS TO MARKETS

### 1. THE RESTRICTION OF IMPORTS

As stated earlier, the establishment of prices higher than world market prices, as well as measures for compensatory financing, must be linked with access to markets. The reason for this is not merely that imports might fall when prices rise, but the fact that this rise in prices would be borne mainly by countries that pursue a liberal import policy and which would therefore have to shoulder a heavier financial burden than countries applying a restrictive import policy.

The problem of access to markets must be viewed broadly; it is not merely a matter of the policies being pursued by members of EEC or of EFTA but of long-term trends which may be traced back to the inter-war period. Likewise, it is not merely a matter of the tendency of supported agriculture in western Europe to become more and more self-sufficient, but also of the tendency of supported agriculture in the United States to develop larger and larger excess supplies.

If we go back to the period preceding the great world depression, it will be seen that the subsequent increase in the imports of primary products by western Europe has been extraordinarily small. Between 1927-29 and 1958-61 imports (excluding petroleum) of the most important commodities increased by barely 13 per cent during the entire period, whereas consumption<sup>5</sup> rose much more sharply: per capita imports of these products actually dropped by 2 per cent.

These developments can be explained mainly by the import trend in cereals, meat, fibres and sugar. Imports of cereals in 1958-61 amounted to 21 per cent

less, and imports of meat to 24 per cent less, than in the years preceding the great depression. The falling-off in imports of those two groups of commodities is attributable to a combination of protectionism and the technological revolution. Imports of fibres dropped by 12 per cent as a result of competition from synthetics. Imports of sugar were 30 per cent higher, but consumption rose by 87 per cent in the western European countries taken as a whole.

The contrast between agricultural products, on the one hand, and minerals which western Europe does not produce for itself, on the other, is very striking and indicates the possibilities for increases in imports where protectionism is less significant. Western European imports of metals and ores rose by over 160 per cent from 1927-29 to 1958-61 and imports of petroleum have risen twenty-two-fold, as shown in the table on page 28.

The same table shows the figures for the United States. Gross imports there increased much more than in western Europe, and also more rapidly than consumption. The table does not, however, provide a valid basis for over-all comparison with western Europe because the United States is a major exporter of primary products and its exports have increased as well as its imports, and also because of differences in population growth.

### 2. POSSIBILITIES FOR EFFECTIVE ACTION

Consideration should now be given to the action that might be taken regarding the facts outlined above. In view of the legitimate interests of both industrial and developing countries, the first minimum policy objective regarding grains might be a standstill agreement: importing countries might, under a contract similar to the International Wheat Agreement, undertake to maintain existing access to markets, and exporting countries might undertake not to increase pressure on world markets through surplus disposals and to reduce export subsidies.

In the case of western Europe, total grain production now represents about 90 per cent of consumption; it would therefore be desirable to ensure at least that the proportion of 10 per cent currently imported is maintained for cereals as a whole. This could not apply to wheat alone since, as income increases, per capita consumption of wheat tends to decrease. In the case of forage cereals used for feeding livestock, however, there could be a large increase in consumption, since meat consumption rises considerably as per capita income advances. It is clear the attainment of this objective of maintaining the ratio of imports to consumption depends, as we said earlier, on domestic policy regarding prices and surpluses.

For other products, the objective should be greater access to markets wherever possible. There are cases in which agricultural production in both western Europe and North America is high-cost and ought to be readjusted gradually so as to provide greater opportunities for exports from developing countries.

<sup>5</sup> Full data on meat consumption do not exist for the early years. Excluding meat and petroleum, consumption of the other primary commodities rose by 52 per cent and imports by 16 per cent during the period mentioned.

Prominent among such commodities is sugar but there are many others, including fats and oils. New taxes or duties affecting imports of primary products from developing countries, such as that now put forward in EEC with respect to margarine, should certainly be avoided. At the same time, improved access should be provided for tropical products in western Europe and for minerals in the United States, involving the gradual removal of existing restrictions, including import or domestic levies of one kind or another.

It would scarcely be possible for the Conference to consider individual commodities in detail. It might, however, consider the advisability of:

(a) Taking action to provide greater access to markets in industrialized countries, partly by means of import targets that increase as consumption rises, and partly by the removal of various barriers to trade in primary commodities, including consumption taxes, tariffs and import quotas;

(b) Setting certain quantitative import targets in the form of commitments to purchase entered into by importing countries and specifying quantities or prices. This provision could be tied to a guarantee given by exporting countries to provide the importing countries with adequate quantities, thus ensuring supplies of essential foodstuffs and raw materials for the latter countries in times of shortage.

All this would constitute one of the most important and urgent functions to be discharged within the new organizational scheme which is suggested later in this report. Once this policy of setting targets was approved in principle, it would be necessary to make specific proposals concerning these targets and the ways in which they could be put into effect.

The adequacy of such targets in relation to the export needs of developing countries depends, of course, on the willingness of the industrial countries to make significant modifications in their domestic policies. The case of Sweden provides a striking illustration of a country that has been able to raise the productivity and incomes of its agricultural population without being forced into a policy of self-sufficiency thereby. The Government has adopted as a deliberate objective of its policy the reduction of agricultural output to a level corresponding to 90 per cent of domestic consumption requirements. Swedish agricultural prices, though above world market levels, reflect changes in the pattern of world prices, and are set on the basis of the calculated revenues of well-managed farms. Small farmers receive additional cash payments, but the payments are limited to the current farmers' period of occupancy and do not devolve upon their successors.

A variety of other measures could be introduced to facilitate a scaling down of inefficient agricultural operations in the industrial countries, ranging from the

United States and western Europe: relative growth of consumption and imports  
[Indices, 1927-29 = 100]

Commodity or commodity groupings <sup>a</sup>	United States				Western Europe			
	Total consumption		Gross imports		Total consumption		Gross imports	
	1955-57	1958-61	1955-57	1958-61	1955-57	1958-61	1955-57	1958-61
<b>I</b>								
Cereals . . . . .	90	96	120	89	138	151	74	79
Meats . . . . .	215	217	136	1 077	—	—	78	76
Fibres . . . . .	133	131	171	173	103	99	91	88
Copra and coconut oil . . . . .	91	98	91	97	122	96	122	99
<b>II</b>								
Tobacco . . . . .	181	204	166	216	131	162	99	108
Coffee, cocoa and tea . . . . .	163	176	170	179	125	153	121	143
Sugar . . . . .	133	149	100	113	159	187	142	130
Bananas . . . . .	114	140	114	141	194	266	194	236
Metals and ores . . . . .	222	220	172	156	214	260	208	263
Rubber, natural . . . . .	139	114	126	106	356	255	343	264
Petroleum, crude . . . . .	863	872	526	576	1 600	2 402	1 500	2 277
<b>III</b>								
Average (including petroleum) <sup>b</sup> . . . . .	167	172	167	176	167 <sup>c</sup>	179 <sup>c</sup>	126	141
Average (excluding petroleum) <sup>b</sup> . . . . .	131	136	145	151	149 <sup>c</sup>	152 <sup>c</sup>	108	113

SOURCE: United Nations, *World Economic Survey, 1958*, updated.

<sup>a</sup> The commodity groupings contain the following commodities: *cereals* (wheat, rice, barley and maize); *meats* (beef and veal, mutton and lamb); *fibres* (cotton, wool and jute); *metals and ores* (aluminium, copper, lead, tin and zinc).

<sup>b</sup> Weighted throughout by 1962 average export unit values.

<sup>c</sup> Excluding meats.

withdrawal of high-cost marginal land from cultivation, to the retraining of agricultural manpower for new occupations. These matters have been the subject of recommendations by FAO and the Organization for European Economic Co-operation (OEEC).<sup>6</sup>

### C. AGRICULTURAL SURPLUSES

#### 1. SURPLUSES AND WORLD CONSUMPTION

We shall now consider the third point which was mentioned at the beginning and to which reference has been made several times in this chapter: agricultural surpluses. It is impossible to say to what extent the technological revolution and high prices have each contributed to the accumulation of agricultural surpluses. There is no doubt, however, that the application of modern techniques to agriculture, including the use of fertilizer and improved seed, has been stimulated by high prices. Be that as it may, there is every indication that agricultural productivity will continue to increase rapidly. It is estimated that agricultural productivity will go on rising in the United States at an annual rate of over 6 per cent, or more rapidly than industrial productivity. A similar pace of development is to be expected in western Europe, where, apart from the use of better techniques, the consolidation of marginal holdings into large areas employing advanced agricultural methods could lead to major increases in productivity.

It is obvious that, if increased productivity were accompanied by an even greater shift of manpower from agricultural production, the problem of maintaining imports would not be insuperable. Such an arithmetical exercise is, however, very unrealistic, for, as we know, there are great obstacles in the way of such shifts. It is true that, in the United States, the proportion of agricultural workers in the whole of the economically active population dropped from 22 per cent in 1930 to 8 per cent in 1960 and that, in the principal western European countries, the corresponding proportions over the same period dropped by between 33 and 50 per cent. But these shifts have not been sufficient to prevent production from rising faster than consumption in both areas.

Thus surpluses are a fact that will have to be reckoned with for quite a long time. In a world in which large variations in agricultural output from year to year are still commonplace, a substantial food reserve may be of great importance in preventing famine or shortage, especially in densely populated areas. But the role that surpluses might play in the development of the peripheral countries is also very important.

<sup>6</sup> See, for example, *An Inquiry into the Problems of Agricultural Price Stabilization and Support Policies* (Rome, 1960), and "Agricultural Policies in Europe in the 1960s", *Monthly Bulletin of Agricultural Economics and Statistics* (Rome, January and February 1963); and OEEC, *Trends in Agricultural Policies since 1955*, Report by the Ministerial Committee for Agriculture and Food (Paris, 1961), chapter V.

We must beware of exaggeration in this matter. Surpluses represent, and will continue to represent, a comparatively small proportion of the world's needs in foodstuffs. In 1957-59, for example, world consumption of cereals totalled 555 million metric tons<sup>7</sup> and surpluses sold on non-commercial terms amounted to scarcely 8 million metric tons,<sup>8</sup> or less than 2 per cent.

Moreover, in view of world population growth and the need to improve nutrition, it is estimated that by 1980 the world will require a one-third increase in supplies of cereals. There is therefore an important difference between the immediate situation and the long-term outlook. The surpluses of today may very well give way to deficits in the future unless the technological revolution in agriculture spreads to developing countries. Generally speaking, yields in those countries have increased much less than in the developed countries, as may be seen from the following table:

Percentage increase in yields per hectare of twelve major crops<sup>a</sup> from 1934-38 to 1958-60

North America <sup>b</sup> . . . . .	78
Oceania . . . . .	52
Western Europe . . . . .	29
Africa . . . . .	28
Eastern Europe and USSR . . . . .	16
Latin America . . . . .	14
Far East <sup>c</sup> . . . . .	6
Near East . . . . .	2

<sup>a</sup> Price-weighted totals of wheat, rye, barley, oats, maize, rice, potatoes, soy beans, ground-nuts, tobacco, cotton and jute.

<sup>b</sup> The North American yield improvement reflects not only technical progress but the drought years during the base period.

<sup>c</sup> Excluding mainland China.

It is not surprising, therefore, that per capita food production in the developing world in general has remained practically stationary in relation to the pre-war period. Thus the essential task is to increase production in the developing countries, and it must be tackled with great vigour and foresight, as has been pointed out in FAO publications.

#### 2. SURPLUSES AND ECONOMIC DEVELOPMENT

This does not imply that surpluses do not have a role of considerable importance to play, though not so much from the standpoint of their contribution to the increased consumption as in relation to the trade gap—the fundamental problem with which we are concerned in this report.

The fact is that imports of foodstuffs frequently constitute a significant item in the growth of imports in developing countries, and surplus disposals on conces-

<sup>7</sup> Excluding the socialist countries.

<sup>8</sup> Sales under United States Public Law 480 (title I).

sional terms may be of great importance in meeting this need. Even where such imports represent a comparatively small percentage of consumption, they may weigh heavily in the balance of payments. If such concessional imports were not available, the developing countries concerned might have to sacrifice other imports such as capital goods in order to purchase foodstuffs, to the detriment of their economic development.

It cannot, of course, be assumed that concessional sales of surpluses always enlarge the capacity to import of developing countries considered as a whole. For while it is true that some of the latter benefit thereby, it is equally true that the incomes of exporters of the products concerned may be directly and adversely affected. In any event, it would be necessary to take measures, in line with FAO recommendations, to ensure that surplus disposal does not take place at the expense of export opportunities of the developing countries, whether to one another or to the developed countries.

Nor can it be taken for granted that additional investment is always undertaken in the importing countries in an amount corresponding to the value of the imported surpluses. Food aid provides an opportunity for stepping up investment, but it does not lead automatically to such investment.

Countries also need to guard against the danger that the receipt of food aid will diminish the vigour of their own drive for agricultural development and lead to the postponement of vital decisions on reforms that have to be undertaken.

It has been suggested that food aid should be given in cash rather than in kind, so that the supplies could be obtained from the lowest-cost exporters. However, it should be asked to what extent a country faced with a surplus problem would be prepared to risk the possibility that a substantial share of any food aid it might give would be spent elsewhere. On the other hand, it should be noted that some of the contributions under the World Food Programme are made in cash, even though the amounts are not very large.

Looking further ahead, it is conceivable that the developing countries may in future be able to pay with goods for the imports of foodstuffs that they now receive in the form of surplus disposals. This is an important role that their industrial exports must fulfil within the new pattern of the international division of labour to which reference has been made elsewhere.

In addition to the question of agricultural surpluses, other important problems arise in connexion with the disposal of stocks of minerals, notably from large strategic stockpiles in the hands of developed countries. As in the case of surplus foodstuffs, it is essential to ensure that such disposals do not disrupt world markets, or exert a downward pressure on the volume of prices of exports from developing countries. Such disposals should therefore be subject to international discussion and agreement.

## D. INTERNATIONAL COMMODITY AGREEMENTS

### 1. RECENT EXPERIENCE

So far as commodity agreements are concerned, experience since the end of the Second World War reveals many positive elements and a progressive evolution towards a more favourable framework for international commodity trade. But even more vigorous action is required.

It is not so much a question of creating new machinery, as of adapting the existing machinery to the needs of a policy in which the objectives pursued are more clearly and more fully defined.

The Havana Charter recognizes that international commodity trade is subject to difficulties resulting from persistent disequilibrium between production and consumption. The Charter also refers to measures designed gradually to reduce any unwarranted disparity between world prices of primary commodities and those of manufactured products.

Nevertheless, the Charter gives a rather narrow definition of the circumstances in which commodity agreements may be applied. But nowadays these problems exist on a greater scale and, generally speaking, the view is held that commodity agreements should include suitable measures relating to the various aspects of international trade, especially the fixing of minimum prices, access to markets, and surplus disposal. Notwithstanding this progress, it has so far proved possible to establish international commodity agreements for only five products: wheat, tin, sugar, coffee and olive oil.

Among the difficulties facing countries seeking to formulate these agreements has been the fact that, when export prices are high, many of the exporting countries are less interested in reaching agreement and importers consider that their bargaining position would be better at another time. And, when prices are low, the opposite applies.

From another standpoint, the Havana Charter provides for equal representation of importing and exporting countries. This does not take into account the fact that, under normal conditions, exporting countries have a much larger stake than importing countries in the operation of an agreement because their total export incomes are usually largely dependent on trade in the commodity concerned.

The effort to conclude commodity agreements can hardly succeed so long as such agreements are regarded simply as a compromise between the interests of exporting and importing countries and if they are based mainly on the idea of dealing with market fluctuations. Apart from the understandable interest in having lower prices for the commodities they import, there are at least two aspects to be taken into account by the importing countries. The first involves recognition of the fact that, as the export incomes of the developing countries fall because of the drop in prices,

their demand for exports from the industrial countries also declines. The second aspect to be taken into account is the unfavourable impact of low commodity prices upon the growth of the developing countries and hence upon the general outlook for political and economic well-being throughout the world.

Part of the difficulty surrounding the negotiation of commodity agreements lies in the fact that these aspects of the problem are not always given the consideration they deserve. More of these agreements—and more comprehensive ones—could possibly be concluded if these aspects carried greater weight during the negotiations. But this obviously requires a clear statement of the policy to be followed in respect of primary commodities.

The sort of problem that is apt to arise may be illustrated from experience with attempts to negotiate commodity agreements for coffee and cocoa. It appears that for several years it was impossible to negotiate a commodity agreement for coffee because the point of view of the importing countries was largely influenced by commercial interests. However, as a result of the sharp declines in coffee prices during the latter part of the 1950s and the serious impact of these declines upon a large number of Latin American countries, the importing countries began to take a broader view of the problems relating to the regulation of world trade in coffee. This recognition of the issues made it possible for an agreement to be reached embodying the concept of supporting the price of coffee at the 1962 level.

The precedent set in the coffee negotiations aroused expectations that a similar outcome might be reached for cocoa. However, this favourable attitude towards commodity agreements does not appear to have extended to the case of cocoa. Fewer countries were seriously affected by the outlook for this product, and the cocoa problem therefore did not have the same impact in the higher governmental echelons of the importing countries as had the coffee problem. The result was that considerable difficulty was experienced in reaching a meeting of minds on prices. Under these conditions it was, perhaps, inevitable that the negotiations should fail. This breakdown is a great disappointment, and it is to be hoped that the outlook will improve in the future.

## 2. THE BROADENING OF COMMODITY AGREEMENTS

What is required is that Governments should formulate their policies in this matter and thus provide a frame of reference within which negotiations can be carried out; in other words, there must be a political will to reach these agreements and a desire to carry them out. There can be no doubt that the obstacle here is primarily political rather than technical.

In the first place, a major effort should be made to increase considerably the number of commodities regulated by inter-governmental agreements.

It is important, moreover, that the preparatory work for the formulation of new commodity agreements and the negotiation of such agreements should be vigorously pursued irrespective of current market conditions. In the case of a number of commodities, steps are already under way. The United Nations Cocoa Conference will, it is hoped, be reconvened as soon as there is an indication of better prospects for agreement. Draft agreements on cotton and rubber were discussed some time ago. The International Lead and Zinc Study Group is also considering the drafting of an agreement. A study group on copper has been suggested and tungsten problems are now receiving inter-governmental consideration in a United Nations committee. Certain agricultural commodities are being considered by FAO groups.

From the technical point of view, considerable importance attaches to the study of the problem of standardization and the development of a mechanism for setting up price differentials between various commodity grades, as has been done successfully in the case of wheat.

As was stated earlier, commodity agreements should also be more comprehensive and cover the various aspects of international trade in the commodities concerned. There is already a trend towards this broader approach. For example, the International Coffee Agreement contains an article concerning the removal of obstacles to trade; the International Tin Council has been undertaking negotiations regarding the disposal of non-commercial stockpiles; and the International Wheat Agreement provides for an annual review of international trade in wheat which could influence the determination and implementation of domestic production and price policies.

The latter development is particularly important since one of the main shortcomings of commodity agreements so far is that they have only dealt with international trade in the commodity concerned and, in some cases, with only part of this trade; thus other very important aspects, e.g. the policy of support prices, have been neglected and the consequences have not always been compatible with the interests of other exporting countries.

Under the Havana Charter, no agreement is to remain in force for longer than five years, and the principal objective has been to deal with short-term difficulties or special temporary problems rather than to create conditions for the long-term expansion of commodity trade at stable prices.

In short, there needs to be greater recognition of the role of commodity agreements in the production and trade policies of both exporting and importing countries; the possibility of increasing consumption of primary products and of thus improving long-term prospects should also be further explored. A movement in this direction has already begun with the setting up of a publicity fund under the Olive Oil Agreement, and with the various provisions for promoting consumption contained in the International Coffee



Agreement. Reference was made earlier to the possibilities that research may open up new uses for wool; and similar research might well be undertaken for other commodities. This is a field in which international resources might well play an important role.

Some thought might also be given to those commodities for which no agreements are at present envisaged, particularly in cases where they are subject to regulatory measures at the national level. Inter-governmental consultations should be held on these measures, with a view to arriving at solutions in the common interest.

Much of the machinery necessary for a broader and more vigorous commodity policy already exists in embryo, in the form of study groups and similar bodies and commodity commissions of the United Nations and FAO; what is needed is a clearer sense of the objectives to be achieved and of the policy to be followed, and a simplification and unification of structure.

All this would have to be the subject of further study in the event that the Conference agreed in principle on the need for such a policy.

## *Chapter II*

### INDUSTRIAL EXPORTS FROM THE DEVELOPING COUNTRIES AND PREFERENCES

#### A. EXPORTS OF MANUFACTURES FROM THE DEVELOPING COUNTRIES

##### 1. TECHNOLOGICAL DEVELOPMENT AND INDUSTRIAL EXPORTS

It would be a mistake to suppose that, in the new international division of labour recommended in this report, the developing countries would merely export simple manufactures and the products of an incipient technology. This would only serve to perpetuate existing forms of production, whereas exports, besides their primary aim, must be an effective instrument for promoting technological progress, i.e., a means of changing these forms of production.

There are forms of advanced technology which are, for the moment, beyond the reach or not easily within the reach of the developing countries, while there are others which are within their reach or could be so in a short space of time. Apart from the supply of capital, the main limiting factor is each country's technological density in the sense of available techniques and skills.

The main industrial centres of the world have attained considerable technological density in the course of time; they are not limited to just this or that speciality but have at their disposal a whole complex of specialities and techniques which tends to extend

over a growing proportion of the economically active population and which is reflected in a vast range of skills, from the manual worker right up to the senior technician and the alert and capable executive.

This technology generally requires a high input of capital per person employed. Capital goods can be imported into the developing countries, but not technological density which has to evolve gradually. Only isolated special skills or techniques can be imported. A clear distinction must, therefore, be drawn between capital goods and technological density. There are industries which employ advanced and complex capital goods but which do not require great technological density to develop; if there are a few special skills, or if they can be imported, this is enough to ensure their smooth operation.

These industries may constitute an important factor in the developing countries' policy for exporting manufactures. If such industries absorb large amounts of manpower, they will obviously be more attractive under that policy. It is common knowledge that the problem of absorbing manpower is of vital importance for the developing countries. But they also have another problem to solve with reference to the matter under consideration: the potential trade gap.

Consequently, even though the industries to be developed for exports do not have this capacity to absorb human resources in sufficient measure, this is no reason for disregarding them. On the contrary, they could play a very important role in attaining the second objective.

The same might be said of the industries which are based on a country's natural resources. It is, of course, highly desirable that such resources should be utilized, but the degree to which and the form in which this is done will be subject to those technological possibilities as well as to the availability of capital.

From all these considerations it is clear that the promotion of industrial exports from the developing countries is not just a matter of steering existing industries outwards. Undoubtedly, those industries which in the course of time, could become competitive on the international market should be assisted. However, at the same time, it is advisable to concentrate on the new industries or the new lines of production in existing industries which, with some support in the local market, or preferably in the wider market constituted by a grouping of developing countries, could be launched in the search for external markets.

Furthermore, this situation could not remain static. For, as the technological density of each developing country increases and as its ability to compete abroad improves, new export lines of manufactures will come to the fore encouraged by the dynamism of demand for a series of products. It must not be forgotten that the objective is to lessen the technological disparity between the developing countries and the industrial centres, even though this cannot be done rapidly given the latter's pace of advance.



These considerations give us a clearer picture of the problem of the international division of labour as regards manufactured goods. Naturally, the more advanced countries tend to concentrate on lines which enable them to put their high capacity for capital formation and their great technological density to the best use and thus to raise the income level of their populations as high as possible. Naturally, too, when these structural changes take place, industries that, for one reason or another, are unable to take the same advantage of these favourable conditions gradually give ground to those which can. But it is essential that restrictive measures applied to imports should not impede this trend.

But it is not just a matter of filling the void left by declining industries. This would greatly narrow the horizon. Increasing advantage should also be taken of the opportunities offered by a large number of industries in the developed countries which are growing rapidly in response to the dynamic demand just mentioned. In addition to the finished goods produced by these industries, there is a large variety of intermediate goods which they need and which could be supplied by new industries in the developing countries. The latter countries could then take advantage of the opportunity to share in a very rapidly growing demand, supplying not only goods that are competitive but also goods that complement those produced by industries in the advanced countries.

From another point of view, such sharing by the developing countries in a fast growing demand would not create the same problems for industries in the importing countries as would imports in the case of industries in which the demand is sluggish. These problems we will now examine.

## 2. SIGNIFICANCE OF THE DEVELOPING COUNTRIES' EXPORTS

However, before we go any further, a certain confusion should be dispelled. The significance of industrial imports from the developing countries must be clearly explained. The idea has been spread that the low wages prevailing in the developing countries will enable them to flood the markets of the industrial countries and seriously threaten their level of living. The fact is that wages are low in the developing countries but productivity is also low; and even in cases where wages are lower than productivity, the total cost per unit of output is usually high, either because of the shortage of capital or because of the lack of external economies which are such important factors in the cost of industrial products.

On the other hand, even though the cost of some of the developing countries' exports is relatively low, it should be borne in mind that they give rise to remunerative trade. If such countries propose to increase these industrial exports, they do so because they need to import more capital goods and other manufactures

from the advanced countries. And if the latter limit their imports from the developing countries, they will lower the level of activity of their more efficient industries in which technological density and capital intensity generate higher incomes, i.e., the more productive industries.

It would clearly pay the industrial countries to shift productive factors from those industries where they can buy more cheaply abroad to those in which their high level of technology really counts. Undue concentration upon the short-term difficulties that may be involved for particular domestic industries in the industrially developed countries may obscure the elementary fact that, in the longer run, it pays a country to buy as cheaply as possible. In this sense the availability of certain low-cost goods from developing countries offers opportunities for new types of mutually advantageous specialization and exchange.

In point of fact, in the advanced countries wages are commonly higher in the main export industries, because it is there that the highest productivity increments are usually registered. Thus, for example, in the United States the average wage paid in ten leading export industries in 1958 was \$2.43 per hour, while in the ten industries where the volume of imports was greatest, it was \$1.87 per hour.<sup>9</sup> It would therefore be advantageous for the industrial countries to shift labour over a period of time from those industries in which imports from developing countries have been playing an increasing role in recent years and move resources to the export industries where productivity and earnings are higher.

The magnitude of this problem is often exaggerated. Actually, exports of manufactures from the developing countries amounted to somewhat in excess of \$2,000 million in 1961 and, even assuming an increase of \$10,000 million by 1970, i.e., by more than half the trade gap, this would represent only some 4-5 per cent of the total increment in the consumption of manufactures calculated for the developed countries from 1961 to 1970.

The effect of imports of manufactures from developing countries on employment has, of course, been very small.

This may be seen from the calculations in the following table of the displacement of labour through rising imports from developing countries between 1953 and 1961. It should be emphasized that the table deals only with the gross displacement of labour by imports: no allowance has been made for the labour absorbed by the additional exports to the developing countries which could not have occurred without such imports from them. Obviously the *net* displacement of labour would have been much smaller. The figures for the gross displacement are relatively small by comparison with

<sup>9</sup> D. D. Humphrey, *The United States and the Common Market*, New York, 1962, p. 127.

the manpower displaced from agriculture or with the increment in the active labour force. The table is intended to illustrate this point.

Displacement of labour by increased imports of manufactures<sup>a</sup> from developing countries, 1953 to 1961

Country	Numbers displaced <sup>b</sup>	Decrease in agricultural labour force	Net increase in active labour force	Numbers displaced as proportion of	
				Decrease in agricultural labour force	Net increase in active labour force
United Kingdom . . .	30 398	130 000	1 255 500	23.4	2.4
United States <sup>c</sup>	23 303	953 000	7 606 000	2.5	0.3
Germany (Federal Republic) .	14 513	1 132 500	2 592 500	1.3	0.6
Belgium-Luxembourg	5 981	82 000	-4 400 <sup>d</sup>	7.3	
Italy . . . .	4 793	916 000	2 136 700	0.5	0.2
Netherlands .	2 727	85 500	371 500	3.2	0.7
France <sup>c</sup> . . .	2 690	1 304 000	124 000	0.2	2.2
Canada <sup>c</sup> . . .	1 910	220 000	1 295 000	0.9	0.2

SOURCE: United Nations, Bureau of General Economic Research and Policies.

<sup>a</sup> Excluding metals.

<sup>b</sup> Estimated as the increase in imports of manufactures from developing countries from 1953 to 1961 in 1958 prices divided by twice the value added per person employed in manufacturing in 1958.

<sup>c</sup> Data relate to period 1953 to 1962.

<sup>d</sup> Minus sign indicates decrease in active labour force.

The table shows, for example, that in the United States, the gross displacement of labour by imports of manufactures from developing countries was equivalent to only 2.5 per cent of the numbers displaced from agriculture, and to 0.3 per cent of the increment in the economically active population. In France, the proportion was even lower with respect to the decrease in the agricultural labour force, even though it was higher in relation to the growth of the economically active population. The United Kingdom is an interesting case because the number of workers employed in agriculture had already fallen to nearly 5 per cent of the labour force by 1953, so that new displacements from agriculture were very limited. Consequently, the manpower displaced by imports from the developing countries was equivalent to a relatively large proportion of the decrease in the agricultural labour force, namely, 23.4 per cent; but it was only a small proportion (2.4 per cent) of the increment in the active labour force.

It may be calculated from the figures in the table that the increment in the economically active population was equivalent to between 40 and 500 times the gross displacement of labour through additional imports of manufactures from developing countries. Thus, even if the rate of expansion of imports of manufactures from developing countries was stepped up during the years ahead, the consequential problem of adjustment would remain small in relation to the problems that have to be tackled by dynamic industrial economies in any case.

### 3. EFFECTS ON INDUSTRIAL COUNTRIES

Nevertheless, the difficulties that would arise in certain cases, especially when the importing country is suffering from a serious unemployment problem, whether wide-spread or confined to certain areas cannot be disregarded.

Situations of this kind may hinder the structural changes mentioned earlier. The point of these changes, as far as employment is concerned, is that the labour displaced from certain less productive industries will be absorbed by the expansion of other more productive industries as a result of the expansion of exports. This displacement takes time, however, and meanwhile it will be necessary to prevent serious unemployment, especially when there already is some, as has already been said.

This could occur if imports increased very rapidly and at prices that were exceptionally low in relation to normal market prices and caused a sudden fall in the production of the lines affected.

There is absolutely no reason, however, to attach general significance to these exceptional cases. Industrial exports, as has been stated elsewhere, have been confined so far to a very small number of goods and have gone to a very small number of countries. By contrast, the policy advocated in this report is based on the opportunities offered by a wide range of articles for which demand is growing rapidly. Exports could thus be diversified and the number of cases in which home production would be severely affected would not be very great.

It seems inevitable that there would be cases of this kind. They occur continually in industrial development. What is more, they are an inherent feature of such development, particularly when there is a great dynamic impetus in industry. That is why leading countries have taken positive steps to deal with problems of this kind.

Such steps are designed to facilitate the displacement of workers from industries that are declining because of technological changes to those that are rapidly expanding, and at the same time to provide incentives for attracting capital to the areas affected by industrial unemployment.

Similar steps could be applied also to some industries that may suffer as a result of imports of manufactures from the developing countries. What we are concerned with is a particular case in the general phenomenon of structural change in industry caused by technological progress.<sup>10</sup>

It is clear that steps of this kind take time to produce results and that there will be cases in which it will be necessary to adopt temporary measures to prevent the harm that may be caused to some industries by im-

<sup>10</sup> We may refer here to the legislation enacted for this purpose in the United States (Area Redevelopment and Trade Expansion Act) and the United Kingdom (Distribution of Industry Act) and to various industrial readjustment programmes of the European Coal and Steel Community and of the European Economic Community.

ports. GATT has appropriate machinery for doing this through the imposition of restrictions on imports; article XIX provides that, if as a result of unforeseen developments, any product is being imported into the territory of a Contracting Party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers, remedial action, subject to appropriate safeguards, shall be permitted. Such emergency measures, however, should be of a non-discriminatory character, but in the case of cotton textiles special action was taken outside the framework of the General Agreement, and discrimination against the developing countries was authorized. The fact of such discrimination, and the lack of the normal safeguards which GATT provides in such matters, is clearly cause for serious concern in the countries affected.

#### 4. THE GATT PROGRAMME OF ACTION

No less serious are various other obstacles to the export trade of developing countries in semi-manufactures and finished manufactures, often discriminating against developing countries, with which the GATT Programme of Action is intended to deal.

It would be very important for the Conference to give its firm support to this Programme. In the first place, the general standstill provision that "no new tariff or non-tariff barriers should be erected by industrial countries against the export trade of any less developed country" is clearly just as applicable to manufactures as to primary commodities and not only to the products now exported but also to the developing countries' new export items.

The Programme of Action recommends further that industrialized countries should urgently prepare a schedule for lowering and eliminating tariff barriers to exports of semi-processed and processed products from less developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years. The importance of this recommendation will be apparent from our earlier discussion of the impact of the differential tariffs applied by the industrial countries.

Finally, the Programme of Action requires that restrictions on imports from the developing countries which are inconsistent with the provisions of GATT should be eliminated within a period of one year; or, in special cases of difficulty, not later than 31 December 1965. These restrictions, which are a survival of the period of heavy balance of payments pressure in western Europe, have been considerably reduced in recent years. Those of them that still remain were authorized as transitional measures by GATT in 1955 to ease the process of adjustment. The restrictions are frequently applied on a basis that discriminates against the developing countries, and there is less and less justification for their continuation as western Europe

grows economically stronger and the problem of the developing countries' trade gap becomes steadily more acute.

In general, it is essential to remove all existing discrimination against exports of manufactures from developing countries and to ensure that they gain access to world markets on terms and conditions not less favourable than those which apply generally. This is the objective of the GATT Programme of Action, and it is an objective that should receive strong endorsement from the Conference.

### B. THE QUESTION OF PREFERENCES

#### 1. MEANING OF THE PROBLEM

In order to stimulate exports of industrial products from developing countries, two types of measures are required. In the first place, channels to the markets of the great industrial centres should be opened through the elimination of obstacles to the flow of exports. Secondly, the active promotion of exports should be undertaken both in the developing countries themselves and on the international plane.

The existing obstacles to exports have just been examined. But it is necessary to go further and introduce a system of preferences.

The case for preferential treatment for exports of developing countries is that it would help the industries of developing countries to overcome the difficulties that they encounter in export markets because of their high initial costs. It is a temporary measure which by opening up larger markets to the industries of developing countries, would enable them to lower their costs and thus compete on world markets without the need for continuing preference.

The case is thus a logical extension of the infant industry argument. It is not a matter of controversy among economists that national protection of infant industries is justifiable wherever such industries have a long-run prospect of reaching a high level of efficiency.

In order to be efficient, those industries must have access to wider markets; otherwise they may not be able to break out of the vicious circle of low output and high costs. Such markets must be sought in the developed countries as well as in other developing countries. But if infant industries need protection in the domestic market because of high costs, they obviously need even more protection in foreign markets, whether developed or developing, in the form of preferential treatment. It is for this reason that the following two suggestions have been made: (a) developing countries should give preference to imports from other developing countries in their own markets; (b) developed countries should give preference to imports from developing countries in their own markets.

The two suggestions raise somewhat different issues. The main features of the first have already been outlined, and the following discussion will concentrate on the second.

As was said earlier in this report, GATT sanctioned the continuation of preferential arrangements in force at the time the Agreement was signed, but prohibited new arrangements of this sort except where they represented a stage in the setting up of customs unions or free-trade areas.

The reason for the prohibition was, and still is, the belief that countries ought to treat one another equally in their foreign trade and not grant advantages to some countries that they are not prepared to extend to others. But however valid the most-favoured-nation principle may be in regulating trade relations among equals, it is not a suitable concept for trade involving countries of vastly unequal economic strength. The acceptance by the Meeting of Ministers of GATT in May 1963 of non-reciprocal tariff concessions to developing countries was a valuable first step in recognizing the need for special encouragement to the trade of these countries. Adoption of the principle of preferential treatment for the trade of developing countries is the logical next step.

It should be emphasized that the granting of preferences to developing countries would not conflict with the objective of the Kennedy round of tariff negotiations or indeed with any other effort to bring down or remove the barriers to trade. Even if the Kennedy round were completely successful, it would mean the reduction but not the elimination of tariffs by the negotiating countries. The issue that arises, therefore, is whether the industrial countries would be ready to grant free entry at least to the developing countries if not to one another. The idea is not to create permanent margins of preference that could be maintained only through retention of existing tariffs by the developed countries. The suggestion is, rather, that pending the elimination of obstacles to trade by the developed countries, free access should be granted to the developing countries.

The introduction of a new system of preferences would involve the mutual adjustment of various conflicting interests among the developing countries on the one hand, and between the developing and the industrial countries, on the other. There may be a temptation to try and take account of any difficulties that arise in reaching such adjustment by introducing complicating devices and refinements into the scheme so as to cater to particular preoccupations. Certain of these devices and refinements could indeed prove to be indispensable, but the general proposition should be borne in mind that the greater the complication of the scheme, the less chance it has of being accepted or found workable.

The first question for consideration is: which countries should grant preferences? The hope and expectation, as already noted, is that all developed countries would agree to grant preferences to all developing countries. While it may be doubted whether the scheme

could be effectively implemented unless all major developed countries agreed to participate, unanimity would not be essential. The scheme might enter into force when an important group of countries indicated their willingness to participate.

So far as the participation of the socialist countries in the concession of preferences is concerned, as indicated elsewhere, tariffs do not have the same meaning in these countries as in private-enterprise economies. Nevertheless, whenever tariffs are imposed, free entry should be assured to imports from developing countries. At the same time, the socialist countries should favour imports from developing countries in their foreign trade plans, and their State trading agencies should give effect to such preferences in their purchasing arrangements.

The implementation of all such measures could be evaluated in the light of actual performance, and would be one of the subjects for annual review within the new organizational scheme of trade and development that might be suggested by the Conference.

The selection of countries to benefit from preferences is somewhat more difficult. No single criterion has been found satisfactory in identifying those countries which should be regarded as qualifying for preferential treatment. Such factors as per capita income, the size of the country, the share of agriculture and industry in total employment and output, and the impact of the primary export sector on the growth of the economy should be considered. If these factors are taken into account, it is relatively easy to decide which are and which have ceased to be developing countries in most cases. There is, nevertheless, a small group of borderline cases at the top of the per capita income range and it is not an easy matter to establish the cut-off point among them.

The problem is, perhaps, not too important from the standpoint of the industrial countries, because imports of manufactures from the developing countries are not likely to be a matter of overwhelming consequence for them in any case, as we have seen. But they are for some developing countries which may fear that they will not be able to benefit from preferences if they have to compete with other more advanced members of the developing group. The problem of which developing countries should be included in the scheme is thus closely linked to the problem of gradation or differentiation of preferences which will be examined below.

## 2. SELECTION OF GENERAL PREFERENCES AND THEIR DURATION

Most of the discussion of preferences thus far has proceeded on the assumption that they should be granted on a selective basis for particular products. The main consideration underlying this approach appears to be the desire to exclude products which would raise domestic problems for the developed countries, notably those produced in relatively weak or stagnant sectors of the economy of these countries.

There may also be a desire to direct the efforts of developing countries towards industries offering substantial growth potential and the prospect of viability within a reasonable number of years, making it possible to discontinue the preferences.

These two considerations appear reasonable enough but if they are examined more closely, serious disadvantages may be observed.

First and foremost, the experience of GATT and of other bodies has shown that a system of selective negotiations, product by product, raises great difficulties. Naturally enough, each industry which considers itself threatened by foreign competition is liable to adopt a severely defensive attitude and seek to maintain the *status quo*. This very understandable attitude does not find its logical counterbalance in the industries which may increase their exports to the developing countries as the foreign-exchange earnings of the latter advance, since these advantages are still problematical and therefore do not provide a tangible incentive for the adoption of preferences. Nor is it to be expected that an industry that felt itself affected by imports would examine this matter from the viewpoint of the economy as a whole and not for its own particular situation.

If, moreover, the preferences to be granted by all developed countries are to be standard in terms of commodity coverage, the ultimate list of products qualifying for preference is likely to be the lowest common denominator of all national lists; since any industry regarded as vulnerable in any one country is likely to have its way with the general list of all countries.

From the standpoint of the developing countries, moreover, it is difficult to imagine how a suitable selection of industries for preferential treatment could be made. It would surely be better to leave scope for the initiative of enterprises to seek out the best opportunities, subject, of course, to measures of guidance and assistance, in which Governments should have a very important role, as will be seen later. One wonders what degree of success might have attended efforts, in any of the countries that are now industrialized, to draw up a precise pattern of possible industrial exports in advance when they were at the earliest stage of development. It is hardly likely that an effective selection could now be made, from the whole range of industry, of all those particular branches which might prove to be successful in particular developing countries in the long run.

Thus the danger is that a selective list of products qualifying for preference may turn out to be unduly restricted and drawn up much more with an eye to static considerations than to the dynamic possibilities of a new international division of labour. For this reason, a better and simpler approach would be for preferential treatment to be granted in principle to all imports from the developing countries, subject only to certain specified exclusions, as well as certain safeguards, as indicated below.

Much of the discussion that has taken place so far has been related to preferential treatment for semi-finished and finished manufactures only. Acceptance of this limitation would raise a number of difficulties in defining the scope of these products, calling for expert study and recommendation. Expert study would also be required of the problem of defining the origin of products manufactured or semi-manufactured from imported materials or components. Neither these nor any other difficulties seem to be of major consequence, and they should not prevent the Conference from adopting a decision in principle in favour of preferences. Indeed, this decision in principle is necessary in order to provide, through common agreement of Governments, a framework within which the technicians will be required to work out practical details.

A small margin of preference is not likely to provide adequate incentives for establishing new export industries in developing countries. If a new system of preferences is worth introducing at all, the margins of preference should provide incentives that are clearly adequate in relation to the magnitude of the problem.

Since many or most of the tariffs applied to manufactures by the industrial countries are relatively low, and are expected to fall even further as a result of the Kennedy round, the optimum solution would be to grant free entry to imports from developing countries. For the members of EEC and EFTA this would simply mean granting to the developing countries treatment not less favourable than they are prepared to give one another.

Since the new preferential system is intended as an encouragement to infant industries, it will be evident that some provision must be made for the elimination of preferences once the industries are firmly established. In general, preferences should be introduced for a period of no less than ten years with respect to any given industry in any developing country. At the end of the ten-year period, preferences would be withdrawn unless it could be shown, to the satisfaction of an appropriate international authority, that special circumstances warranted their continuation. The ten-year period would be reckoned from the time of the initial granting of preferences to exports of a particular industry in a given country even though this would mean that plants established subsequently in the same country would not benefit from the full period of preference.

The fact that preferential treatment for any one industry in a developing country would normally come to an end after ten years would have two advantages. For one thing, it would compel the entrepreneurs concerned to concentrate on making the industry fully competitive by the time the shelter of preferences was withdrawn. A second advantage would result from the fact that infant industries, established shortly after the inception of the scheme in countries that are still at an early stage of development, would count their ten-year period of preference from the time such preference was first applied to any industry subject to this régime.

This means that such industries would enjoy preferential treatment not merely in relation to the industries of developed countries but also in relation to those of the more advanced developing countries, once the respective industries of the latter countries were no longer entitled to preferences.

The duration of preferences should probably not be fixed at less than ten years. Sufficient time must be allowed for their incentives to take effect and for significant results to be achieved in export markets. In the conditions obtaining in developing countries, a short-term scheme of preferences would scarcely be better than no scheme at all.

Thus the duration of preferences raises an issue similar to that involved in the margin of preference, namely, that there is a minimum scale and duration below which the incentive provided would be inadequate. It would not be worth facing all the political and other difficulties entailed in a new departure from the most-favoured-nation principle simply for the sake of token margins of preference on a few selected products for a very limited period, amounting to little more *in toto* than a gesture in the face of the immense problems of the trade gap.

### 3. SAFEGUARDS FOR DEVELOPED COUNTRIES

It would not be difficult to understand an initial hesitation on the part of the industrial countries in accepting a scheme that appears to promote competition from developing countries with the output of certain of their own industries. In time, they would undoubtedly see the advantages of the scheme, since it would provide a means of increasing their sales to developing countries by the amount of the additional purchasing power accruing to the latter countries from the expansion of their own exports with the aid of preference. Thus, the industrial countries may see advantages in expanding rather than in contracting the volume of their preferential imports. Nevertheless, particularly at the outset of a programme of preferences, the developed countries would no doubt wish to have assurance as regards both the total volume of preferential imports and the volume of imports in any one category.

As we have seen, an expansion of exports of manufactures that would be very large in relation to the existing shipments by developing countries would still be extremely small in relation to the actual and potential consumption of manufactures by the developed countries. If, therefore, the developed countries wished to set an over-all limit to the volume of goods imported preferentially, that limit could be fixed at a level very high in relation to existing exports of developing countries, but still very small in relation to the size of their own domestic markets.

The question now arises as to how the aggregate quota of manufactures from the developing countries would be divided between the various industrial

countries. One way of doing this would be to divide the total quota in proportion to the consumption of manufactures by each importing country. But this approach would make no allowance for the fact that large countries with highly diversified resources and productive facilities naturally tend to import less in relation to consumption than small countries whose economies are more highly specialized.

An alternative method would be to divide the import quota in proportion to each developed country's imports of manufactures. In this way imports from developing countries would increase, from year to year, in line with total world imports of manufactures. However, the disadvantage of this method is that the developed countries whose import coefficient is very low would have a relatively small quota of preferential imports. It may be possible to combine these two methods in order to find a formula acceptable to all developed countries.

As regards the impact of preferential imports on particular industries, it is necessary to keep in mind the fact that preferences are designed to help in offsetting the high costs of infant industries in developing countries. If, however, as a result of the preference, a country exerts undue pressure on the prices prevailing in the industrial countries, it thereby demonstrates either that it does not need the preference or that the preference is excessive.

Developed countries could hardly be expected to offer encouragement through preferences to those industries in developing countries that are already able to stand on their own feet in world markets and still less to those industries whose costs are much lower than those of similar industries in developed countries.

In view of this, it may be considered desirable that, at the time the new preferential system is introduced, each developed country should be able to reserve its right to withhold preferential treatment from products accounting *in toto* for a reasonable percentage of its aggregate imports or consumption of manufactures. This percentage could include some articles, which it might be considered advisable to exclude from the preferences so as not to affect certain imports from other supplying countries, and certain articles that would be specially reserved for the less advanced developing countries, as will be seen below.

Once the system is in effect, developed countries might add new exceptions to the preferential régime, in accordance with clearly established criteria.

Another possible safeguard might be to provide that imports of particular products could cease to qualify for preferential treatment when they exceed a certain percentage, to be fixed in advance, of the domestic consumption of a particular importing country.

It should be emphasized that the withholding of preference from particular products, under provisions such as those discussed above, would simply imply that normal most-favoured-nation treatment would be applied. The withholding of preference could not in

any case justify action to restrict normal imports of the products in question outside the provisions of GATT.

#### 4. DIFFERENCES BETWEEN DEVELOPING COUNTRIES IN RELATION TO PREFERENCES

It is now necessary to examine the possibility that some of the more advanced of the developing countries might quickly pre-empt so large a proportion of the total preferential quota allocated by the industrial countries as to leave insufficient scope for countries at a much earlier stage of development. In general, the extent of any danger that the total quota might be used up would obviously depend on the size of the latter. As already noted, in the course of time, developed countries may see enough advantages in the preferential scheme to be prepared to enlarge the total quota.

If the quota were large in relation to existing exports from developing countries, there would be adequate room for all, and it would probably not be necessary to take any steps in the immediate future. Action would be required only if it became apparent, in the course of such an annual review, that there was an obvious danger that some countries might be excluded from the quota and that no possibility existed of enlarging it.

If, however, the total quota is established at a relatively low level, the case for exporting country quotas becomes stronger. The difficulty here is that such an approach is so complicated as to be, in all probability, unworkable. It is not simply that a dozen or so industrial countries would have to establish a quota for each of one hundred or more developing countries—or well over a thousand quotas in all. Difficult as such a sharing out of a small total quota might be, it would be simplicity itself compared with the problem of policing such quotas for each and every item on the import list.

Instead of establishing individual exporting country quotas, it might be better to set some limit to the share which any one country might take of the available total quota. Countries would be permitted to exceed this limit only where it could be shown that the unutilized portion of the total quota was so large in relation to the exports of other developing countries as to leave ample margin for the latter. At the same time, special measures should be adopted to encourage exports from the least developed countries, along the lines discussed below.

Among the most difficult of all problems connected with the introduction of a new system of preferences is whether to give different degrees or kinds of preference to countries according to their per capita income or stage of development.

The rationale for such a gradation of preferences is quite a simple one. The productivity differential between the least and most advanced of the developing countries is far greater than the corresponding differential between the latter and the industrially

developed countries. Consequently, the very same considerations that would justify the granting of preferences to developing countries in general would call for substantially larger preferences to the least developed than to the most developed among them.

Differentiation of this sort among developing countries has already found a place in the Treaty of Montevideo establishing the LAFTA. Under the Treaty, the relatively less developed of the Latin American members of LAFTA receive particularly favourable treatment as regards the mutual reduction of tariffs and in other respects.

There is no doubt that not all developing countries would be equally able to benefit from a preferential scheme drawn on a uniform basis. As already noted, the group of developing countries currently exporting manufactures on a significant scale to the industrial countries is relatively small, and the short-term gains from preferences would be limited to this small group. On the other hand, the objective of the preferences would be to provide incentives leading to a broader distribution of manufactured exports in terms of supplier countries as well as of types of products. The danger is that, if these incentives were uniform, the increment in exports might tend to be concentrated in those countries that have already taken the lead in this field.

Unfortunately, the scope for a gradation of preferences may not be very great, especially if the Kennedy round of tariff negotiations achieves significant successes.

When tariffs are relatively low, for example, of the order of 10 to 15 per cent, the gradation of preferences could be detrimental to the incentive to export in the most advanced developing countries without the less advanced having a meaningful advantage; indeed, this advantage could be smaller than would be necessary to overcome cost differences with the most advanced developing countries.

At the same time, it has to be stressed once again that, however well founded may be the reasons for introducing refinements into the scheme, the greater the administrative complications, the smaller the chances that anyone at all will benefit, since the scheme may prove unworkable.

It should also be noted that it is in the nature of the case that not all countries will benefit equally from any one proposal before the Conference, taken by itself. Thus the only countries in a position to benefit from the elimination of domestic charges on tropical commodities in certain industrial countries are those that can or do produce those commodities; and no gains from long-term compensatory financing will accrue to those whose terms of trade do not decline.

At the same time it should be recognized that the problem of the least developed countries as regards preferential arrangements is a very real one and that the issue must be faced squarely. These countries may not now be in a position in which they are likely to



benefit to any great extent from preferences on industrial products, and may not be ready to do so spontaneously for some years. Immediate steps must be taken for the ultimate attainment of this objective.

It has already been suggested, as a partial-response to the problems of these countries, that preferences should be terminated for any given industry in any given country at the end of ten years, so while the benefits accruing to the least developed countries will begin later, they will also end later. In this way they will enjoy preferences which no longer apply to other developing countries.

Furthermore, the possibility of granting preferences on a series of articles to the less advanced developing countries without extending them to the more advanced can well be envisaged. For this purpose use could be made of the list of products with regard to which the industrial countries had reserved the right not to grant general preferences.

But this is not sufficient. It will be necessary to set special targets for national and international policy in relation to the least developed countries as well as the adoption of special measures to achieve these targets. Such measures should include exceptional efforts to analyse export market opportunities for such countries, to promote their exports accordingly, and to provide aid at a higher per capita level commensurate with the gap to be bridged between them and the most advanced developing countries. In other words, it may be that the provision of a larger volume of per capita aid and of higher promotional effort is a better way of handling the problems of countries at the earliest stage of economic development.

This is not, however, a matter on which a dogmatic position can be taken; it is *par excellence*, one of the most important questions calling for further analysis and discussion.

##### 5. THE ALTERNATIVES OF SUBSIDIES OR DEVALUATION

As was said before, preferences are justified as a means of protecting infant industries in their attempt to gain export markets. The question may be raised whether this could not be achieved by readjustment of the exchange rate rather than by a preferential system.

It is a well-known fact that, generally speaking, the exchange rate appropriate for the traditional trade of developing countries tends to discourage the development of new types of exports. While in the case of an industrially developed country, a single rate of exchange is sufficient to secure equilibrium between domestic costs of production and the prices in foreign markets, in the case of a developing country there may be no single rate of exchange capable of securing this result. It has to be borne in mind that the exchange rate of a developing country reflects the level of money costs of production in the primary sectors of the economy and not in the manufacturing sector. On the other hand,

the less developed a country is, the higher are its manufacturing costs, in general, relative to money costs in the primary sectors of the economy. Thus the exchange rate equating domestic costs and prices in the primary sector with those of the world market will cause manufacturing costs to be excessively high in terms of foreign currencies. It is therefore an over-valued exchange rate from the standpoint of exports of manufactures. On the other hand, the particular rate of exchange which would make it possible for a developing country to gain export markets for its manufacturing industries would mean a considerable undervaluation of the currency in terms of the primary commodities which form the great bulk of its exports.

Devaluation would be a possible solution in such cases, provided that it did not lead to further increases in costs. This might be difficult to ensure in countries where a rise in the price of imports has a direct and marked impact on the cost of living, thereby generating demands for higher wages. Moreover, devaluation would probably lead either to a fall in the external prices of traditional exports or to excess profits for primary producers.

It has been suggested that, in order to avoid these drawbacks, devaluation should be accompanied by two other measures: first, a tax on traditional exports equivalent to the amount of the devaluation; and, secondly, a cut in tariffs, also in proportion to the devaluation. Exports of new products would not, therefore, be subject to the export tax, but would benefit from the incentive provided by the lower exchange rate, while the rise in the cost of foreign exchange for imports would be offset in its effects on internal consumption by the cut in tariffs.

If, for political or other reasons, it proved impracticable to devalue, some method of subsidizing industrial exports could be studied. In this case it would be necessary to secure the agreement of the developed countries not to apply countervailing duties. Such agreement would no doubt be conditional on the construction of an acceptable framework providing for safeguards against abuse.

It goes without saying that, in so far as the above solutions require that the cost of promoting exports of manufactures would have to be borne by the developing countries themselves, neither of the solutions would be as satisfactory for these countries as preferential treatment for their exports.

##### C. THE PROMOTION OF EXPORTS OF MANUFACTURES

It is clear that the development of an export trade in manufactures from developing countries depends primarily upon the efforts of these countries themselves. No guarantee of access to world markets nor even the granting of preferential treatment could replace measures taken in the developing countries to stimulate



industries capable of production for export. There are many obstacles to the expansion of manufactures in the developing countries.

First and foremost, it is necessary to induce export-mindedness. For reasons that have already been explained, their industrialization has been based almost exclusively on import substitution. There is no conflict between import substitution and export promotion. Industries that begin by catering to the domestic market may, as they gain experience and efficiency, branch out into export markets. On the whole, however, import substitution has gone furthest in the light industries, and this is precisely the area where demand is least buoyant in the developed countries, and where the sensitivity to low-cost imports is therefore greatest. Without in any way giving up the hope that the developed countries will be prepared to progressively increase access to their markets for the products of light industries, the developing countries should also seek out the many opportunities that exist in areas of more dynamic demand.

Recent experience strongly suggests that the comparative advantage of developing countries does not lie solely in the textile and other similar industries. There is significant evidence that the developing countries may also have an advantage in, for example, certain of the metal-transforming industries.

There is also a case for exploring, much more systematically than hitherto, the possibilities of manufacturing certain types of intermediate goods and components in the developing countries for use in the industries of developed countries. It is already the practice of large-scale industry in the advanced countries to subcontract certain of their operations to specialized firms, and it is possible that subcontracting of this type may prove feasible on an international as well as a national scale. The advantage of such manufacturing operations for the developing countries is that export sales would be closely linked with the production process of industries in the developed countries, and no elaborate efforts of marketing or merchandising would therefore be required. Such subcontracting would, moreover, emphasize a complementary relationship between industries of developed and developing countries rather than competition. There should be further study of possibilities along these lines, including an examination of methods of avoiding excessive dependence on external factors or an unduly specialized industrial structure such as might result from industrial development of this type.

Much could be done, moreover, to overcome the difficulties that result from the lack of familiarity of industrialists in developing countries with the needs and quality standards of developed countries. At the national level, Governments may undertake their own investigations of foreign market possibilities, introduce inspection and quality-control programmes to export industries, and foster better design through institutes and research centres.

Governments may also be in a position to share certain of the risks involved in breaking into new markets abroad. For example, Governments might well underwrite production and export feasibility studies.

Even in the advanced countries, Governments have assumed a major responsibility in the provision of information to the business community based on their contacts overseas. Governments should also consider offering various types of risk insurance and even undertake to indemnify exporters for losses incurred during an initial period of market exploration or penetration. Provision is also required, particularly for durable goods industries, for export credit facilities that would enable producers in developing countries to compete with the credit terms available to exporters in the developed countries.

A variety of fiscal and other incentives could also be provided. The granting of tax advantages, special treatment in the allocation of import licences or export bonuses, favourable transport rates and many other incentives could help to promote the achievement of adequate export goals. Experience along these lines in the industrially developed countries should be studied with a view to drawing the necessary lessons for developing countries. In addition to these incentives, the developing countries should eliminate certain obstacles which result from their own policies. We have referred elsewhere to monetary overvaluation of a structural nature. But there is another kind of overvaluation which is the result of a process of suppressed inflation: internal costs rise while the exchange rate is artificially maintained. In some developing countries, this has seriously discouraged exports and at the same time stimulated imports, thus aggravating the tendency towards a trade deficit. There is often also a series of administrative obstacles hindering exports. All this should therefore be revised.

All the measures discussed so far involve action primarily at the national level. The effectiveness of such action would, however, be greatly reinforced if supplemented by international financial and technical assistance. For example, studies of market opportunities suitable to the industrial potential of developing countries could be undertaken on a larger scale and more thoroughly if international resources and expertise were made available. Similarly, much more credit and insurance facilities could be made available to exporters if international sources of finance could be brought into play. In this connexion, the pilot programme of the Inter-American Development Bank in providing export credit facilities to Latin American industries constitutes a significant beginning.

Careful study is also needed of the proposal made by the delegation of Brazil to GATT for the establishment of an international trade centre to supply information on market potentialities in the developed countries for goods produced in the developing countries.<sup>11</sup>

<sup>11</sup> GATT, Committee III, "International Trade Information Centre" (document COM.III/93, 26 October 1962).

There is also scope for private foreign capital to play an invaluable role in promoting exports of manufactures from developing countries. Private foreign investment in the manufacturing sector in developing countries generally brings with it the most up-to-date technical developments as well as a sound knowledge of the markets to be served. Experience in recent years suggests that, for a variety of reasons, foreign capital is likely to be most effective as well as most acceptable in developing countries if it is combined with local capital and initiative. It would also be important for the developing countries to require, in suitable cases, that adequate export goals be achieved by industries established with foreign capital resources. Where international companies establish subsidiaries in developing countries, they frequently concentrate on import substitution in local markets, avoiding exports which would compete with the output of their home-based plants. Governments of developing countries should study the possibility of making the co-operation of private foreign capital conditional upon adequate export performance, and certainly any special incentives provided to private foreign capital should be linked to such performance.

In general, there is still much to be learnt and studied in the field of export promotion, and the time available for preparing the present Conference has not been sufficient for this purpose. The co-operation of the United Nations Centre for Industrial Development should be sought in pressing forward the necessary investigations in this field.

### *Chapter III*

## THE PROVISION OF INTERNATIONAL RESOURCES FOR THE DEVELOPING COUNTRIES

### A. COMPENSATORY FINANCING TO COUNTER THE EFFECTS OF DETERIORATION IN THE TERMS OF TRADE

#### 1. THE POLICY OF FINANCIAL CO-OPERATION

The great defects discernible in present financial co-operation policy towards the developing countries must not blind us to the substantial progress that has been made both in the scale and the results of financial co-operation since its beginning soon after the Second World War.

The funds supplied by the private enterprise economies in various forms (loans, private investment and assistance proper), which amounted to \$1,800 million in 1950, reached a total of \$6,600 million in 1962. Although the average rate of increase has been around 11 per cent *per annum*, a great deal remains to be done.

In 1962, the funds supplied amounted to only 0.7 per cent of the combined income of these developed countries. On the other hand, although this is a great deal less than the 1 per cent approved by the United Nations General Assembly, it compares favourably with the figure of scarcely 0.3 per cent recorded in 1950.

There have been very positive advances in the conception of financial co-operation. While the importance of external private investment in the developing countries is recognized, the need for the provision of considerable amounts of public resources is no longer questioned. The liberalization of the terms on which these are made available, with respect to maturity, interest charges, and type of projects, is in itself a considerable advance. Regional institutions have been set up which usefully supplement the world finance agency, while the recent evolution in the policy of the latter has given a strong impetus to a process that had been developing over the years as a result of experience. Quantitative targets for the provision of international resources were established in the Punta del Este Charter and the amounts and allocation of those resources were linked not only to the viability of specific projects but also to development plans in which modifications in the economic and social structure are recognized as an indispensable requirement for development.

However, this progress in financial co-operation policy is not without its negative aspects. There are two which are of major concern to us here. First, the deterioration in the terms of trade has seriously impaired the developing countries' capacity to import capital goods, thereby offsetting the positive effects of the international resources made available. Secondly, the relatively early maturity dates for repayment of a considerable proportion of these resources, together with the kind of servicing some of the loans require, are a heavy burden on many developing countries and will become so for others if things continue as at present. These are matters which are obviously important and we shall proceed to examine them in view of their close connexion with the purposes of the Conference.

#### 2. THE NEED FOR COMPENSATORY FINANCING

If the developing countries are to reach and surpass the goals of the Development Decade, they must be able to plan the necessary mobilization of internal and external resources to this end. Any acceleration in the rate of growth implies a stepping up of the rate of investment; and in so far as this in turn involves imported equipment, it can be programmed only on the assumption that the required volume of disposable foreign exchange will be available.

Most of the developing countries have little or nothing in the way of a safety margin for absorbing declines in foreign exchange availabilities. Their external reserves are low, and in many cases their imports

of non-essential goods have already been cut to the minimum. Thus, any deterioration in the terms of trade seriously impairs their capacity to import the capital equipment required for growth. Such a deterioration thereby undermines the achievement of the very objectives for which international resources are supplied to them. Economic development is or should be a coherent process in which particular elements and projects mutually support and reinforce one another. The effectiveness of any project financed under a programme of co-operation is therefore bound to be diminished if other foreign exchange resources, which were counted upon for complementary investments, cease to be available because of an unforeseen decline in commodity export prices. In seeking reasons for the shortcomings in existing programmes of financial co-operation one cannot afford to overlook the damage caused by the deterioration in terms of trade.

The solution to this problem should be approached from two sides. We have already examined the case for commodity agreements. But such agreements cannot offer a complete solution for all commodities or for all situations. It is therefore important to provide supplementary resources to compensate developing countries for losses from declining terms of trade.

The fundamental aim of a compensatory scheme should be to maintain the total purchasing power of the external resources accruing to developing countries through their exports.

Much thought has been given to the short-term aspects of this problem. Proposals have been made for a development insurance fund designed to give full or partial compensation for a shortfall in export proceeds compared with some base period. While action on these proposals has been deferred, the International Monetary Fund has begun to apply a new scheme of lesser scope which provides certain accommodations to tide countries over a period of temporary balance-of-payments disequilibrium resulting from export shortfalls.

Useful as holding operations of this kind may be, they do not go to the heart of the longer-term problems associated with a downward trend in the terms of trade. As in the case of commodity agreements, a basic policy decision is required—a decision in principle that developing countries experiencing a deterioration in their terms of trade should have easy access to additional international resources in order to achieve the objective of maintaining their purchasing power. As will be explained, the satisfaction of such requirements must depend on certain conditions. Subject, however, to the fulfilment of acceptable criteria, the international community should recognize that it has a clear responsibility towards developing countries that have suffered a deterioration in their terms of trade in the same way as Governments recognize a similar responsibility towards their domestic primary producers.

However, the additional resources that would thus be provided are different from the usual resources made available in the form of loans. Loans represent re-

sources which the countries making them take from the income they themselves generate, whereas the operations under discussion constitute transfers of resources derived from the income which accrues from countries exporting primary commodities as a result of the deterioration in the term of trade in respect of those products.

What, then, should be the point of departure for measures of compensation? In relation to what point in time should losses be calculated? Would it suffice to assure the developing countries that they will not be subject to new losses in relation to present prices? Or should losses be calculated in relation to some past year, when the terms of trade were less unfavourable to developing countries than they have recently been? To compensate for new losses is important but it is not enough; something needs to be done to restore the purchasing power of the developing countries, and not simply prevent it from weakening further.

So far as the first aspect is concerned, the point of departure presents no major difficulty, since it would be possible to take the terms of trade prevailing in the last year and, in the light of any new decline that may have occurred, to calculate the resources to be transferred.

The second aspect, however, raises the problem of deciding from what year or years the deterioration ought to be calculated, since the results will obviously be very different depending upon the year chosen and there is no objective or automatic way of solving this problem. It will therefore be necessary to adopt a pragmatic approach to a solution.

Such an approach would have to be based on a study of the potential investment resources lost by each country as a result of actual past deterioration in the terms of trade, the impact of this deterioration on the balance of payments, the effect of both these phenomena on the rate of growth, and any other factors that it might be advisable to consider in each particular case. This study would be necessary in order to determine what additional international resources would have to be provided in order to compensate developing countries for the adverse effects of the terms of trade.

It is not for this report—and much less for the Conference—to deal with such questions of methodology nor with the statistical procedures that might be developed to determine what further deterioration there may be in the terms of trade or, as has just been explained, to compute the amount of additional resources that would have to be furnished in order to deal with the consequences of past deterioration. All this should be studied by experts, whose recommendations will have to be submitted to the Governments for consideration. However, in order to prevent the experts from proceeding along the wrong track, there must be a prior political decision regarding the transfer of resources and the two aspects that the transfer will involve. In other words, a clear distinction must be made between a political decision adopted in principle and the most appropriate technical methods of implementing it.

### 3. COMPENSATORY FINANCING AND DEVELOPMENT PLANS

The pragmatic approach to which reference has just been made would be easier if the countries concerned had a development plan. A development plan is generally based on the assumption that the export and import prices currently prevailing will be maintained during the period of the plan. It is on this assumption that the possibilities of mobilizing domestic capital are quantified. If, however, the terms of trade subsequently worsen, not only will it be impossible to finance imports on the scale envisaged in the plan, but domestic resources may also fall short of the target because of the adverse effect on real income.

Nor is it usually possible, in such a situation, to have recourse to external borrowing to replace the lost resources, since the institutions providing long-term credit are apt to regard the deterioration in terms of trade as a factor which, because of the impairment of ability to repay, reduces a country's credit-worthiness. This reduction in borrowing capacity aggravates still further the consequences of the deterioration in terms of trade.

The need for compensatory financing to maintain the integrity of development programmes will therefore be apparent. Nevertheless, such financing cannot be purely mechanical. The mere transfer of compensatory funds will not suffice to restore the plan to its original course. It will be necessary—as was said before—to examine the new situation that has been created and to determine the impact of the deterioration in the terms of trade, the adjustments that should be made in the plan, and the manner in which the funds given in compensation should be applied. The important point is that the country should know in advance that, subject to the fulfilment of certain conditions, it can count on the necessary funds to offset the consequences of the deterioration.

It should also know in advance that, if the plan has been based on a serious effort to mobilize domestic capital, a country will not be required to intensify that effort at a time when its ability to do so is clearly reduced. Any such additional effort would in any event reinforce, but not be a substitute for, compensatory financing, assuming there was sufficient margin for that purpose. Finally, the availability of compensatory funds would afford the international credit agencies the assurance they would need that the country's ability to pay would not suffer from the effect of the adverse terms of trade.

Any significant review of the development plan will obviously take time, and if a country had to wait until such a review was carried out, the deterioration of the situation might make the plan, as originally conceived, unworkable. It is in such conditions that the experiment in short-term compensation initiated by the International Monetary Fund might come into play: such compensation would provide a means of tiding a country over the period during which the necessary

adjustments in the plan could be made, and a claim established for long-term compensatory financing.

In the light of this explanation of the close link between compensatory financing and development plans, it will be understood that the resources in question should not normally be allocated directly to individual producers. If that were done, not only would the basic objectives of the development programme be adversely affected, but the problem of deterioration in the terms of trade might be aggravated in the future as a result of the incentive which the higher return would offer to producers.

The relationship between compensatory financing and developing programming is linked to still another consideration. To ensure that such financing achieves its purpose, the additional resources mobilized should not be obtained at the expense of financial resources already being supplied to the developing countries. The percentage of national income which such resources now represent should not decrease but should go on increasing towards the accepted target of 1 per cent. Compensatory funds should constitute a net addition to that target, the amount of the addition depending, of course, on the terms of trade. Moreover, in view of the outright loss that a deterioration in terms of trade represents, the compensatory resources should not take the form of loans subject to amortization and interest payments.

### 4. RECEIPT AND DISBURSEMENT OF RESOURCES

While the obvious differences between compensatory and other forms of financing would necessitate separate treatment of the former, including perhaps the creation of a separate fund, it does not follow that a new institution would be required. A fund of this type could be administered through existing international credit institutions, including regional credit institutions.

In order to fill this new role, these institutions could review claims for compensatory financing submitted to them under general rules approved by Governments. An alternative might be the creation of a body of independent experts of the highest standing which would be responsible for the review.

In this connexion, it may be noted that experience with development plans has shown the need to specify the investments required for the attainment of the plan's objectives, the internal resources to be mobilized for that purpose, and the international financial resources required for the same end. Much remains to be done in working out appropriate methods and procedures along these lines: particularly difficult for recipient countries is the practice of financing individual projects without committing the total external funds required for the duration of the plan. It is to be hoped that procedures for allocating resources furnished as compensatory financing will help to give developing countries every reasonable assurance that they can rely

on the global funds needed for the carrying out of their development plans.

Finally, as to the form in which the necessary resources should be raised, naturally it would be for each country to determine the form which suits it best. However, if use is made of a levy on imports of primary commodities as contemplated in the French market organization plan, care would have to be taken to ensure that it does not have a very marked effect on consumption, and that the effective incidence of the levy is on importing and not on exporting countries, as we have already explained in our comments on such arrangements elsewhere in this report.

It would also be necessary to bear in mind what was said in these comments about the need for a link between such measures and access to markets, not only because of its importance as such but also for reasons of equity since, without it, the more primary commodities a country imported, the greater the effect would be on the receipt of resources.

## B. THE BURDEN OF SERVICING AND OTHER ASPECTS OF EXTERNAL FINANCING

### 1. CRITICAL SITUATIONS IN THE MATTER OF SERVICING

The problem of the burden of servicing is closely linked to the slow growth of exports and the deterioration in the terms of trade. It is also clear evidence of the need for a consistent policy of international economic co-operation. While on the one hand the flow of international financial resources to the developing countries has increased—and this is very laudable—on the other hand, the access of exports from these countries to markets of industrial countries has not been facilitated, nor been provided reasonable stability in the purchasing power of those exports.

In what way, other than by such exports, could the increasing financial burden of servicing be borne? Reducing imports for that purpose has its limits, and the greater the need for essential imports, the narrower those limits will be.

The results of this contradiction are apparent in a number of countries and have assumed critical proportions in some of them, as we have said before. This is due not only to the accumulation of external debts but also to the relative shortness of their repayment periods, the relatively high rates of interest on some obligations, and the high earnings of some investments. According to preliminary findings contained in a report that the International Bank is preparing for the Conference, the public and publicly guaranteed debt<sup>12</sup> on the developing world rose from approximately \$8-10,000 million at the end of 1955 to some \$24,000 million at the end of 1962: i.e., increasing at an annual average

rate of around 15 per cent. The increases, of course, varied markedly from country to country, as shown in the following table:

External public debt of nine major debtor countries  
(In millions of dollars)

Country	End 1955	End 1962	Average annual percentage increase
Argentina . . . . .	(600)*	2 067.1	19
India . . . . .	309.8	2 925.9	38
Pakistan . . . . .	147.4	829.2	28
Turkey . . . . .	(600)*	931.5	7
Mexico . . . . .	478.9	1 359.9	16
Yugoslavia . . . . .	331.5	778.1	13
Colombia . . . . .	276.2	638.8	12
Chile . . . . .	350.7	741.9	11
Brazil . . . . .	1 380.3	2 349.0	8
ABOVE TOTAL (4 475)		12 621.4	16

SOURCE: IBRD, Economic Department.

\* Estimates.

For all developing countries, servicing charges arising from interest and amortization<sup>13</sup> on the public and publicly guaranteed debt rose from \$900 million in 1956 to \$3,100 million during 1963: the growth rate for such service payments, therefore, averaged somewhat in excess of 19 per cent during this interval. Of course, the amount of these annual servicing payments depends not only upon the level of a country's existing debt, but also upon the repayment terms under which international public loans are extended. As can be seen below, a considerable number of developing countries currently face an important problem because of the relatively short period within which repayment of their public debt is due.

Percentage of public and publicly guaranteed debt<sup>a</sup> repayable over the next five years

50 per cent or more	40-49 per cent	30-39 per cent	20-29 per cent
Argentina	Burma	Ecuador	Bolivia
Brazil	Ceylon	Ethiopia	Dominican Republic
Guatemala	Chile	Iran	India
Israel	Colombia	Nicaragua	Pakistan
Mexico	Costa Rica	Nigeria	Paraguay
Philippines	El Salvador	Peru	Sudan
Turkey	Spain	Thailand	Uruguay
Venezuela			
Yugoslavia			

SOURCE: IBRD, Economic Department.

<sup>a</sup> Excluding short-term commercial arrears.

<sup>12</sup> Excluding socialist countries. The public debt data exclude net obligations arising from transactions with the IMF, and outstanding short-term commercial arrears. If the latter were included, the 1962 figure has been estimated at approximately \$28,000 million.

<sup>13</sup> Excluding socialist countries. In both periods, amortization represented over two thirds of the total.

Loans and investments for the developing countries have not always been made in reference to their need for resources and in the light of their ability to pay but have often been motivated chiefly by the immediate convenience of the countries exporting capital goods. This has frequently resulted in the establishment of repayment periods which, while possibly justified in individual transactions, were not compatible with a cautious estimate of the country's ability to pay.

Actually, the care with which some institutions have adjusted the repayment periods of loans to the special situation of each country was of little value in cases where similar transactions were taking place through other channels.

In any case, those are the facts and they have to be confronted without delay. The way in which that should be done is being studied by competent bodies and we will therefore limit ourselves here to some general comments which we consider relevant to this Conference.

For the purposes of the Conference, there are two aspects to be examined: first, the critical problems confronting a number of countries; and, secondly, the need to prevent their repetition by measures affecting both the countries which provide international financial resources and those which receive them.

## 2. CONSOLIDATION OF DEBTS AND EXTENSION OF REPAYMENT PERIODS

So far as the first of the above aspects is concerned, the consolidation of a number of short-term or medium-term debts and the average extension of the repayment period for the external debt as a whole, would appear to be unavoidable for some countries. Experience, both national and international, has shown, more than once, that some very critical situations of indebtedness have been successfully dealt with, and serious dangers avoided in this manner. However, meeting pressing obligations by assuming others which soon will become equally pressing simply postpones the hour of reckoning but is not a solution.

Obviously it is not merely a matter of calculating by mathematics how servicing could be reduced by stretching out the repayment periods. This is a problem which cannot be divorced from a country's economic development policy. It must therefore be part and parcel of a development programme which makes provision for using, together with other internal and external resources available for covering the investment programme, the resources released by the lightening of the servicing burden as a result of debt adjustments.

There is no doubt that compensatory financing is an important factor in this adjustment of the external debt. Compensating a country for the loss it suffers because of worsening terms of trade will provide a much sounder basis than at present for these adjustments of the external debt and for further operations in the future. What is more, such compensatory financing resources might be used by Governments for servicing the new debts deriving from the adjustment. There is no

doubt that this additional safety factor would help considerably to make the operation more feasible, particularly the reduction in the interest burden.

The other problem—that of preventing a repetition of the events that led to the critical situations which cause so much concern—must also be related to the need for gearing international loan and investment operations to the requirements of each economic plan. The composition of a developing country's debt, so far as its type, repayment period and other characteristics are concerned, cannot be arbitrary; it must respond to the conditions and needs of each country.

## 3. PROBLEMS THAT WILL BE SOLVED MORE EASILY WITH DEVELOPMENT PLANS

There has been considerable progress in thinking in this field in recent years but not enough. Where a plan is considered sound by those who have to decide on the provision of supplementary international resources, it would be highly desirable for such resources to be committed in principle for the duration of the plan and for their disbursement to be subject to fulfilment of the basic conditions of the plan and to the submission of specific projects. This over-all approach to the plan and its financial requirements would give the Governments and institutions providing the resources an opportunity to co-ordinate the various operations so as to make them compatible with the plan and the capacity to pay all servicing charges, in the light of probable export growth, import requirements and other external payments.

Naturally, in the complex of reciprocal commitments involved in an operation of this kind, countries receiving resources will have to assume, *inter alia*, the obligation of prior consultation concerning any marginal operation not included in the over-all financing of the development plan with those who have undertaken to provide the international resources. Otherwise they would run the risk of once again finding themselves in a critical situation.

Again, a plan is the only way of solving a problem which is closely linked to foreign trade in the developing countries. A start has been made in the right direction but the complete solution of this problem will depend on a plan's over-all perspective. We are referring to the external financing of a part of internal investment.

There has been considerable reluctance to do so because it has been felt that external resources should be used exclusively for imports of capital goods. The result has been that a developing country which found it convenient to produce some capital goods domestically could not do so with international resources: it was compelled to use its own limited resources, not only for that purpose but also for the local expenditure related to investments effected with imported goods.

The fact is that external resources are needed to make up for the shortage of internal resources in programmes of investments and if they are effectively used for any of those investments and are not spent on con-

sumption, it makes no difference, economically speaking, whether they are used to pay for imported capital goods or for internal investment.

That reluctance may be due mainly to a desire to promote the export of capital equipment in the major centres, but, while such desire is understandable, it may not necessarily coincide with the requirements of good development policy, since there is no reason for stimulating imports of certain types of capital goods when they can be economically produced in the developing countries. Moreover, if external resources are used internally, either in the production of such capital goods or for local costs of investment, that does not mean that they will be lost from the point of view of foreign trade. Actually, they will be used for other imports, since there is no perceptible tendency in the developing countries to accumulate unduly large monetary reserves.

It would therefore be advisable to avoid this watertight separation of resources not only as regards the aspect just indicated but also as regards another important respect. In this report, emphasis has been laid on the advisability of forming groupings of developing countries in order to promote their reciprocal trade and thereby to reduce their potential trade deficit. Now, it is the desire of industrial countries to promote their own exports of capital goods which generally prevents financial resources obtained in such countries by a developing country from being used in other developing countries for procuring the same goods under competitive conditions. This is part of a general problem of multilateralism in the employment of international financial resources. However, pending a solution of that problem, it would be advisable to introduce this additional element of flexibility as an integral part of the policy of international co-operation for economic development.

If this were to happen, considerable impetus would be given to exports of capital goods from some developing countries to others, as well as to industrial countries, in the course of time.

Under present circumstances, the developing countries are at a disadvantage because they cannot compete with the more advanced countries with respect to the granting of export credits. In order to remedy this inequality, the Inter-American Development Bank has initiated a system of export credits for the Latin American countries and it is to be hoped that the necessary resources will be forthcoming to give these operations the impetus they require. Likewise it would be desirable for a similar system to be extended to the other developing countries, and for the possibility to be studied of setting up an insurance scheme for such credits.

This close link between the external resources granted to a developing country and specific projects geared to imports of capital goods is also based on the need for a thorough study of the projects. However, in the absence of a development plan in whose context such a study could be made, there is nothing to

prevent internal resources from being used on low priority projects or on projects which are meaningless from the economic or social point of view.

All these considerations make the need for planning more imperative, a point that is duly stressed in this report. What is more, planning is the best way of making the policy of financial co-operation most effective.

In this connexion, it must be borne in mind that the extent to which internal resources allocated to developing countries in recent years have been effectively utilized is being widely questioned in the developed countries.

Comparisons are being made with the European Recovery Programme—a programme of aid which was associated with the rapid post-war revival in western Europe in the space of a few years, and which it was possible to discontinue as country after country regained its economic strength.

There is no doubt that much remains to be done by the developing countries in taking the internal measures which would enable them to make more effective use of the external assistance available to them. We shall refer to some of these measures later.

But one cannot in any case make a valid comparison between the aid that was supplied to western Europe after the war and the resources now being placed at the disposal of the developing countries. For one thing, the average annual amount of economic aid given to western Europe from 1948 to 1951 was of the order of \$12 per capita, while the corresponding assistance now being supplied to developing countries works out at about \$4.

Above all, it is in the very nature of the problems of developing countries that they do not yield to rapid or sudden solutions. The task of making up for the economic lag of centuries cannot be compared with the problem of European economic recovery even after a destructive war.

#### *Chapter IV*

### TRADE BETWEEN THE SOCIALIST COUNTRIES AND THE REST OF THE WORLD, PARTICULARLY THE DEVELOPING COUNTRIES

#### 1. TRADE POTENTIAL OF THE SOCIALIST COUNTRIES

The importance of the socialist countries in the world economy is reflected in the fact that their share in world industrial production is estimated to be of the order of one third. Their share in world trade, however, is not of the same relative importance.

This fact, combined with the plans of these countries for a continuing process of rapid economic expansion indicates the possibility of a much higher volume of trade with the rest of the world than exists



at the present time. The form and manner in which that trade potential could be realized, and could help other members of the world community progressively to obtain the benefits of economic development, constitutes one of the most important questions before the Conference.

The present relatively low level of trade of socialist countries with the rest of the world has to be considered in a broad perspective. Before the revolutions that took place in those countries, their external trade pattern (with the exception of Eastern Germany and Czechoslovakia) resembled that of developing countries: they supplied a number of primary products to the industrial countries in exchange for manufactures, trading very little with one another or with the rest of the developing regions. Before the Second World War, the smaller countries in this group did not maintain extensive trade relations with the USSR, which had already built its industrial economy. After the war however, these trade relations expanded considerably, while their trade with the rest of the world was much lower than before the war.

This shift in the direction of their foreign trade should not be attributed to purely economic reasons, although undoubtedly they found advantages in their reciprocal trade. But even more significant may have been international political developments whose examination is outside the scope of this report. If, however, the favourable change currently under way in the international political sphere continues—as is to be hoped—new and important possibilities for closer trade relations between socialist and private-enterprise economies may emerge, to the benefit of both.

Exports of CMEA countries to the rest of the world have been growing rapidly for a number of years. As can be seen in the following table, they rose from approximately \$1,900 million to \$4,700 million between 1955 and 1962, and during this same period exports to developing countries increased from approximately \$400 million to \$1,900 million.

Exports of CMEA countries<sup>a</sup>  
(In millions of dollars)

	1955	1962	Annual growth rate (per cent)
To CMEA countries . . . . .	4 750	10 150	11.5
To the rest of the world . . . . .	1 900	4 760	14.0
To industrialized private enterprise countries . . . . .	1 480	2 750	9.3
To developing countries . . . . .	420	1 910	24.0
TOTAL EXPORTS	7 950	15 770	10.4

<sup>a</sup> Based on data provided by the Statistical Office of the United Nations. The 1955 and 1962 components in this table do not add up to the totals, due to unallocated residuals.

Although exports of developing countries to the socialist world are still equivalent to less than 5 per cent of their total exports, the increment in these

exports in recent years has accounted for an important proportion of the total expansion in the value of exports of these countries, as shown by the following figures:

Exports of developing countries<sup>a</sup>  
(In millions of dollars)

	1955	1962	Annual growth rate (per cent)
To industrialized private enterprise countries . . . . .	17 120	21 030	2.9
To developing countries . . . . .	5 840	6 550	1.6
To CMEA countries . . . . .	445	1 420	18.0
TOTAL EXPORTS	23 957	29 630	3.1

<sup>a</sup> Based on data provided by the Statistical Office of the United Nations. The 1955 and 1962 components in this table do not add up to the totals, due to unallocated residuals.

The socialist countries members of the Council for Mutual Economic Assistance (CMEA) plan for a considerable growth in their foreign trade. According to estimates of the secretariat of the Economic Commission for Europe, if current plans of these countries for a growth of national income are realized, total imports may rise from \$15,200 million in 1962 to nearly \$30,000 million in 1970 and over \$50,000 million in 1980.

If one could assume that the share of the developing countries will be maintained at around 10 per cent of the total, as at present, this would imply a potential expansion in their export markets in the CMEA countries from \$1,400 million in 1962 to \$3,000 million in 1970 and more than \$5,000 million by 1980.

On the other hand, certain CMEA countries foresee increases in the share of trade with developing countries in their total turnover, and if this became true of the other countries in the group as well, the potential for expansion could be greater than indicated above.

But might not CMEA policy develop in such a way as to reduce the relative importance of trade with the developing countries and with the rest of the world in general?

In this respect, the socialist countries are in a very different position. On the one hand, the Soviet Union, with vast natural resources, might be in a position to maintain its own rate of economic development with very little need to trade abroad more extensively even if international relations improved. The same is not true of the other socialist countries, which, by the very nature of their economies, need to increase their trade with the rest of the world. That is why it is clearly in their interest to work out a more dynamic approach to foreign trade.

But the Soviet Union also, despite the above-mentioned considerations, has expressed its interest in active participation in a new international division of labour with the rest of the world, both industrial and



developing, in order to achieve the most effective utilization of its productive resources through international trade.

There is nothing in the constitution or machinery of the CMEA which would stand in the way of an intensive development of trade with the private enterprise world. Experience to date, moreover, shows that such development has in fact already begun, even though it remains within the modest limits of an initial effort undertaken in generally unfavourable circumstances. Thus between 1955 and 1962, according to the first table, trade among CMEA countries increased at an average annual rate of 11.5 per cent, while trade with the industrial countries advanced at a rate of 9.3 per cent per annum, and with developing countries at a rate of 24.0 per cent per annum.<sup>14</sup>

## 2. TRADE BETWEEN SOCIALIST AND PRIVATE-ENTERPRISE ECONOMIES

The establishment of more favourable conditions for trade between socialist and developing countries should be considered in the light of the relations between the socialist countries and the private-enterprise countries in general. World trade is an intimately interrelated network, and the repercussions of obstacles in any one part are felt inevitably in all others.

The low levels of trade between socialist economies and developed private-enterprise countries are attributed to different causes. On the one hand, it is contended that many of the private-enterprise economies discriminate against trade with the socialist countries by a variety of means which include the application of controls on certain categories of exports and a refusal to give most-favoured-nation treatment in respect of imports. On the other hand, it is asserted that the trading system of the socialist countries does not permit verification of the application of most-favoured-nation undertakings, that the specification of countries of origin in import plans as well as the quantitative regulation of imports in general may involve discrimination, and that in any case the level of trade depends on the socialist countries' plans and their ability to meet the specific needs of both the advanced and developing private-enterprise countries, rather than on any obstacles that may be encountered in the latter countries.

No useful purpose would be served by entering into the substance of these differences in the present report. Fortunately, there is evidence of some progress as regards the possibility of finding a *modus vivendi* in this matter. Both sides are beginning to recognize that they must respect each other's systems and try to adjust their policies so as to secure a mutually satisfactory solution. It was in this spirit that experts, from seven countries of different economic and social

systems, met in Geneva under the auspices of the Economic Commission for Europe during September, 1963, and were able to agree that trade relations could be developed on the basis of effective reciprocity and mutual advantage, as reflected in "the increase in the volume and composition of trade between countries with different systems which would satisfy the trading partners and would serve as a basis for its further development on a long-term and balanced basis"<sup>15</sup> There was also a general consensus that a realistic and practical approach of this sort would be more profitable than detailed discussion on the theoretical aspects.

The experts recognized further that while the developed private-enterprise economies use tariffs to regulate their foreign trade, tariffs do not serve the same functions in the socialist countries. For the imports of socialist countries are determined through their national economic plans and the state monopoly of foreign trade: tariffs have a complementary function, namely, to discourage imports from countries not granting reciprocal most-favoured-nation treatment. When market economies negotiate with one another for mutual reductions in tariffs, the comparable role of tariffs in each of the various negotiating countries makes it possible for them to reach an equivalence of concessions. Where there are basic differences in trading systems however, reciprocity can be obtained primarily through reciprocal commitments of the trading partners to increase the volume and broaden the range of their imports from one another.

It has been suggested that, in view of the different role of tariffs in the two economic and social systems, consideration should be given to the possibility of reducing internal prices in socialist countries as a counterpart to the lowering of tariffs by private-enterprise countries. This, however, would not bring about the desired result. A lowering of prices in socialist countries would not by itself promote higher imports, as a reduction of tariffs does in private-enterprise countries. The level of imports in socialist countries depends upon the provisions made in the economic plans, which are in turn based upon expected exports. Thus, an increase in exports would be required to permit an expansion of imports, and only then would a lowering of prices have meaning in stimulating the consumption of larger quantities of imported goods. In turn the level of exports depends on the one hand, on the ability of socialist countries to satisfy the requirements of developed countries and, on the other hand, on the willingness of the latter to import from them.

The main objective of socialist countries for many years was to have high rates of growth to a significant

<sup>15</sup> Economic Commission for Europe, "Preliminary Report of the *Ad Hoc* Group to the 12th Session of the Committee on the Development of Trade" originally released as document TRADE/140 (2 October 1963) issued as Trade Conference document E/CONF.46/PC/47, para. 24 (b) Annex A. The group consisted of governmental experts from Czechoslovakia, France, Hungary, Sweden, the Union of Soviet Socialist Republics, the United Kingdom and the United States.

<sup>14</sup> Excluding Cuba, the rate would be somewhat less than 20 per cent.

extent based on a rapid expansion of heavy industry which would enable them to attain the living standards of the western countries. In so doing, they gave a higher priority to imports of machinery and equipment in general, mainly from the developed countries, than to imports of consumer goods or products such as tropical beverages which they regard as being in the category of luxuries or which did not form part of their normal pattern of consumption.

More recently, imports of foodstuffs, raw materials and finished goods for personal consumption have been rising significantly. But the amount of foreign exchange available for such imports is still necessarily limited by the total volume of resources that can be obtained from the marketing of their exports abroad. If they were able to export more, whether to developed or to developing countries, it would be easier for them to import larger quantities of the primary commodities and finished manufactures which at present have a relatively low priority in their import programmes.

### 3. PROSPECTS OF INCREASING TRADE WITH DEVELOPING COUNTRIES

What are the concrete prospects for a substantial expansion of the trade of developing countries with socialist countries?

The future trade of the socialist countries cannot be regarded merely as a projection of the past. While the current plans of these countries are based on economic and political assumptions related to the experience of past years, a change in these assumptions might mean an improvement in the prospects for trade of the developing countries with the socialist world, to an extent greater than present plans might indicate. For example, one of the most important questions for the socialist countries in planning ahead is whether they will always have access to external supplies of commodities for their economies and whether it will be possible to market their exports in the expected quantities without risks other than the usual commercial ones.

For the time being, estimates of the possibilities for trade can only be based on such plans as exist at present. The prospects for trade, as set out in the plans of the socialist countries, vary greatly according to the products. In the case of agricultural products of the temperate zones, for instance, there would appear to be a definite effort on the part of the socialist countries to increase production to the maximum in order to meet the demands of population growth and of rising levels of living. In view of these intentions, long-term prospects for the import of temperate products may become unfavourable with the passage of time, although they may improve sporadically. Nevertheless the possibility should not be overlooked that in the socialist countries, just as in the private-enterprise economies, some proportion of the increment in domestic demand could be supplied from imports. Even if that proportion was very small, it could represent quantities of appreciable

magnitudes for the primary exporting countries. The opportunities for opening up markets for exports of primary commodities along these lines would therefore be worth exploring, especially if the drive to increase production in the socialist countries stops short of utilizing high-cost marginal land.

The same thing could be said as regards raw materials for industry, the market for which may be of importance to developing countries in the years to come if measures are taken by the socialist countries to assure an adequate participation of imports in total consumption within the framework of reciprocal trade and if, furthermore, they could have reasonable assurance of regular access to the sources of supply.

The growing consumption potential of the socialist countries offers a favourable market outlook for tropical foodstuffs and beverages. Should the per capita consumption of these products reach, by 1980, the levels prevailing in the richer private-enterprise economies today, imports might amount to very sizable figures. On certain assumptions along these lines it has been estimated that imports of these commodities by CMEA countries, which were valued at scarcely \$130 million in 1961, might reach some \$3,000 million by 1980.

Similarly, the possibilities for imports of manufactures from developing countries might be very great, since higher incomes are reflected in an ever greater demand for industrial consumer goods; if this demand is to be translated into higher imports, it would be essential for the socialist countries to introduce a suitable division of labour in this field. Such a trend has already begun to manifest itself in the case of industrial imports, thus far originating principally in India and the United Arab Republic, among the developing countries.

It would be highly desirable if socialist countries could indicate their long-term import targets of primary products, as well as of industrial goods, coming from developing countries. This could play an important role in the export plans of developing countries as well as in their plans to reduce their trade gap.

If all these possibilities are to be realized, the developing countries will have to provide for corresponding increases in their imports from the socialist countries. The socialist countries have expressed their willingness to supply an increasing amount of the capital goods needed for development, although there are differences between them in the extent to which they have experience and knowledge of markets in developing countries. Some socialist countries have already gained such experience, which has enabled them to promote an active export trade in machinery and equipment; for other countries, on the other hand, this is a relatively new problem calling for considerable efforts in the way of organization and of adaptation to the conditions and requirements of the developing countries.

The fear is sometimes voiced that if the possibilities of trade between the socialist countries and the developing countries were to be realized, the economy of some

of the smaller countries might become unduly dependent on the purchasing power of bigger countries: a danger which may be all the greater if that purchasing power is exercised through decisions of State organs or of large commercial firms. The fact is that exclusive or preponderant dependence on a single purchasing market in any part of the world has serious drawbacks, of a magnitude in inverse ratio to the size of the exporting country. That is one of the chief reasons for diversifying not only the products exported but the destination of those exports. It is to be hoped that such situations will be avoided by a well-balanced development of trade among all countries.

#### 4. BILATERAL AGREEMENTS AND THEIR SIGNIFICANCE

Any assessment of the possibilities for rapid development of trade between the socialist countries and the developing countries must take into account the disadvantages arising from bilateralism in trade. They are well recognized. However, while conditions are not yet fully favourable to the universal application of the multilateral trade system, as would be highly desirable, bilateral agreements are useful in so far as they serve as an instrument for promoting additional exports and correlatively additional imports.<sup>16</sup>

It would be a serious step away from the universal application of the multilateral system if bilateral trade were to spread to areas in which trade now takes place on a multilateral basis. But the present case is quite different, since the idea is to open up new channels of trade through bilateral agreements rather than to move backwards from a multilateral to a bilateral system.

Bilateral agreements may be entered into for long as well as for short periods of time. Long-term agreements may provide for a steady growth of trade over a number of years by setting targets for mutual trade expansion, both over-all and for particular products. Such agreements may thus provide a basis for the planning of expanded production for export.

It is important to distinguish bilateralism in these conditions from that which was characteristic of the great world depression of the 1930s. At that time there was recourse to such trading arrangements in order to protect exports against the disastrous restrictions which threatened them in the circumstances then prevailing. Faced with the imperative necessity of restricting imports, countries engaging in bilateral trading arrangements sought to shift their imports towards countries that were buying their exports in equivalent

amounts even if prices were higher than in other sources of supply.

Bilateral agreements were then an instrument of trade diversion rather than trade expansion. The current question of bilateral agreements with the socialist countries is different, since they can be used for the fundamental purpose of generating additional flows of trade through bilateral channels which would otherwise not take place at all. Thus bilateral agreements can be used as instruments for trade expansion, provided that instead of diverting trade they stimulate additional trade and that the transactions follow international prices.

It should therefore be possible for the developing countries to maintain and increase their traditional trade to the extent permitted by the access granted them by the private-enterprise countries while, at the same time, expanding their trade with the socialist countries.

The ultimate goal should be the extension of multilateralism to the whole of world trade. On that basis a form of bilateral agreement consistent with multilateralism can be envisaged. It would be possible, for example, to conclude agreements specifying the commodities which the countries in question seek to import and export without trying to establish any rigid balance of trade by pairs of countries.

The socialist countries, as has already been stated, employ long-term contracts in their import and export trade. In some of the private-enterprise countries the advantages that may be secured by this means have recently won recognition. For example, one of the main conclusions and recommendations of the trade mission from the Birmingham and London Chambers of Commerce that visited the Soviet Union in May 1963 was that:

"The fact that the Soviet Ministry of Foreign Trade is prepared to talk about five-year contracts both for buying and selling is a very important and significant step. British industry should be ready to take full advantage of it. It could now be possible for particular branches of industry to plan production ahead and even to expand facilities to accommodate Soviet orders."<sup>17</sup>

In other words, long-term contracts<sup>18</sup> arranged under bilateral agreements may provide a firm basis for industrial planning in private-enterprise and socialist countries alike.

Short-term bilateral agreements are employed by socialist countries as well as by some developing countries. Where a country experiences difficulty in selling abroad, whether because of market weakness in

<sup>16</sup> In their approach to bilateral trade the socialist countries usually offer bilateral payments arrangements in terms of the currencies of the respective developing countries. Any deficits or surpluses arising from the agreements in any period are settled through commodity deliveries in the required amounts during a subsequent period. Trade in both directions is carried out generally at world market prices.

<sup>17</sup> *Trade Prospects in the USSR: a survey for businessmen*, report of the Birmingham and London Chambers of Commerce, May 1963, page 18.

<sup>18</sup> Moreover, it should be recalled that France and the United Kingdom have been operating this system for some time with countries with which they have special links.

particular products, over-valued exchange rates, discrimination by other countries, or other factors, bilateral agreements may offer a means of assuring export sales. What happens, in effect, is that the country concerned uses its import buying power as a means of selling its exports through bilateral channels. Although most of the trade of the socialist countries, both with one another and with the rest of the world, is based upon a system of bilateral agreements, a bilaterally balanced basis of trade is also sought by some private-enterprise economies as well, in their exchanges with socialist countries. In this connexion reference has been made to the case of developed countries which insist on a bilateral balance in their transactions with socialist countries so as to obtain additional outlets for export products encountering difficulties in other markets.

#### 5. POSSIBILITIES OF MULTILATERAL TRADE

There can be no question that multilateral trade has notable advantages over bilateral trade and that everything possible should be done to expand its scope until bilateral trade has been eliminated. This, however, is not a matter of simply applying a formula but primarily of creating conditions favourable to the development of multilateral transactions.

It would be appropriate in this connexion to recall that the socialist countries have stated repeatedly that the bilateral trade in which they were engaging had been the outcome of circumstances and that progress could be made in the direction of multilateral trade if these circumstances became favourable. There is in fact no reason why planning should be incompatible with multilateralism. Under suitable conditions, it should be just as possible to plan for multilaterally balanced trade as for bilateral balance.

A movement in this direction has already begun in the CMEA countries with the recent establishment of a multilateral payments system among them. It is to be hoped that this system may be gradually extended to the rest of the world, thus giving a considerable impetus to international trade.

The factors which tend to encourage bilateralism in trade rather than multilateralism may be much more a matter of the volume and composition of trade than of the particular economic system under which it is conducted. A low level of trade is certainly not conducive to multilateralism. In general, the larger the volume of trade, the number of participating countries, and the variety of products, the greater would be the possibilities for multilateral compensation. For this reason and because of the considerations referred to above, it appears that a necessary condition for the attainment of the multilateral goal by the socialist countries would be a widening of the orbit of their trade with the rest of the world, both developed and developing. Multilateral trade, in its turn, will reinforce this trade expansion.

### Chapter V

## THE INSTITUTIONAL MACHINERY OF WORLD TRADE AND DEVELOPMENT

### 1. DEFECTS IN THE EXISTING MACHINERY AND THE NEED TO CORRECT THEM

After this discussion of a series of possible international trade and financial measures aimed at eliminating the potential trade gap, it is necessary to ask whether or not the existing institutional machinery is adequate for the systematic implementation of these measures, for modifying them or adopting other new ones, in accordance with changing practical requirements, and finally for implementing the policy within which all these measures should be incorporated.

The arguments generally advanced concerning the existing machinery are the following:

First, GATT is far from being universal, because it has sixty-one full members and thirteen associate members,<sup>19</sup> whereas the number of States Members of the United Nations and members of the specialized agencies which have been invited to participate in this Conference is a hundred and twenty-two.

Secondly, the problems of international trade are dealt with in a fragmentary fashion and not as part of a general problem of development which must be tackled on various fronts and with clearly defined objectives.

Thirdly, although GATT has clearly shown itself to be a suitable instrument for dealing with trade problems among the industrial countries, it has not proved equally effective in coping with trade between the developing countries and the industrial countries nor has it promoted trade relations among the developing countries themselves. This explains why many of the developing countries have been reluctant to join GATT.

Fourthly, GATT was conceived as an instrument for expanding international trade by means of the tariff system; trade between Governments was regarded as an exception. The result has been that the Soviet Union and several other socialist countries that regulate their trade mainly through bilateral import and export agreements have remained outside the scope of this institution. It should be noted in this connexion that since the end of the Second World War, trade through official agencies has reached considerable proportions in a number of non-socialist countries as well.

Fifthly, the agreements and other activities relating to primary commodities are negotiated largely outside GATT and are not subject to co-ordinated action.

This situation has led to the suggestion that a new international trade organization free of such shortcomings should be established as the body responsible

<sup>19</sup> Including countries which are provisional members and others participating in various ways in its activities and operations.

for carrying out the policy emerging from this Conference and from similar successive periodic conferences.

This last point is basic, because it is only by deciding to agree on this new policy that such an institutional reorganization would make sense. It is equally true, however, that the reorganization itself, if properly carried out, could facilitate the formulation of this policy, since it will not be a single brief operation but rather a long-term association with the serious problems facing the world in these matters. Furthermore, an intellectually independent secretariat with the authority and ability to submit proposals to Governments within the framework of the United Nations could help in formulating this policy and seeing that it is carried out correctly.

The conviction has grown that some kind of new trade organization is needed in one form or another. If it gains further ground at this Conference we should take important decisions here and decide whether this objective is to be achieved by immediately establishing a new organization with all the necessary powers or by proceeding gradually and by stages, making use of the experience acquired in the process.

## 2. UTILIZATION OF EXISTING FACILITIES

As far as the latter course is concerned, there already exists a valuable group of facilities which could be utilized in a regular and systematic manner by making whatever additions or modifications are necessary and giving unity and coherence to what is now fragmentary and scattered. Various ideas could then be combined in this connexion. They will now be considered.

How could the existing facilities be used to remedy the defects mentioned in the institutional machinery in such a way as to lead eventually to a new trade organization?

## 3. THE PERIODIC CONFERENCES

It may not be fully realized that an effort to remedy the first two defects was begun by the United Nations some time ago. This effort, although still insufficient, could now be stepped up and carried out organically and in ways that would correspond more closely to the aims in view.

The United Nations, because of the wide range of its membership, has in fact provided Member States, and especially the developing countries, with a broader institutional framework than GATT has so far offered.

While it is true that GATT, because of its very nature, has discussed trade problems as such, it is also true that, in the United Nations, consideration of such problems has always been an integral part of the periodic discussions on economic development. Such has been the case in the regional economic commissions, the Economic and Social Council and its subsidiary organs, the General Assembly and in the Secretariat's reports to these bodies.

It may be said without exaggeration that it was at these periodic meetings that many of the highly important matters which this Conference is to consider were initially broached. It was there that emphasis was first laid on the tendency towards persistent external imbalance and its structural significance. The same could be said with regard to the terms of trade and compensatory financing. It was also in the United Nations that there originally emerged the concept of structural inequality between countries and the need for a policy to remedy the serious consequences of the disparities in international demand and that opposition to the conventional idea of reciprocity was originally expressed. It was in the United Nations organs that the need for a policy for the industrialization of the periphery of the world economy was first unequivocally recognized. The movement towards the establishment of regional groupings of developing countries was likewise given a strong impetus in the world Organization. Finally, the need to plan development and the role of trade in development was strongly emphasized in the United Nations.

Furthermore, the Secretariat has concerned itself with all these topics on a continuing basis. Indeed, without such concern, it would have been unable to submit to the Preparatory Committee or this Conference all the reports requested of it at such short notice.

Undoubtedly, therefore, the United Nations is capable of assuming much greater responsibilities in these fields.

Continuing even further along this path, an organizational scheme could be outlined, based on the holding of periodic conferences similar to the present one, where the problems of international trade would be discussed as an integral part of the general problem of development. At the same time, international payments and development financing would have to be approached, not as isolated matters, for there are agencies concerned specifically with them, but as part of a closely integrated whole. The approach must be both global and, at the same time, universal, for these matters cannot be broken down by geographical areas or by groups of countries belonging to different economic and social systems.

Such a review would lead to the formulation of an over-all policy that would have to be continually revised in the light of experience. For this purpose, it is considered desirable to organize, in addition to the periodic conferences, a standing committee which would fulfil this continuing function of examination and revision, with a view to submitting suggestions or recommendations to the conferences or to Governments, depending on the nature or urgency of the matters involved. It would act as a preparatory committee for the said conferences and might have a similar, although not identical, geographical composition, so as to enable States which are members of the specialized agencies but not of the United Nations to participate. Some of these countries play a very important role in world trade.

#### 4. PRINCIPAL TASKS OF THE STANDING COMMITTEE

In that task of examination the standing committee would have to consider a number of important aspects:

(a) The potential trade gap and the way in which the import targets are being met, as also financial and other measures which may have been taken to cover it;

(b) The steps taken to facilitate the access of primary commodities to the industrial countries;

(c) The development of preferential policy in those countries with respect to imports of manufactured goods from the developing countries;

(d) The preparation, concerting and implementation of commodity agreements;

(e) The functioning of the compensatory financing system;

(f) Trade between socialist countries and other countries as an integral part of world trade; and the attainment of targets set for imports from the developing countries;

(g) The formation and functioning of preferential groupings of developing countries and the progress of import-substitution policy in such groupings.

In this review on the implementation of such a policy, with a view to preparing recommendations for the periodic conferences or submitting them to Governments through the appropriate channels, the standing committee and, of course, the conferences should count on the co-operation of GATT and United Nations specialized agencies.

GATT, without prejudice to its independence, could give very valuable help, particularly with respect to all matters concerning tariff policy and the application of the preferential system.

The United Nations Commission on International Commodity Trade (CICT) and the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA), as also FAO, and other bodies currently functioning in this field, could make available the full benefit of their experience in this matter. As has been stated elsewhere, if further progress has not been made along these lines, the fault lies not so much in a lack of institutional machinery but in the lack of a clear and energetic policy. If such a policy is formulated, the standing committee and the conferences should provide the necessary impetus so that this machinery may be set in motion in an efficient and co-ordinated manner.

The Committee for Industrial Development, with the help of the Centre for Industrial Development, will have a very important role to play, particularly with respect to all matters concerning industrial exports.

International financial institutions could co-operate in the matter of compensatory financing and other financial measures designed to correct external imbalance.

As far as trade between the socialist countries and the rest of the world is concerned, the Committee on the Development of Trade of the Economic Commission for Europe has already made a significant contribution to the examination of relations between the socialist countries and the private-enterprise industrial countries and ways of improving them. It should be remembered that non-European countries may attend its meetings as observers.

If the idea of the conferences and the standing committee is accepted, practical arrangements should be made to avoid, as far as possible, any unnecessary overlapping of functions, so that the discussions in these bodies would not be unnecessarily repeated in other United Nations bodies or in GATT. Apart from its intrinsic disadvantages, this overlapping would unnecessarily take up the time of governmental representatives and might thus lead to a situation in which participants in the conferences and in the standing committee might not always be of the appropriate level.

Again, once the policy emerging from this Conference is formulated, it would be possible to study the readjustments to be made in existing machinery so as to give them a structural cohesion that would make them respond efficiently to that policy. That would also be the time to decide whether or not interim or permanent auxiliary bodies will be needed for the analysis of special matters and for the implementation of the measures specifically embodying that policy.

#### 5. THE REGIONAL ECONOMIC COMMISSIONS AS BASIC ORGANS OF THE CONFERENCES

The co-operation of the United Nations regional economic commissions should be enlisted as a means of facilitating the work of the conferences and the standing committee. The part played by these commissions and their trade committees and by the studies of their secretariats in considering the problems of trade and development is fully recognized. It would therefore be advisable to establish a clear organic link between the conferences and the regional economic commissions. The commissions, with the co-operation of their secretariats, could be given the responsibility of examining and discussing the problems of their member countries, current trends in the potential gap, the obstacles impeding the implementation of the policy agreed to, and the relationship between this policy and internal development policy. The regional commissions would thus carry out the primary function of the conferences. Their periodic reports would contain an analysis of the chief problems of each region in connexion with the matters of interest to the conferences and whatever relevant recommendations the Governments might see fit to make. The performance of this primary function would not only be valuable in itself but would also make it easier for the conferences to avoid spending time on details and to concentrate on those problems that call for more general solutions.

## Part Three

### REALISM AND RENOVATION

#### A. EXTERNAL BOTTLENECKS OBSTRUCTING DEVELOPMENT

There is one dominant note in this report. On the international economic scene we are faced with new problems, new in kind, in some cases, and new because of the magnitude they have acquired, in others. We therefore need different attitudes from those prevailing in the past, and these attitudes should converge towards a new trade policy for economic development.

The problems that beset the developing countries are very grave indeed. They have to assimilate modern techniques swiftly in order to raise their levels of living. But new techniques, while they bring enormous advantages with them, are fraught with dangerous consequences, because we have not yet learnt fully to control the forces of development in a rational way.

The direct and indirect effects of technological progress are responsible for the fact that world demand for primary commodities is growing so slowly, to the detriment of the developing countries. The effects of the protectionism prevailing in the industrial countries are an added factor. Even though access to the markets of the latter countries is facilitated, the primary production of the developing countries should adjust to this slow tempo of demand, but structural difficulties prevent it from doing so to the extent necessary to prevent primary commodity prices from deteriorating in relation to those of manufactures. The further modern techniques permeate primary production, the stronger may be the tendency towards such a deterioration. Action by Governments is therefore imperative to deal with this paradox of development.

Such action is also essential for rapid industrialization to become the dynamic factor in the development of the world periphery, just as primary exports were the dynamic factor in the development of the world periphery in former times. But in those days development had no social depth. Today it must. This makes the problem of development more complex and pressing.

The circumstances in which industrialization must proceed are, moreover, very adverse. The developing countries are still suffering the consequences of the disintegration of the world economy that followed upon the great calamity of the 1930s. They do not export industrial goods, except in very small quantities. Since their primary commodity exports are growing so

slowly and their terms of trade tend to deteriorate, they lack the resources necessary to import, on an adequate scale, the goods required for a satisfactory rate of development.

These imports are mostly industrial goods, and only part of them have been or could be produced domestically on an economic basis owing to the smallness of national markets. They must export in order to enlarge these markets. But it is usually difficult to increase exports because costs are high, and costs are high because of the difficulty of realizing economies of scale in the absence of exports. Here too a policy is needed, action by Governments to break this vicious circle by providing reasonable access to the markets of the industrial countries for manufactures from the developing countries, and a decided effort to promote the exports of such manufactures.

The developing countries should also form their own groupings in order to plan and develop their industries in wider markets. In some cases they have only just embarked on this policy and they should be given firm international support in the technical and financial fields, within a more favourable institutional framework than now exists. Such co-operation is needed to help import substitution within the groupings with respect not only to goods but also to services, since maritime transport and insurance, for example, represent very substantial external payments.

Among the growing imports necessary for development, capital goods stand out prominently. Such imports have been financed in part by international financial resources. But, in addition to being inadequate,<sup>†</sup> these resources present a further problem. The burden of servicing them grows heavier and heavier, and in some cases the situation is becoming very critical, again because the exports which must provide the necessary funds for servicing are expanding very slowly and losing their purchasing power, while the demand for imports continues to grow.

All these factors that are so unfavourable to the developing countries converge in the persistent trend towards external imbalance that stifles economic development. As was seen at the beginning of this report, it has been estimated that the potential trade gap in goods and services will amount to some \$20,000 million by the last year of this decade if the present course of events continues unchecked. This is



a staggering figure from the standpoint of the developing countries, but not from that of the industrial countries, since the amount by which the former would have to increase their exports of primary commodities and manufactures in order to bridge this gap, to the extent that it is not covered by international financial resources, represents only an insignificant fraction of the latter's consumption.

The problem must therefore be cut down to its proper size. The remarkable development of the industrial countries has given them a high foreign trade potential. Everything depends on ensuring that part of this potential is translated into practical measures that would bring about a significant increase in imports from the developing countries.

## B. THE POTENTIAL OF THE MAJOR INDUSTRIAL COUNTRIES IN RELATION TO DEVELOPMENT REQUIREMENTS

The immediate aim of a new trade policy is to bridge the potential trade gap. Calculations of this gap may serve as a guide for setting targets in the industrial countries for imports of primary commodities and manufactures from the developing countries. But such calculations are only an approximation of the order of magnitude of the phenomenon and therefore give only a general indication of the extent of the changes that may be needed. They cannot be taken as precise, since they are inevitably based on assumptions about the future that the facts may belie. For example, it has been assumed that the rate of income growth in the industrial private-enterprise countries will be 4.2 per cent per annum. This rate may, however, turn out to be higher. If this happens, the demand for imports from the developing countries may be correspondingly greater and thus reduce the magnitude of the potential gap. Would targets that had been set on the assumption of a larger gap then be meaningless? Would they then have to be readjusted?

### 1. RATES OF GROWTH IN DEVELOPED AND DEVELOPING COUNTRIES

This is not, of course, a question of mere statistical readjustment. It is a matter of much more importance. If the industrial countries succeed in stepping up their rates of growth, this will create favourable conditions for a corresponding acceleration in the developing countries. The potential gap is the external limiting factor and, if it is reduced, it will be less difficult for the developing countries to reach and exceed the rate of growth postulated for the Development Decade. But at the same time, the inflow of international resources should be increased and this would be more feasible if the industrial countries grew more quickly.

It is therefore a mistake to think that faster growth in the developed countries would necessarily add further to the disparity between their incomes and

those of the developing countries. On the contrary, it would create conditions in which the latter would find it easier to overtake the developed countries in their rate of *per capita* growth, thus gradually lessening the disparity which causes so much anxiety.

Countries that assimilate an existing, although constantly changing, technology can and must attain rates of growth much higher than those recorded by the industrial countries in the past, when this productive technology was taking shape. This helps to explain the high rates of growth of the socialist countries and of Japan and the impressive transformation which those countries have undergone. It also explains the extraordinary growth rates of the countries of western Europe in recent times when they were engaged in modernizing their industrial and agricultural technology, making up for the lag previously created by adverse circumstances. Thanks to the progress thus achieved, all of the countries mentioned have an import potential which could be utilized on a much greater scale than it is now, for their own benefit as well as that of the developing countries.

### 2. INTERNATIONAL MONETARY RESERVES

This potential is also considerable and could be much greater still in some other important countries that are now experiencing balance-of-payments difficulties which tend to slow down their economic expansion. We cannot ignore the significance of this phenomenon in this report because, as we have already said, the consequences of faster growth in the industrial countries would be of the highest importance for the developing countries.

This balance-of-payments problem actually consists of three distinct, although closely interconnected, problems: the problem of monetary reserves, or strictly speaking, liquidity; the problem of trade policy; and the problem of the world production of gold.

The problem of reserves can be summed up as follows. Whereas from 1950-1962 the value of world imports more than doubled, monetary reserves increased by only 33 per cent. Moreover, the distribution of reserves was very uneven. The shortage, which had hitherto been a feature of the countries of continental western Europe, was remedied at the expense of the reserves of the United States which, for its part, had previously accumulated an excessive share of the world's gold.

The gold reserves of the United States fell from \$26,000 million at the beginning of 1950 to \$17,000 million at the end of 1962. In evaluating these totals, account should be taken of the net position of foreign short-term claims upon the United States, which rose from \$5,500 million at the beginning of 1950 to \$16,900 million by the end of 1962.

These developments were the results of an external deficit which, during this thirteen-year period, reached a total of \$25,900 million. The deficit occurred in spite of a large surplus in exports of goods and services.



But it so happens that United States loans, investment and grants-in-aid in the rest of the world exceed this export surplus.

The existence in the United States of such a vast quantity of assets belonging to foreign monetary authorities seems to be one of the factors that restrict that country's freedom of action, as regards the measures it can adopt to correct the external imbalance.

Hence emphasis has been laid on restoring liquidity, and solutions are being sought with that purpose in mind. In short, the aim is to add, in one form or another, new resources to those now available in the International Monetary Fund. In certain cases, the thinking goes even further: it is suggested that these operations may be organized in a regular and systematic manner as part of an international mechanism and in a way that relieves the major industrial countries of the burden of holding other countries' monetary reserves and thereby impairing their freedom of action, as mentioned above.

### 3. THE TRADE AND FINANCIAL POLICY OF THE KEY COUNTRIES

These solutions are very important from the point of view of international liquidity, but they are not basic solutions to the problem of imbalance, nor do they claim to be. This brings us to the second problem: trade policy. Until recently major countries of western Europe were accumulating large monetary reserves since their loans, investments and grants-in-aid to the rest of the world were less than their trade surplus. The automatic mechanism has not functioned well or has functioned too slowly.

The basic solution to the problem must be sought both in credit and investment policy and in trade policy. If, in addition to lending and investing more abroad, these countries open their doors wider to imports of primary commodities and industrial products from the developing countries, this would have favourable effects not only for the latter but for the world as a whole in view of the interdependence of world trade. The manpower shortage, which has been a feature of these European countries, could greatly facilitate the implementation of a more liberal trade policy.

It is remarkable that, given such favourable conditions for external payments, one of the most persistent remnants of bilateralism has still not been abandoned: the requirement that resources allocated to the developing countries must be used in the lending country.

### 4. THE DYNAMIC ROLE OF GOLD

Let us now briefly consider the third problem. During the period 1950-1962, visible stocks of gold increased by only 17 per cent while, as has already been said, world trade doubled. Much of the gold produced has gone into private hoards. We are not, of course, saying that there has to be a close link between world trade and monetary reserves, especially if better use

could be made of the reserves in solving the problem of liquidity, but there can be no doubt that, if there had been abundant output and less hoarding of gold, the reserves position would be much easier.

Still, this is not the only important aspect of gold; there is another, perhaps even more important from the dynamic point of view. In other days, new production of gold was a significant factor in increasing the demand for exports of goods and services; and this factor has now become weaker. Thus, gold, apart from being the basic element of monetary reserves, has this dynamic role to play. Sometimes it is suggested that gold should be revalued in order to stimulate production and, at the same time, enlarge existing reserves. But the disadvantages of this suggestion are considered to outweigh the advantages. Hence, other solutions must be sought. The possibility is mentioned of creating new international resources on the basis of part of existing reserves, in the same way as central banks create internal resources. These resources would be put at the disposal of existing international credit institutions so they can make loans to the developing countries, in accordance with rules and principles approved by Governments. Similarly, it has also been suggested that other forms of reserves should be used in addition to gold.

The time may have come to examine these aspects in the relevant circles. A wise and constructive solution would be very effective in helping to speed up development, not only because of the direct impact that these additional resources would have on the capacity to import of developing countries, but also because of the impetus that these larger imports would give to the economies of the industrial countries and their rates of growth.

### 5. RESOURCES FROM DISARMAMENT

When one reflects on the need for additional resources for investment, one's mind naturally goes back to the enormous possibilities for releasing resources that would be opened up by world-wide disarmament. The Declaration, which the United Nations adopted in 1953 and in which the Governments of Member States expressed their intention to devote a portion of those resources to economic development "when sufficient progress has been made in internationally supervised world-wide disarmament" is still in effect.

It has been estimated that annual expenditure on armaments amounts to some \$120,000 million. In the industrial countries<sup>1</sup>, this represents about 8 to 9 per cent of national income. If 1 per cent of such income became available as a result of disarmament, the allocation of international resources to the developing countries could rise from the present figure of 0.5 per cent of the aggregate income of these industrial countries to 1.5 per cent. This would enable the developing countries, provided an appropriate policy were followed, to raise their annual rate of over-all growth to

<sup>1</sup> Including socialist countries.

7 per cent, instead of the 5 per cent established for the Development Decade. If this were to happen, the average per capita income of western Europe could be matched not in eighty years but in almost half that time.

Furthermore, if part of the resources released by disarmament were used to increase the productive investment of the industrial countries, this would give a greater impetus to their own growth and to the demand for imports from the developing countries and help to accelerate the flow of these imports.

### C. THE RESPONSIBILITY OF THE DEVELOPING COUNTRIES

While technological progress in the industrial centres and its gradual spread to the rest of the world creates new problems at the international level, as was stated at the beginning of this part of the report, it also creates problems in the developing countries and requires new attitudes and gigantic efforts by the latter countries to solve such problems.

The obstacles in the way of this effort are formidable. In many developing countries, however, attention is often centred on the external obstacles; the problems seem more urgent there, perhaps because they are more conspicuous. But it would be dangerous self-deception to imagine that, once these external obstacles are overcome, the way will be wide open for spontaneous economic development.

On the contrary, the determination to overcome these obstacles and exert a conscious and deliberate influence on the forces of economic and social development is also essential. The policy of international co-operation is only complementary; it cannot be a substitute for internal development policy. Nor can the internal policy fulfil its aims without effective and timely international co-operation.

This report would therefore be incomplete if we failed to remember the nature of the main obstacles to be overcome internally. In every country there is a different complex of problems, and the attitudes towards them are also different; the risks implicit in these generalizations should therefore be borne in mind.

#### 1. THE INTERNAL CHANGES REQUIRED BY DEVELOPMENT

Generally speaking, there are three main obstacles in the way of propagating technological advances and which therefore obstruct the growth of productivity and *per capita* income in the developing countries: land tenure; limited social mobility and the ignorance of the masses; and the concentration of income in the hands of relatively small population groups.

The forms of land tenure generally to be found in the developing countries are plainly incompatible with technological progress. This is particularly so, when a large part of the productive land is concentrated in the

hands of a few, while a very large number of small and medium-sized holdings generally make up a tiny proportion of the cultivable land. All this conspires to frustrate development; in some cases, because the high rent already received by the landowner makes him reluctant to take the trouble of introducing modern techniques, and, in others, because the very size of the holdings and the shortage of resources for investment are often such that contemporary techniques cannot be fully and properly used.

The ignorance of the masses and limited social mobility are two aspects of the same problem. If up-to-date techniques are to penetrate, there must be opportunities for learning and training and easy access to such opportunities. Conditions must also be favourable for the most able and dynamic people at all social levels to come forward and get ahead. Generally speaking, this happens to a very limited extent only, which means that a vast human potential is wasted, just as the outdated forms of land tenure impede exploitation of the enormous productive potential of the land.

The concentration of income is, of course, linked to these other two features and, in many cases, is aggravated by the serious effects of inflation, a phenomenon usually also influenced by structural factors. It might be thought that this concentration would actively contribute to capital formation, but this is so only in exceptional cases. More commonly, high incomes mean superfluous and excessive consumption by the groups that have them, to the detriment of the investment that technological progress requires on an ever-growing scale.

It would be a serious mistake, however, to imagine that the problem of capital formation could be fundamentally solved in most developing countries, if this savings potential of the high-income groups could be used for investment rather than consumption, and if, at the same time, the flight of capital, which reaches rather significant figures in several developing countries, could be avoided. There is no doubt that all this must be done and that the tax instrument should be used together with other measures for the purpose. But in many countries the problem of capital formation has also to be tackled resolutely with international financial resources, which, by stimulating the rapid growth of income, help to create opportunities for domestic capital formation that are now extremely slight.

The weakness of the development impetus in many of the peripheral countries is a result of all these internal factors that combine in a particular social structure, in addition to the external factors that hamper growth. Development calls for changes in the forms of production and in the economic structure which cannot come about unless a change in the social structure leaves the way open to the forces of technological progress.

Without such changes industrialization cannot run its full course. Generally speaking, industrialization has simply superimposed itself on the existing state of affairs without basically altering it. Furthermore, the

excessive protectionism frequently sheltering industries adds a further privilege to those already existing in the distribution of income.

Again, industrial development is constricted not only by the lack of exports but also by the smallness of the internal market. Rural masses working generally in a very unproductive way, urban masses who, to a large extent, take refuge in very low-paid artisan occupations and personal services, or who waste their efforts in antiquated forms of trading—these do not provide a large and lively market for the products of industrial development. And industry itself does not generate, to the extent desired, the income that could create its own strong market; for excessive protectionism and restrictions on imports usually shield it from healthy competition and weaken the incentive to raise productivity and the incomes of the people who work in it through the efficient use of men and machines.

## 2. INDUSTRIALIZATION AND DEMOGRAPHIC GROWTH

But the problem is not a simple one. The development of the domestic market through technological improvements in agriculture, better marketing organization, the gradual elimination of artisan occupations, and a gradual decrease in the number of people precariously employed in personal services, will release an enormous potential of workers who will swell the ranks of those who, owing to the high rate of population growth, have to be incorporated in the economy each year. It is the extremely important dynamic function of industry and other activities which thrive with it to absorb this human potential at a satisfactory level of productivity. If they are to fulfil this absorptive function effectively, all these activities must forge ahead all the faster as modern techniques penetrate to those strata of the population which are technologically so conspicuously backward.

The nature of this question should be stressed here, for it is still asserted sometimes that the solution of the development problem is to be sought in the domestic market and not in the expansion of exports.

The fact is that the development of the domestic market and the promotion of exports are not two alternative or mutually exclusive propositions. The two processes must take place simultaneously and in a co-ordinated manner. The penetration of modern techniques to the submerged strata of the population is an inevitable prerequisite for accelerating growth. If this acceleration is to be achieved, the persistent trend towards external imbalance must be overcome through the expansion of exports and other measures of international economic co-operation.

This dynamic role of industry and other activities in the absorption of the human potential is a key element in the process of development. In most cases, this role is not being played well. For example, in Latin America the minimum rate of *per capita* income growth of 2.5 per cent a year, laid down as a target in the Punta del Este Charter, would not be sufficient to bring about

this absorption under the present conditions in which modern techniques are penetrating rather slowly. If the penetration could be speeded up, it would become even more imperative to expedite growth and industrialization.

Naturally, when the subject of accelerating development is broached, the question is often asked whether the developing countries could not themselves attain this objective by lowering their rates of demographic growth.

There would seem, however, to be very little prospect of achieving such a reduction in the next decade. Historically, the decline in the birth rate has been a consequence of industrialization and of improvement in the level of living, and this process has been very gradual. On the other hand, it is difficult to envisage the possibility of bringing about a sharp reduction in the birth rate quickly by a conscious and deliberate policy. It has been pointed out more than once that, even where religious considerations do not affect the implementation of such a policy, it would encounter formidable social, educational and economic difficulties. The success that might be achieved is therefore very uncertain. Actually, with the leeway which the developing countries still have to make up in order to reduce their death rates, and with persons of marriageable age forming an increasing proportion of their populations, the rate of demographic growth appears more likely to rise than to fall in the immediate future.

Be that as it may, reducing the rate of population growth cannot in any sense be an alternative to the vigorous development policy advocated in this report. It could not be a method of evading or slackening the effort which this policy necessarily entails; on the contrary, it would be a means of deriving more far-reaching and effective results from such a policy.

## 3. DEVELOPMENT PLANNING AND INTERNATIONAL CO-OPERATION

All these considerations give us some idea of the nature and complexity of the changes which development demands. Furthermore, these changes call for a great effort to mobilize resources which, like the changes themselves, need to be given a definite direction and clear economic and social objectives. Hence the need for development planning.

Planning is something more than a new technique superimposed on the framework of public administration, which is usually so defective in the developing countries. Here again, basic changes are required both in thinking and in action, and such changes are far from easy to make.

Among the major obstacles in the way of planning mention must be made of those of an external nature. Persistent fluctuations and the trend of the terms of trade to worsen, added to the slow growth of exports, have been very adverse factors hindering regular economic development and hence the task of planning. It is very difficult to plan, set targets and quantify

resources when the effectiveness of such action largely depends on external factors beyond a country's control.

If the whole situation could be corrected in a reasonable manner by means of an enlightened policy of international co-operation, the peripheral countries would be better able to fulfil their responsibility in the dynamics of development. This responsibility, far from decreasing, would then be greater than ever, for, if external conditions took a favourable turn, there would be no justification for any slackening or hesitation in the internal effort to expedite development.

All this calls for major political decisions, but these decisions cannot come from outside. Nor can agrarian and educational reform, tax reform, and, in short, the various measures aimed at effecting structural changes, be a matter for international negotiation as a counterpart of financial co-operation. They must spring from each country's deepest conviction and from its genuine determination to bring about such changes. What is needed from the outside world, however, is a large measure of understanding and support.

That is certainly not the meaning of those not infrequent admonitions to put one's house in order so that development can come about spontaneously. Maybe they are a remembrance of bygone days. In those days putting one's house in order was enough, given the resultant influx of foreign private capital and the expansion of exports, to enable the peripheral countries effectively to fulfil their function as producers of foodstuffs and raw materials for the industrial centres.

Today the phenomenon of development is very different and its requirements are usually not compatible with that order of things. It is true that one's house must be put in order, but in a different order from that sometimes visualized in these admonitory attitudes. These attitudes cannot be allowed to guide the policy of international co-operation. This policy must be imbued with the same deep sense of renovation as the internal policy of economic and social development, since it is its indispensable complement.

In all of this there is a clear convergence of responsibilities, internally as well as internationally. The controversy about whether internal ills are caused by external factors or whether the source of these ills should be sought exclusively in the behaviour of the country concerned has been rendered obsolete by events and is meaningless now. There are both internal and external factors to be attacked simultaneously. To emphasize the former and exclude the latter, or vice versa, would be an aimless exercise and only divert our attention from the real solutions.

#### D. THE CONCERTING OF TRADE MEASURES

These solutions cannot be adopted in isolation, since they form an integral part of a more comprehensive policy of international co-operation for economic development. Solutions of this kind have been out-

lined in part Two of this report, as a basis for discussion rather than as final proposals. It may be helpful for us to recapitulate them briefly here.

#### 1. IMPORT TARGETS

With regard to primary commodities and industrial goods produced by the developing countries, it is advocated that *quantitative targets* should be set for their entry into the industrial countries' markets, to be reached within a certain number of years.

The import targets for *primary commodities* could be, depending on the individual case, quantities of specific commodities or groups of commodities, or desired proportions of the consumption, or of the increase in consumption, of each importing country.

The targets for *industrial goods* could be expressed for each importing country in terms of a *global value* covering the quota of imports of manufactures enjoying preferences and the minimum target of imports not subject to preferences that should be attained in order to help eliminate the trade gap.

Cases of *injury to domestic producers* resulting from exceptional increases in imports from developing countries should be dealt with under the normal procedures laid down by GATT.

#### 2. INDUSTRIAL PREFERENCES

Within the aforesaid global value, the industrial countries could establish a quota for admitting manufactured goods from the developing countries *free of duty*, but they could *exclude from these preferences* a schedule of items constituting a reasonable percentage of the total goods they import. This exclusion could take effect from the outset or during the operation of the system, in accordance with criteria to be laid down.

Manufactures from developing countries thus excluded from the scope of preferences would be admitted by the industrial countries on the usual most-favoured-nation basis.

*All the developing countries*, irrespective of their level of development, would be eligible to avail themselves of the *preferential system* up to the amount of the relevant quota. But there would have to be a periodic review of the flow of exports; and if exports from one or more countries increased so much that they did not leave sufficient room for those from the others, equitable solutions should be sought.

Special preferences could be granted to the less advanced developing countries. For this purpose, the list of items excluded by the industrial countries from the preferential system applied to all developing countries should be used.

The preference would *remain in force for ten years* from the time when each industry in a given country started to export. But this period could be extended in accordance with internationally agreed procedures, if an *exception to the rule* was fully justified.

### 3. EXISTING PREFERENCES

The ultimate objective should be to adapt existing preferential arrangements to the new system of preferences in such a way that there is *no discrimination among developing countries*, and so that developing countries presently obtaining such preferences should continue receiving *benefits* under the new system at least *equivalent* to those they now enjoy. The precise way in which this ultimate objective might be secured is a matter for further discussion but it should include, in particular, international technical and financial assistance to countries at the earliest stage of economic development.

In any case, preferences granted by developing to industrial countries should cease.

### 4. NATURE OF THE TARGETS

The targets are an expression of the *objectives to be reached*; thus they are of an indicative character and generally speaking, do not constitute commitments to import. But the targets for primary commodities, in addition to representing quotas of goods to be imported without restrictions, might constitute *commitments to purchase* over a number of years.

When the targets are set, Governments would pledge to take all necessary action to reach them, including *promotional measures in the technical, trade and financial fields*.

In the socialist countries, the targets would also be of an *indicative character*, but they should be translated into long-term commitments to import under the system of bilateral agreements.

### 5. COMMODITY AGREEMENTS

Two converging kinds of measures are envisaged to *guarantee the purchasing power of exports* of primary commodities: commodity agreements and compensatory financing.

*Commodity agreements* can be used to establish minimum prices or improve prices, as the case may be, by maintaining their parity with those of manufactures, when the price improvement does not *substantially affect* consumption by reducing it or by giving synthetics and substitutes a competitive advantage.

Commodity agreements should establish whatever system of *export quotas* may be necessary to support the price policy.

When internal prices are higher in the industrial countries than on the international market, the adverse effects on consumption could be avoided if the raising of prices was accompanied by an *equivalent lowering of tariffs or internal taxes* where such exist.

In the case of *tropical commodities*, the internal taxes should be lowered still more until they are completely eliminated, so as to encourage consumption.

As regards competition from *synthetics and substitutes*, there might be cases in which it is advisable to *increase productivity and lower the costs and prices* of some natural commodities, provided that the loss of income thus suffered by the exporting countries is offset through compensatory financing.

Whenever the temporary shortage of a primary commodity leads to price rises that adversely affect producers and consumers, *ceiling prices* should be set. The agreements should also lay down rules for the disposal of surpluses and non-commercial stocks.

The scope of commodity agreements, or of corresponding inter-governmental action, should be considerably extended and conditions should be laid down for access to the markets of the industrial countries through *import quotas* and *import commitments*, where feasible; in addition, provision should be made for the gradual lowering of *support prices* and arrangements made for co-ordinating the internal and external production policy of the importing and exporting countries. The purpose of all these steps is to ensure that the latter obtain a reasonable share in the growth of consumption of the former.

### 6. COMPENSATORY FINANCING

*Compensatory financing* is imperative to the extent that it may not be possible, through commodity agreements, to prevent the exporting countries from suffering losses owing to deterioration in the terms of trade.

Two kinds of losses would have to be compensated *henceforth*: those due to *the previous deterioration in the terms of trade* and those resulting from *future deteriorations*.

The *amount of compensation* to be received by each exporting country would be determined after consideration of the effect that the deterioration has had on its investment resources and balance of payments, so that the country can receive whatever additional resources it needs to continue *its economic development plan* without disturbances.

These *additional resources* should not be transferred directly to producers, except where this is essential to ensure the normal development of production.

Each country should take whatever internal action it sees fit to obtain resources for *compensatory financing*. But it should not do so through taxes which, by raising prices for the consumer, *discourage consumption or encourage the replacement* of natural commodities by substitutes or synthetics.

The compensatory resources might form part of a fund administered by *international credit institutions*, at either the international or the regional level, in accordance with rules approved by Governments.

The required resources might also be made available to developing countries by national and international agencies acting through consortia or by other suitable co-operative arrangements.

In either case, the relevant decisions might be based on an independent finding by an *international team of independent experts* of the highest standing that a particular country's economic development was being prejudiced by terms-of-trade losses.

#### 7. READJUSTMENT OF THE EXTERNAL DEBT

Consideration should be given to the *readjustment of repayment periods* and terms of the *external debt* of some countries. External financing could facilitate this operation. Steps should also be taken to avoid the subsequent recurrence of critical situations resulting from excessive increases in the burden of servicing.

#### 8. MARITIME TRANSPORT AND INSURANCE

The possibility should be examined of developing merchant marines and insurance operations within regional groupings of developing countries or of promoting among them specialization in the miscellaneous activities that constitute these services.

The system of shipping conferences and the impact of their agreements on the developing countries should also be examined.

#### 9. GROUPINGS OF DEVELOPING COUNTRIES

The developing countries should pursue their industrialization policies and especially their *import substitution* policies and should endeavour to pool their efforts rationally by means of preferential groupings on as large a scale as possible.

These preferential groupings should be supplemented by *payments agreements* between their constituent members.

#### 10. THE GATT RULES

The GATT rules now in force should be amended to take into account the consequences of the structural inequalities between industrial and developing countries. These amendments should relate in particular to reciprocity with a view to establishing the concept of *implicit reciprocity*; to the *preferences* granted by the industrial countries to the *developing countries*; and to the *preferences granted by developing countries to each other* through groupings of countries.

#### 11. REDUCTION OF EXCESSIVE TARIFFS

Without being committed to reciprocity, developing countries with excessive protectionism should undertake to *lower their high tariffs* as they gradually counter the trend towards external imbalance by expanding their exports of primary and industrial products and by import substitution.

#### 12. DIFFERENCES BETWEEN THE DEVELOPING COUNTRIES

In the application of these concerted measures, it is essential to recognize the different situations of the developing countries, depending on the degree of their development, and to adapt and co-ordinate the measures adopted so that the advantages deriving therefrom accrue in particular to the *less advanced of the developing countries* in order to give strong impetus to their growth. In this connexion, not only might the less advanced countries to be given general preferences, shared with the other developing countries irrespective of their degree of development, and special preferences, but they should also receive particular attention so far as the measures for promoting their exports are concerned. They should also be given special attention as regards the allocation of international financial resources; the per capita volume of the resources that these countries obtain should generally be greater than that granted to the more advanced of the developing countries and especially to those of them which may already have improved their ability to generate their own investment resources.

#### E. NATURE AND ADAPTABILITY OF THE POLICY OF INTERNATIONAL CO-OPERATION

Now that the principal measures proposed in this report have been thus summarized, two important observations should be made.

The first concerns the very nature of the policy which embraces all these measures. It is not simply a matter of lowering or removing barriers which stand in the way of the developing countries' trade and of laying down more appropriate rules than those now in force. What is required is positive action.

This is the significance of the import targets. They are the tangible and practical expression of the responsibility which Governments—both of the industrial and of the developing countries—may decide to assume in order to achieve certain basic foreign trade objectives. And this responsibility would necessarily involve the adoption of whatever measures may be called for, both internal and international.

Thus, should the import targets set be insufficiently high, or prove to be so in practice, the inflow of international finance would have to be increased to cover the trade gap.

This does not mean that import targets and external financial aid are interchangeable concepts. Actually, the quantity of external finance should rather be a supplement to internal investment resources, to compensate for their present scarcity. Under normal circumstances, their direct role should not be to bridge the gap. This has to be done through the expansion of exports. Hence there is no conflict between trade and aid. Each of these has its specific role to play.

Consequently, the extent to which exports and international financial resources have to be co-ordinated is not arbitrary. The proportion of these resources in each country's investment programme must become smaller in the course of time as domestic savings capacity draws strength from the economic development process itself. Exports, on the other hand, must expand continuously in order to cover mounting import requirements and pay for servicing the external debt.

All this points to desirability of periodically examining the way in which those objectives are being achieved, not as ends in themselves but as means which, in combination with others, would make it possible to reach a bigger target, the growth target set for the United Nations Development Decade and the more satisfactory targets which may be established later.

The second observation concerns the flexibility with which this policy must be carried out. The developing countries have certain very important common denominators, but there are also great disparities between them, deriving from their different degrees of development and from the particular problems that affect them. Owing to these disparities, the measures advocated here would also have very different effects from country to country. Thus, while access to the manufactured goods markets of the industrial countries is important for all, some developing countries would be able to enjoy the advantages of these measures much earlier than others, unless those opportunities are accompanied by very energetic promotional measures in the countries which would otherwise lag behind. Commodity agreements or compensatory financing would also have a very diverse impact. All of the foregoing emphasizes the need to bear in mind these disparities in degrees of development and in individual situations. The decisive element here could be international technical and financial aid. The intensity of this aid would have to be geared to those disparities so that all the countries could expedite their pace of growth, or maintain it in the few cases where an acceptable tempo has been attained.

This very heterogeneity opens up interesting vistas so far as the dynamics of development is concerned. At one extreme are the countries which are close to a level of income that will enable them, in a relatively short time, to grow at a satisfactory pace with their own resources, but which have to correct the persistent trend towards external imbalance so they can convert part of these resources into imports of capital and other goods needed for their economic development. At the other extreme are the countries which are only beginning to develop, and there the top priority is to obtain international finance, most especially for building up their generally weak economic infrastructure and for basically important social investments. The countries which are at an incipient stage of development may possibly not have to contend with an acute persistent imbalance as do the former, since this imbalance is a

consequence of development; but it would be advisable to act now to prevent this from occurring in the future by guiding their development, and particularly their industrialization policy, along rational lines, both by import substitution within groupings of countries and by the promotion of exports of manufactures.

In the course of time, the more advanced of the developing countries should be able to provide a market for exports of manufactures from countries which are embarking on the first stages of industrialization by according them preferential treatment.

In all of this there is no master plan, drawn up once and for all, that is equally applicable to all countries. That is why this policy is necessarily a complex one. Furthermore, it must respond and adapt itself continually to endless changes.

## F. NEW PROBLEMS AND NEW ATTITUDES

Such are the issues for which this Conference must seek international solutions in support of internal endeavour. They are solutions which must be embodied in a new policy, not necessarily in response to new ideas—for the ideas presented here are not fundamentally new—but because they demand new attitudes. Will it be possible to bring about these new attitudes? Will the proposals formulated here be realistic? If realism means proposing what is feasible at a given moment, then perhaps not all that is suggested in these pages is realistic; it might be considered an illusion. But what is realistic today was not always so yesterday, and today's illusion may be tomorrow's realism.

Nothing is more significant in this connexion than the way in which ideas have evolved in the short time that has elapsed since the proposal to hold this Conference was adopted by the United Nations.

Again, reality is made up not just of the tangible facts which we have before us now, but also of the facts still to unfold. Realism is, moreover, the ability to discern what could happen when we do not know how, or do not wish, to take deliberate and timely action to shape the course of events.

The prospects facing the developing countries are grave indeed. Development is turning inwards in the countries that have made more headway in the industrialization process; it is closeting itself more and more in watertight compartments; and the same thing will happen in the others, the less advanced, if they too have to become industrialized within the narrow confines of their national markets. What is more, those countries in general, and the less advanced of them in particular, are not obtaining sufficient financial resources from abroad. These resources are indispensable for breaking that other vicious circle in which incomes are low because investments are inadequate and investments are inadequate because incomes are precarious.

The developing countries must not be forced to cut down the inherently very low consumption of the masses in order to increase capital formation, particularly in view of the impressive magnitude of their aspirations for social betterment. It is no good to preach the need for them to develop by their own efforts and at the same time to limit their possibilities of giving practical expression to that effort in the international field through the expansion of their exports. They must not be forced into a kind of closed development. Hence a broad policy of international cooperation in trade, in financial resources and in the propagation of technology is unavoidable. Without it the economic and social cost of development will be enormous. Closed development leads to compulsion, and usually compulsion involves a political cost fraught with very serious consequences. Realism is also fore-

sight, and an elementary sense of foresight should induce us to read the sign of the times in the developing world.

These pages are therefore an act of faith: an act of faith in the possibility of persuading, of making these ideas sink in where they should sink in, and in the possibility of provoking constructive reactions. The facts are there and cannot be denied. And if the ways of dealing with them proposed here are not acceptable, others will have to be sought which are. For the problem is inescapable. Never before has the world been faced with it in this form and on this scale, nor has it ever had the enormous possibilities that it now has of solving it, or the conviction—which is steadily growing—that it is also feasible consciously and deliberately to influence technical and economic forces in the prosecution of grand designs.



## Welcoming and Opening Statements



STATEMENT BY Mr. LUDWIG VON MOOS,  
PRESIDENT OF THE SWISS CONFEDERATION

at the first plenary meeting, held on 23 March 1964

[Original text: French]

The Conference which opens today, and which we are glad to welcome to Switzerland, is of great importance to the whole world. It aims not merely to settle particular or local problems: it has to reconsider the basic economic relations between the nations. You will be discussing measures to be taken by the industrial countries on behalf of countries suffering from varying degrees of retarded economic development. You will also be considering the conditions in which the developing countries can make the best use of the possibilities open to them or at their disposal.

In his preface to the report of the Secretary-General of the Conference, the Secretary-General of the United Nations points out that, if existing trends in world trade continue, they will increase the difficulties in the way of forward progress of the developing countries. I interpret your presence here as an expression of your Governments' determination to remedy this unfavourable situation and to hammer out a commercial policy that will facilitate the economic progress of all countries without distinction.

We realize, of course, that the advancement of one group of countries cannot be achieved without the help of the others. But I believe that we are united in believing that this help must be so planned that in the long run the first group of countries will be able to go ahead under their own steam, in accordance with their legitimate aspirations to independence.

Relations between the industrialized countries and the less advanced countries, taken as a whole, may assume three different forms, each with its own possibilities and limitations. In the first place, the industrialized States must be enabled through technical assistance, to place their knowledge and experience at the disposal of those who need them. Next comes economic and financial assistance which means the provision not of services but of goods or capital. Lastly, there is the development of trade, without which technical co-operation and economic and financial assistance cannot bear lasting fruit. "Trade not aid" is certainly a sound slogan and should be given practical application.

These three forms of co-operation are complementary, and it is by combining them that we shall

be able to achieve our aims: to improve the lot of mankind and ensure the dignity and worth of the human person. The objective of your Conference is to lay down the lines of a new commercial policy which will stimulate economic co-operation between industrialized and developing countries. This co-operation should create conditions for the encouragement of personal or private initiative; for though governmental action is necessary, it is essential that it should be supplemented—I might even say spurred on—by individual action and initiative.

This joint endeavour of mankind, in which all countries are being asked to take part, must, if the extraordinary intricacy of the problem is to be coped with, be based on real understanding of things as they are. I hope that the Conference will avoid the pitfall of enunciating vain formulae, the adoption of which would merely mean postponing the solution of urgent problems until some later stage. In spite of the understandable haste of the developing countries, in spite of all the goodwill which has been displayed and which—I feel sure—will be strengthened by this exchange of views, every forward movement must be given a basis in reality, just as the mountaineer seeks to assure his hold before every upward step. Constant thought should be given to the ends to be attained rather than to the means to be employed. To stabilise the income of the developing countries, to raise it as far as is possible, to help them diversify their production and their industrialization—these are the objectives which the Conference must try to transform into tangible realities rather than rhetorical statements.

This task calls for sacrifice on both sides. The industrialized countries do not, of course, intend to ask for any direct counterpart to their efforts on behalf of the developing countries. But the Governments of industrialized countries, whose means of action depend ultimately on Parliament and public opinion, must be able to give their peoples some assurance not only of the soundness and effectiveness of the measures contemplated, but also of the extent of the efforts being made by the developing countries themselves to promote their economic growth. The

resources which can be devoted to economic development are by no means unlimited. They must be used in such a way that the maximum benefit will be derived from them. In particular, economies must, as far as possible, remain competitive, so that production is organised efficiently and waste is avoided. One factor which must be taken into consideration in the efforts to industrialize the developing countries, diversify their exports and establish markets on a scale appropriate to modern techniques is the need for an international division of labour, at a regional as well as at a world level.

Gentlemen, the task before you is a difficult one. Your discussions will be followed with close attention, and with great expectations. May you find in this city of Geneva, which has become a traditional place of meeting, a propitious atmosphere.

On behalf of the Federal authorities and the authorities of Geneva, I wish you a very hearty welcome. I should also like to express my own warmest hopes for the success of this Conference which marks an important stage in the development of the world, and, on behalf of the Federal Council, I wish you all success in your efforts.

STATEMENT BY U THANT,  
SECRETARY-GENERAL OF THE UNITED NATIONS

at the first plenary meeting, held on 23 March 1964

[Original text: English]

The preamble of the United Nations Charter affirms the determination of the peoples of the United Nations

“to promote social progress and better standards of life in larger freedom and for these ends . . . to employ international machinery for the promotion of the economic and social advancement of all peoples...”

It is in pursuance of these lofty principles that the idea of calling a United Nations Conference on Trade and Development was conceived.

Indeed, a unique atmosphere of agreement prevails the world over regarding the convening of this Conference. Not a single voice has been raised against it in the community of nations, be they large or small, big trading centres or small trading partners. This Conference is a notable event in the history of international co-operation and will, I hope, mark a turning point in the work of the United Nations in the economic field.

Why was this Conference called? What brought you here, determined to labour without respite for the twelve weeks which lie ahead of you?

A long chain of events has contributed over many years to the growing conviction that the United Nations must make a determined effort to deal jointly with the problems of trade and problems of development or run the risk of frustrating the efforts of the Organization to maintain world peace. The problem of maintaining peace is as complex as life itself, and it is perhaps our generation that has the best opportunity to realize that international relations are not determined solely by diplomatic intercourse and supporting military might, but are also influenced by people in the fields and in the factories where human beings earn their daily bread.

There appears to be a universal understanding of the urgent reasons for calling this Conference. Indeed, without such understanding, the Conference might well become a mere exercise in political futility or an abstract seminar of leading statesmen and learned economists from all corners of the world. It is, I am convinced, destined to be neither the one nor

the other. As the decisions of the General Assembly and of the Economic and Social Council show, as the labours of your Preparatory Committee amply prove, as the report of the Secretary-General of the Conference points out, the Conference was conceived as an instrument of action. It is expected to lay the foundation for and pave the way towards a new trade policy for development and to define the necessary instrumentality for its implementation.

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At this point one may ask what are the fundamental premises that underlie our Conference?

There are two parallel processes at work in the world that have assumed great importance since the war. One is primarily political, the other primarily economic. They generate tremendous social tensions which can either be directed towards new ways of life and the betterment of standards of living, or express themselves in a series of convulsions.

The post-war years have witnessed the rapid political emancipation of the colonial and semi-colonial peoples. In the aftermath of the Second World War, most of the Asian peoples have appeared on the world scene in their own right. In the present decade we have witnessed the emergence of Africa. More recently it would seem that important processes have started to gain momentum among the nations of Latin America. These great historical phenomena are so fully reflected in the United Nations today that it is not necessary to dwell upon them in any great detail.

The political trends to which I have already referred may be observed in the large part of the world usually described in the United Nations as developing areas. But these areas are in fact not developing, or are not developing fast enough; they are suffering from various degrees of acute and persistent under-development; they are not only lagging more and more behind the industrial societies, but in certain cases in absolute terms their living standards are deteriorating, especially taking into account their population growth. Here we are witnessing the dilemma of our times; the fact that political emancipation is not accompanied by a concomitant and desirable rate of

economic progress. In spite of the fact that the United Nations designated the nineteen-sixties as the Development Decade, by the end of which a minimum annual target of 5 per cent of growth should be reached, it appears that this modest target cannot be attained without a new approach to aid and trade.

For many decades international trade was associated with the dynamic development of the countries, now highly advanced, that comprise Western Europe and North America. At the same time the traditional, usually pre-capitalistic, system continued to prevail in the large part of the world that had either not yet started or had not advanced on the road to industrialization. In the time-honoured division of labour, namely, exchange of primary goods for manufactures, the moderate advancement of many under-developed areas was secured without affecting the antiquated social and economic systems of their societies. The majority of their people lived under conditions of stagnation, which was to some extent sanctified by their traditional way of life, and which in those days was perhaps tacitly accepted. The post-war period witnessed the fundamental reorientation of the people of the under-developed world. Today, there is hardly an under-developed area on earth where the people are not aware of the existence of the opulent societies, and also of certain fast industrializing countries which were only recently at the pre-industrial stage; and thus the conditions prevailing in their own countries are no longer acceptable to the people of the under-developed countries. This growth of a new social consciousness has necessitated a new approach to the international economy; it has created a dramatic need for rapid economic development of the less developed areas, for the improvement of agriculture and for the acceleration of the process of industrialization. It has also become obvious that a new international division of labour is required. Further the emergence of the socialist countries, already advanced on the road to industrialization, as gradually expanding trading nations, has created strong reasons for their fuller integration into the international economy.

The two processes to which I have referred have occurred at the very time when the continuing imbalance between the developing and the developed countries, both in regard to income and trade, has reached an acute, even critical stage. Parallel to this, the scientific and technological revolution taking place in the industrial countries, both East and West, has brought about an unprecedented increase in productivity and national income.

The contrast between the developed and the under-developed parts of the world and the awareness of this contrast on the part of the peoples of Asia, Africa and Latin America, paralleled by growing political awakening together with continued economic bondage and poverty—these are the premises which in my view constitute the real background of this Conference.

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The people of the world seem today to be aware, perhaps for the first time, that the material resources of the world are adequate for the eradication of poverty, ignorance and disease, if our technology and science could be fully harnessed to this task, and if all means of world-wide co-operation could be applied on an unprecedented scale.

Indeed, since the establishment of the United Nations great progress has been achieved in this regard. Multilateral and bilateral assistance programmes have been established on a scale hitherto unknown. Large-scale transfers of capital and of technical knowledge and skill to the developing countries have been initiated. However, these important manifestations of the sense of responsibility of the international community are, as has been proved, to a marked extent nullified by adverse trends in the terms of trade. This frustrating phenomenon emphasizes the need to control market forces which have until now been permitted to counter government policies. Indeed, there seems to be no reason why we should not begin to approach the international economy in the same spirit as domestic economies. After years of argument, the United Nations, in several resolutions, has requested Governments to attach high priority to integrated economic and social planning, and indeed the techniques of development planning have made great strides since the war. Accordingly, national planning includes the trade sector. Why should then the problem of international trade not be approached in the same way by the international community? There must be something wrong with economic policies on the national and international level if they permit the unchecked continuance of the trend towards the growing disparity between rich lands and poor.

The Chairman of the Economic and Financial Committee of the last General Assembly, in his closing address, posed a question which I believe echoes the feelings of peoples in the developing countries all over the world. He said:

“At the time the developed countries were industrializing, the trading system favoured their development, and it does so even more today. Why can it not function in favour of those who were freed from colonial and semi-colonial bonds since World War Two? Why does the trading system always favour the same group of countries?” and he continued

“Indeed, the essence of international economic co-operation since time immemorial has been trade, and trade should become the main and consciously planned instrument of economic development of less-developed countries, rather than continue to function as an instrument to enrich the already rich.”

The pervading presence of these questions and the fundamental need to reverse the trends in trade can be felt in this conference hall. These questions are bound to influence your thinking day-in and day-out

during your labours. It is the dilemma of our times; it is the reason why this conference was convened. Man is very close to conquering what we call the blind forces of nature. How long shall we permit blind economic forces to control human relations on the untenable thesis that the social sciences may not be capable of advancement similar to the progress achieved by the physical sciences?

As I have already said, this Conference is designed for action. In this conference hall are assembled leading statesmen and learned economists from big and small countries, rich and poor alike. Political

goodwill and economic "know-how" are amply represented here. To apply them requires a spirit of dedication and sacrifice, wisdom and vision. You can succeed only through a sincere co-operative effort undertaken in the awareness of your common obligation to humanity. You can hardly do less than provide mankind, both in the under-developed and in the developed countries, with a framework of principles and active policy to make trade a real vehicle of progress towards economic development and thus to help to secure universal prosperity and peace for this and for succeeding generations.

STATEMENT BY H.E. Mr. A. M. KAISSOUNI, MINISTER OF TREASURY  
AND PLANNING OF THE UNITED ARAB REPUBLIC AND PRESIDENT  
OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT,  
at the first plenary meeting, held on 23 March 1964

[Original text: English]

I should like, on behalf of all of us to express our gratitude to His Excellency the President of the Swiss Confederation for honouring us by his presence and to express also our thanks for his inspiring speech to this important Conference. Our sincerest thanks are also due to H.E. U Thant, Secretary-General of the United Nations, for his great interest and continuous efforts as regards this Conference.

We know that despite the huge responsibilities he is carrying in other domains he has never ceased to give to the promotion of this Conference all the time and attention that were necessary to bring it into existence. His presence among us here today is an eloquent testimony of his interest in the Conference.

As to myself, I feel greatly honoured for being elected President of the Conference. This is an honour not only to myself but also to my country, the United Arab Republic, as well as to the developing countries participants in the Conference. For this, I should like to express my sincerest thanks and gratitude to you all, and I shall do my utmost to live up to the responsibilities of this high post. I feel confident that with your kind co-operation and understanding our deliberations will proceed in a smooth and successful manner towards the great aims of this Conference.

We are gathered here, representatives of nations young and old, great and small, advanced and developing, from all the corners of the world, and all of us are aware, that this meeting is not—and cannot be—just another ordinary conference.

What is really at stake in the deliberations we are about to begin is not the particular economic interests of a few countries. It is the pattern, the trends and the shortcomings of trade that exists between all of us. It is the vast possibilities for development that could be opened to humanity through a more rational utilization of its resources and a better international economic order. It is the common interests and goals that we must not fail to promote collectively, whatever may be our differences, as otherwise, in the final analysis, we shall all be the losers.

The world is passing, at present, through revolutions which are silent but powerful, revolutions which are

transient though fundamental. They have generated impulses and problems which are unprecedented in character and dimensions. A new element has been added by the vast increases in population. There, medical progress has stolen a march on economic development. However, modern technology has not penetrated or been absorbed rapidly enough in the agricultural or industrial sectors to enable them to keep up with the needs of the fast expanding population. The demographers inform us that the population of the world will be doubled in the next thirty-five years and that by the end of this century the earth will have to sustain six thousand million persons. But it is not sufficient to prevent people from dying young; it is necessary to help them to live better.

The increases in numbers have to be looked at in the context of certain contemporary political events. Many peoples in various parts of the world have attained freedom to govern themselves. In the political sphere they now occupy their rightful place and enjoy the same rights and privileges as other countries, including those that formerly ruled them. They are, however, disturbed by the painful contrast between the average living conditions in their countries and those prevailing in the more advanced nations, and are naturally anxious to initiate measures of economic and social reform that will help to accelerate their development process. This impatience to produce tangible results within the space of a few years is by no means felt only by peoples in the newly emergent nations. In older but still developing nations, untold millions have awakened to the realization that poverty and illness are not inevitable and, what is more important, they also know now that they have a right to expect better living conditions in the not too distant future.

Therefore, the stresses and strains that one witnesses in all developing countries should not be cause for surprise. Nor should their true significance and magnitude be underestimated, particularly in view of the fact that economic disparities between the developed and developing countries are becoming more pronounced instead of disappearing. The relevant statistics are well known but nevertheless they warrant repetition here. While encompassing more than two-thirds



of the population of the world, the less developed regions account for only about one fifth of its total income. Although figures vary widely from country to country, the per capita income levels in Africa and the Far East averaged around \$100 per year in the last decade. In West Asia and Latin America, the average was approximately one-and-a-half to three times that level. In contrast, the figures for Western Europe and Oceania were from eight to ten times higher, while in North America they were twenty times higher.

Moreover, whereas in the developed countries of the world the annual increases in per capita income averaged about \$30 in the last decade, the corresponding increase in the less developed nations was not even one-tenth as high.

The existence of growing economic disparities side by side with an alluring political equality between the less-developed and the advanced countries of the world is one of the most serious problems that faces the international community at the present time. It would be a tragic error to resort to mere palliatives in the face of such a situation. The real need is for a new and vigorous policy of international co-operation wherein international trade and finance must play a key role in promoting economic development especially in the less advanced regions of the world.

I should like to stress, at this stage, the basic relationship that exists between trade and development. The ultimate aim of this Conference should be to assist in creating an enduring partnership amongst the nations of the world, a partnership through which present inequalities are reduced and mutual assistance is increased. It is in this broad framework of internal development and international co-operation that I should like to envisage the objectives of the Conference, rather than as a meeting which is concerned solely with the principles and procedures of imports and exports.

It is gratifying that there is at present general recognition that international peace and prosperity cannot really be achieved and maintained if we allow such dangerous and explosive economic trends to continue unchecked and if we do not truly endeavour to combine our efforts to narrow the already wide and growing gap that separates the advanced from the developing countries. This is definitely one of the main sources of prevailing world tensions and neither the advanced nor the developing nations can afford to ignore it.

Nor is it in their interest to ignore it, as international co-operation for a proper solution of these problems is to the benefit of all of us; developing as well as advanced. International co-operation, for the great cause of helping the developing countries to reach a higher standard of life, results also in activating the economies of the advanced countries, in extending their markets, in increasing their production capacities, and in putting their excess reserves and savings to remunerative investment. Within a framework of international co-operation, and on a basis of mutual respect of

rights, this community of interest and economic interdependence could greatly contribute to world prosperity and world peace.

In their joint Declaration, during the United Nations General Assembly in its last session, the developing countries expressed their hopes that much could be done in this field through this Conference. They stated that "they consider the United Nations Conference on Trade and Development . . . an outstanding event in international co-operation conducive to the development of their economies and the integrated growth of the world economy as a whole [and] that the full attainment of even the modest targets of the United Nations Development Decade depends on the concrete decisions taken at this Conference and their effective implementation". It is hoped that the Conference will succeed in finding ways and means to help the developing countries to reach the stage of self-sustained growth and to provide them with economic security so that they may be able to develop their economies, improve their foreign trade, and raise the standard of living of their peoples in an atmosphere of confidence and security.

In the post-war years, the world economy witnessed what we may call the "Reconstruction Decade" during which great efforts were devoted to reconstructing the economies of the advanced countries disrupted by the war. The speed with which this reconstruction took place gives us enough hope to believe that if similar treatment is accorded to the developing countries during the United Nations Development Decade their problems of development and trade can easily be solved and their targets can easily be realized. It should be stressed here that, as in the case of reconstruction, it is not enough to have universal acknowledgement of the necessity to accelerate the pace of development in the developing countries, but adequate means of a concrete and positive nature have to be adopted to enable these countries to attain a reasonable rate of growth. It is the task of this Conference to lay a solid foundation for international concerted action in the fields of trade and development, so that the United Nations may be able to fulfil its responsibility in these domains.

It may be stressed in this respect that the objective of the United Nations Development Decade is "to accelerate progress toward self-sustaining growth of the economy of the individual nations and their social advancement so as to attain in each under-developed country a substantial increase in the rate of growth with each country setting its own target, taking as the objective a minimum rate of growth of aggregate national income of 5 per cent at the end of the Decade" [General Assembly resolution 1710 (XVI)]. The seriousness of the problem facing the Conference can be demonstrated by the fact that if the present trends of trade and development persist this target will not be achieved even though it would only result, if attained, in an annual per capita increase of a few dollars for many years to come. This could hardly be considered an improvement in the standard of life in the developing

countries, especially if we take into consideration the widening gap between the living standards in advanced and in developing countries and the already low level of personal incomes in these latter. Thus the Conference may find it imperative to seek the necessary changes in existing trends so that the developing nations may have a more adequate share in the world's increasing prosperity, so that they can attain a higher rate of growth than envisaged in the United Nations Development Decade to account for the increasing pressure of their population and to narrow the wide gap between their standards of living and those of the advanced countries.

In this endeavour for rapid economic growth to offset the increase in population and to keep up with the development trends in advanced countries the developing countries bear the main responsibility for their economic and social progress. This responsibility is readily accepted by the developing countries. It may be recalled, for instance, that the Cairo Conference on the problems of economic development which included thirty-six developing countries from all continents emphasized the responsibility of the developing countries as regards their problems of development and trade. It stressed the importance of following sound financial and economic policies, the mobilization of human, material and financial resources in a framework of appropriate national development plans. It recommended legitimate measures to deal with population pressure. It recognized the importance of agrarian reform, of industrialization, of diversification of trade, of training, and, last but not least, of maintaining financial and monetary stability.

But besides these internal problems which are accepted by the developing countries as their own responsibility, there are chronic external problems beyond their control, which have greatly hindered their efforts to achieve their goals. It is noteworthy that various statistical and economic reports give ample proof that the existing patterns of development and trade still favour mainly the advanced countries of the world. It is in this connexion that the Cairo Declaration stressed the responsibility of the advanced countries and attached great importance to international co-operation among members of this great family of nations. In this respect, many of us remember the words pronounced almost two years ago by His Excellency President Nasser in his inaugural speech to the Cairo Conference. I believe they are equally applicable today:

"The word 'against' is not listed on the agenda" said President Nasser, "but the word 'for' is listed in every line". We are all for progress and for peace. And as we aspire to these two great aims, we attach our greatest hopes to your work here paving and preparing for constructive and positive efforts.

Moreover, the Joint Declaration of seventy-five developing countries in the General Assembly in its last session stressed the need for a dynamic international trade policy, a policy based on the necessity of

providing special assistance and protection for the less developed parts of the world and on a new international division of labour commensurate with the new patterns of trade which the wave of development has necessitated.

It is gratifying, indeed, that these problems are recognized not only by the developing countries, but by the advanced countries as well. Eminent delegates from the advanced countries have in the course of last year and in different forums of the General Assembly or the Preparatory Committee or in public statements expressed, the intention of their respective Governments to attach great importance to this Conference and their keenness to reach measures which may solve the problems of development and trade. I hope that these intentions are manifested in necessary action so that we may be able to realize our common endeavour of a happier world.

It might be advisable here to pause for a few moments to consider the magnitude of the problems involved from one major aspect: that of the deficit in the balance of payments of developing countries.

It is well known that the plans for economic development of the developing countries, to attain even the modest 5 per cent target, can be drawn up and implemented only under certain conditions. The improvement of agriculture on which the food of the increasing populations and the export of basic commodities depends, and the intensive transfer to industry of excess manpower now occupied in low-paid primary activities can be achieved only through massive expenditure on capital schemes. These necessarily involve greater imports of machinery and "know-how". It would seem, then, that for the next few decades capital imports will form a major part of national development plans. Such imports can be financed only by export earnings, and to the degree that these prove insufficient, by drawing on available reserves and external assistance. Reserves are meagre and are dwindling, and, for obvious reasons, exports will have to expand or external financial aid will have to be increasingly resorted to.

The promotion of the external trade of the developing countries raises several issues, which have been underlined in various reports presented to this Conference and which I will briefly recapitulate here. To begin with, if the income of the developing countries is to increase at the rate of 5 per cent a year, then their imports must increase at a higher rate, as must the export earnings needed to finance them.

Yet, in contrast to these requirements, the position of the external trade of the developing countries is worsening. In the 1950s, the volume of exports from the less developed countries rose at an annual rate of 4 per cent and the figure is significantly lower if petroleum exporting countries are excluded. Simultaneously, the terms of trade deteriorated, reducing the purchasing power of exports over imports. Though import substitution helped to reduce the growth of imports, many developing nations still had

to make inroads in their currency reserves and increase their external short-term liabilities in order to finance the import of the equipment and other goods they required.

Thus, a real and widening gap exists in the balance of payments of the developing nations even at present rates of growth. At higher rates, such as those contemplated during the Development Decade, the gap would be much greater if the trends of the 1950s continue. Indeed, according to the calculations made by United Nations experts, the current balance of payments gap will be of the order of at least \$20,000 million a year by 1970.

Some consider this figure too high and say that it is a mere mathematical extrapolation of existing data without forecast of possible changes in the structure of trade. Others consider it too low, because the rate of growth of developing countries should be higher than the 5 per cent envisaged in the Development Decade, and therefore their requirements of capital imports and their deficits would be higher. But in any event it poses a great problem for the world to solve, and it might be advisable, while keeping the long-term problem in mind, to deal also with the more immediate problem of the deficit of the next year which is much smaller and easier to manage. It may be possible through the rapid adoption of proper remedies that developments in international trade will be of such a nature that the magnitude of the deficit of 1970 would be much smaller than at present envisaged.

As regards the international machinery for trade we hope that due attention will be devoted by the Conference to this important item on the agenda, since, without appropriate machinery, whatever measures are taken by the Conference in the field of development and trade, cannot be effectively implemented and followed up. In this respect different proposals have been suggested by the United Nations group of experts and by eminent delegates to the Preparatory Committee. Further suggestions may come out in the course of our deliberations. We hope that on this important item we shall come out with a solution which is agreeable to all Members of the United Nations so that the international machinery will function in an effective manner within the framework of the United Nations.

The gradual evolution of ideas is such that the scope of international agreement on any set of principles and policies beneficial to international trade, that is possible now, can be progressively widened for the mutual benefit for all countries through successive meetings. Our hopes of today may, through our inter-

national co-operation, become realities next year, and the realities of next year may be dwarfed by the achievements of subsequent years. The vast scope and complexities of problems related to trade and development and their ever changing aspects may require periodic meetings to review what has been accomplished to consolidate the success achieved, to discuss more thoroughly the points of disagreement and to introduce amendments that may be required by the changing aspects of international trade.

The Preparatory Committee has gone a long way in defining the problems before the Conference, presented proposals for action and indicated lines along which solutions may be sought. It may be recalled that the Economic and Social Council invited the participants of the Conference to give earnest consideration to proposals for concrete and practical international action and to explore all means for their implementation so as to make it possible to reach, at the Conference, basic agreement on measures constituting a new international trade and development policy. Thanks to the Preparatory Committee and to its Chairman, Mr. Hansen, to Mr. Prebisch, the Secretary-General of the Conference, and his colleagues, we are already enriched by ideas and documentation and the way is paved for a successful Conference. Indeed the documents which have been prepared and the reports of the Preparatory Committee are important references which will greatly enlighten us in our deliberations, and we should benefit from these references in our study of major policy issues, overlooking at the same time intricate technical details which may need further study by eminent specialists. We have all been living with the problems of trade and development, we have discussed them in different forums, and it is the function of the Conference to concretize further the problems and their practical solutions.

The problems of trade and development are a challenge of such magnitude and nature as can be met only through political will, concerted action, and a bold new policy of international co-operation, the guiding principles and machinery of which is an important task for this Conference to determine.

I feel confident that, through our co-operation in this Conference, through our full attainment of the great hopes that most countries of the world are attaching to this Conference, and through our full understanding of the close relation between justice, peace and prosperity, we shall undertake our great responsibility thoroughly and conscientiously and that we shall contribute by our joint action to the peace and welfare of the world.

STATEMENT BY Mr. RAÚL PREBISCH,  
SECRETARY-GENERAL OF THE UNITED NATIONS CONFERENCE ON TRADE  
AND DEVELOPMENT

at the third plenary meeting, held on 24 March 1964

[Original text: Spanish]

The starting-point of this Conference is a clear political concept which has apparently ceased to be a subject of controversy: that the prosperous countries of the world should not neglect the problems of the economic periphery, where two-thirds of the world's population live in very precarious conditions. But there is a basic difference between recognition of this concept and its translation into a vigorous policy of international co-operation designed to bring about rapid development in this very vast part of the world. Never before has there been an opportunity like the present of quickly solving, thanks to the enormous potential of contemporary technology, the problem of poverty and its inherent evils in the developing countries. Yet never before have such distressing tensions, as those which beset the developing world, emerged on such a huge scale.

The developing countries have come to this Conference with a view to attaining a policy which will enable them to accelerate their rate of economic and social growth and to draw attention to the imperative need for a fundamental change in the policy of international co-operation which must be based on reality.

Perhaps the intrinsic weakness of the post-war institutional pattern—evolved at Bretton Woods and Havana—lies in the fact that these facts were not fully recognized, that is to say, that fundamental differences exist between the industrial centres and the periphery of the world economy. This is what must be put right at the present Conference.

In the industrial countries, technology has brought about far-reaching changes in the economic and social structure. These changes must also be carried out, in one form or another, in the developing countries so that the penetration of modern technology can rapidly lead to higher standards of living.

The pattern that emerged from Bretton Woods and Havana implies that all countries have a homogeneous economic and social structure, and seeks to apply common rules and principles to what is fundamentally different.

The developing countries must rapidly assimilate production techniques which are the result of a long process of evolution and adaptation in the industrialized countries. While it is true that the former countries have the undeniable advantage of having at their disposal the enormous potential of modern technology, it is none the less certain that, in order to assimilate it, they are faced with problems of a magnitude and scale which had no counterpart in the gradual technological progress of the advanced countries.

Let us pause to reflect on one fundamental fact: modern technology requires a very high input of capital per person and the developing countries have a very low per capita income, which makes it extremely difficult for them to accumulate this capital quickly from their own resources. In addition, the developing countries have an exceptionally high rate of population growth which the advanced countries did not have.

In the course of their development, the problem of capital formation in the major industrial centres was solved first and the redistribution of income was dealt with much later. On the other hand in the developing countries both problems occur simultaneously and it is imperative to face them simultaneously if the fruits of economic development are to reach the masses of the population on a steadily increasing scale.

This massive capital formation effort must be made under very adverse international economic conditions and faces, in addition to many internal problems, enormous external obstacles which must be studied and resolved at this Conference.

What are these external obstacles? The imports of capital goods and other goods, which the developing countries require, far exceed what they can now finance from their export earnings.

This "trade gap", as it is called, typically tends to widen as the pace of development quickens. It has been estimated that, if the two-thirds of the world's population as previously mentioned is to achieve the 5 per cent minimum rate of annual income growth

set for the United Nations Development Decade, they must import by 1970 approximately \$20,000 million over and above their export proceeds—if trends of the past decade continue and if the terms of trade do not continue to deteriorate.

This is not a forecast; it is merely a projection that implies the continuation of certain trends. It must not be taken as an exact description of a phenomenon; it represents an indication of the dimensions which this phenomenon may assume unless the factors influencing it are corrected.

Some people are so cautious that they refuse to accept such figures because they do not consider them accurate; these are the people who do not notice that it is raining because they cannot measure the quantity of rain that falls at any particular moment. The \$20,000 million trade gap, representing imports which the developing countries require in order to accelerate their growth, also signifies that there are \$20,000 million worth of capital goods which cannot be exported from the major centres to the periphery of the world economy unless this problem is solved.

In this connexion, it is customary to speak of the sacrifice which industrial countries would have to make in order to help developing countries close the trade gap. On the contrary, the sacrifice will come about unless they extend their help, because their industries will lose such promising export opportunities.

Why are we faced with this problem of the trade gap, which is the consequence of a persistent trend towards external imbalance in developing countries? Why is it that, in the last thirty years, this phenomenon has emerged which did not arise in the economic history of the nineteenth century or in the initial decades of the twentieth?

There is a universal and very simple principle operating throughout the world, regardless of the economic and social systems followed. As *per capita* income grows owing to technological advance, the demand for primary commodities rises much more slowly than the demand for industrial goods. This is a well known fact that cannot be reversed and it becomes much more marked with the development of synthetics which are progressively replacing natural products as technology advances. But this universal principle takes very different forms in the industrial as compared with the primary producing countries. Those goods for which demand grows slowly are precisely the ones exported by developing countries. On the other hand, the latter import products for which there is an accelerated demand. Hence a persistent imbalance exists in these countries, whereas the contrary occurs in the industrial centres.

In the major centres, there is a tendency to have a surplus of industrial exports *vis-à-vis* imports of primary commodities. And it is because of this that we cannot consider the economic world to be a homogeneous one.

It is a well-known fact—and now the industrial countries understand it because they are experiencing it themselves—that primary production, by its very nature, is not quick to adjust itself to this slow growth of demand and tends to expand beyond what would be necessary to maintain stable prices relative to the prices of manufactures.

There are economic and social impediments to the rapid adjustment of primary production, especially when there are large increases in productivity following technological advances in the latter sector. Primary commodity prices, owing to the free play of market forces, tend to fall in relation to the prices of manufactures. But in the industrial countries, this phenomenon is limited to the internal sector of the economy; there it is merely a matter of redistributing income within the country, which can be done by domestic measures, as in fact has been happening. On the other hand, when the same phenomenon occurs in developing countries, it is reflected in a transfer of income to the industrial countries. In other words, there is a regressive redistribution of income, representing a loss which can be offset only through the co-operation of the industrial countries. This is further proof of the fundamental differences existing in the world.

I have had the privilege of presenting to the Governments participating at this Conference a report where, in addition to diagnosing problems of concern to the developing world, I have attempted to outline some solutions. It is very logical that one who has spent years observing those problems, or concerning himself with them, should have been unable to eliminate certain subjective elements completely from this report. Nevertheless, I must say that I did my utmost to exclude any personal elements from it.

My reason for travelling through the five continents before drafting the report, for meeting selected groups of high-ranking officials, and for consulting highly competent experts, was because I wished to find common denominators and condense a series of ideas which are fermenting in the developing world. I would therefore submit that this report embodies what, in my opinion, constitutes an attainable minimum; what, to my mind, is absolutely necessary in order to attack the problem of the persistent trade imbalance and thus to create the essential external conditions for accelerating the rate of growth.

In so far as this idea of a "minimum" is concerned, I have proposed a series of measures, bearing in mind that the 5 per cent rate set by the United Nations General Assembly as a growth target for the developing countries by 1970, is a very modest rate which must be exceeded as soon as the necessary conditions for raising it have been created. I have thus proposed measures which can be considered reasonable, but at the same time modest and moderate.

I spoke of an "attainable minimum": attainable because, while it is true that there is a natural resistance

to some of the proposals, it is none the less true that the resistance is gradually disappearing.

There are certain forms of thought now prevalent, which undoubtedly will change and thus smooth the way for the constructive study of these and other proposals.

If, instead of trying to express those common denominators which lead to this "attainable minimum", I had freely stated what I, personally, would have wished, as an economist from the developing world, I would have gone considerably further.

As regards primary commodities, for example, I would not have hesitated to advocate more ambitious targets and long-term contracts providing stability for primary commodity markets.

In so far as industrial preferences are concerned, possibly I would not have endeavoured to devise a cautious formula like that embodied in the proposed quota, which is designed to show the industrial countries that imports of manufactures from peripheral countries—as is explained in the report—would not, even in the most favourable circumstances, constitute more than 4 or 5 per cent of the increase in industrial consumption of the former countries between now and 1970.

I could have dispensed with this quota, but I believe that under present circumstances it is advisable to give an assurance that there will not be any violent inflow of industrial imports into the developed countries.

I also feel that, where the subject of finance is concerned, the report is characterized by moderation, because I could easily have shown greater sympathy towards ideas which are emerging in serious and responsible circles in the industrial centres. These ideas go so far as to visualize the possibility of creating additional international resources on the basis of existing monetary reserves and of channelling these resources through existing machinery—the International Bank, for example—to the developing countries on a larger scale, than at present. This would also facilitate the more effective use of the factors of production in the industrial countries and expedite their growth, especially in those important cases where there is idle economic capacity.

Lastly, I think it would have been possible to go further in the part referring to ideas regarding the establishment of an international trade organization. A moderate and acceptable formula was proposed after many discussions. But in my innermost mind—and I say this openly—I feel that some day an international organization of greater scope, with certain supranational powers which for the moment do not seem to enjoy general acceptance, will have to come into existence. Hence, a formula has been presented which is attainable in present circumstances and which will make it possible progressively to move on towards more advanced formulae.

The "attainable minimum" to which I referred earlier could now be summed up in six main points:

Firstly, primary commodities should be given easier access in the markets of the major industrial centres, and be assured a reasonable share in the growth of their consumption.

Secondly, the purchasing power generated by the export earnings of developing countries should be increased and stabilized, either by commodity agreements designed to influence prices, or by a compensatory financing mechanism which, in many cases, might eventually be more effective than the mere adjustment of prices, especially for those products in respect of which it would not be advisable to influence prices for the reasons explained in my report.

Wish regard to long-term compensatory financing, I wish to make a clarification. Some comments on the report attribute to me the idea that compensatory financing must be automatic. I apologise if this interpretation has emerged because of a lack of clarity. I consider that compensatory financing has to be provided to developing countries as part of a planning concept, once it has been determined that injury has been suffered by a given country, owing to a deterioration in the terms of trade, and the extent of that injury has been established. I have not therefore proposed an automatic procedure, nor could anyone have done so who regards seriously the idea of development financing and the need for adjusting such financing to a seriously prepared development plan.

Moreover, I believe it is indispensable—as I have stated in the report—that this compensatory financing should be provided, together with other international financial resources, to help developing countries effect the structural changes in their economy required to correct their inherent weakness which leads to this persistent trend towards deteriorating terms of trade.

I also consider it essential that measures to regulate primary commodity prices, and compensatory financing schemes, should be linked with the question of access to markets. It is of very little use to raise prices of commodities if, at the same time, imports of those commodities are being reduced. Such action would have little or no practical effect.

The third type of measure relates to the export of industrial products by developing countries. Here we deal with the problem of restrictions presently hampering the normal expansion of such exports, as well as with the need, over a limited period, for a preferential policy with regard to the remaining manufactures, subject to a reasonable list of exceptions, to assist new industries of developing countries in finding external markets, this being essential if the persistent tendency to disequilibrium is to be corrected.

The fourth point relates to import substitution. Not all the disequilibrium of trade can be corrected by means of increased exports or better prices. Import substitution must continue, in so far as possible, through the formation of groups of developing countries, since this will permit such substitution to be carried out in a more rational manner than at present.

The fifth measure relates to trade with the socialist countries under long term agreements, in order to use the great import potential of those countries, resulting from their present rate of economic growth. It may not be possible to solve this problem at present other than by means of bilateral agreements. However there is reason to hope that expansion of trade of socialist countries with the rest of the world will make it possible to move from bilateralism to multilateralism, since multilateral compensation is greatly restricted when trade is limited to a small number of goods and only a few countries. The greater the increase in the number of countries, and in the scope of trade, the greater will be the possibility of evolving towards multilateral trade, which is most desirable in view of the well-known drawbacks of the bilateral system.

The sixth point relates to trade in "invisibles", and the need to reduce the burden of servicing external debt by readjusting loan periods and terms. This is urgently required in many countries. Similarly, measures will also have to be taken regarding freight and insurance, as a means of improving the balance of payments and correcting the tendency to disequilibrium.

To justify the foregoing measures, we have only to look back and see what actions have been taken to avert this tendency. As far as trade is concerned, I do not believe it can be denied that actions taken throughout the world, far from correcting the present tendency towards imbalance, have in fact increased it. This tendency has become more acute because of the protectionist policies of industrial countries and by the lack of an industrial export promotion policy in the developing countries, which has led to their industrialization in a series of unrelated water-tight compartments. This is largely due to the fact that their industrialization began at a time when the world economy was disintegrating during the great depression of the 1930s. The industrial countries managed to overcome this phase of disintegration but its effects are still felt in the developing countries. And, when some of the latter countries have made the effort of seeking foreign markets for their industrial exports, they have been seriously inhibited by restrictive measures applied by the industrial centres.

A more positive approach to the problem was taken, however, in the field of finance. A serious effort was in fact made to increase the resources of the developing countries through initiative undertaken within the framework of the United Nations. We need only recall that, by 1950, the industrial countries made available barely 0.3 per cent of their total income for capital transfers to developing countries, whereas by 1962 this figure had risen to 0.7 per cent.

However, this is no cause for any great complacency because, at the same time, the deterioration in the terms of trade dissipated the beneficial effects of these financial resources to such an extent that, when we deduct from the transfers of capital received by the developing countries in 1962 the amount they lost owing to the unfavourable terms of trade, we are

faced with the following perplexing situation: the proportionate amount which the industrial countries transferred to the periphery of the world economy remained the same in that year as it had been in 1950, that is to say, 0.3 per cent.

This serious situation is of course linked with the base period from which the terms of trade are measured. However, even if it is considered that the financial resources transferred to developing countries in 1950 were completely inadequate and hence that they should be increased, it must be emphasized that the subsequent growth has been purely nominal. Not only was there an insufficient net transfer of resources to developing countries, but in fact there has been a retrogression when viewed in terms of the income of industrial countries.<sup>1</sup> This situation cannot be denied, even if one is told that the terms of trade today are higher than they were a hundred years ago, or that the relative increase in prices of industrial *vis-à-vis* primary products was due to quality improvements. In 1962 the total capital transfers to the developing countries amounted to \$6,600 million; the loss of income owing to the deterioration in the terms of trade in 1962, as compared with 1950, was \$3,600 million. In other words, a balance of \$3,000 million remained as a result of these movements.

However, the transfers of interest and dividends in respect of such capital also increased substantially. It cannot be said that these payments in themselves represented a disproportionate burden. They would not have been disproportionate if they had led to a rapid increase in exports, as was the case in earlier times. However, since no such increase in exports took place, these payments served only to aggravate the disturbing aspects of the process. Of the balance of \$3,000 million remaining in 1962 after deducting the effect of the deterioration in terms of trade, \$2,600 million represent interest and dividends paid abroad in that year and the net balance amounted therefore to only \$400 million. This is an extremely serious matter. The beneficial effect of the policy of increasing the resources made available to the developing countries was entirely lost. I should like to ask Mr. Woods, the eminent President of the International Bank, who is showing a very broad and constructive approach to these problems, whether he is confident that his loan policy—the enlightened policy of lending he is presently carrying out—can be firmly maintained on this basis; whether it may be continuously endangered by the phenomenon of deterioration; and how he views the fact that what is given with one hand is swept away by the free play of market forces on the other.

I have often and insistently been asked whether the recent rise in the price of certain primary commodities does not mean that the deteriorating tendency has

<sup>1</sup> The incidence of such developments will, of course, differ from country to country. Australia for instance transferred resources to developing countries while simultaneously being affected by losses due to deteriorating terms of trade.



begun to be reversed. I cannot tell. The same question was put to me some years ago when there were price rises which proved to be ephemeral. I do not wish to make forecasts as I did in my twenties. All I can say is that I do not see on the horizon at present economic factors indicative of a persistent improvement in the terms of trade as a whole. Indeed, if modern technology penetrates to a greater extent into the primary production of developing countries and leads to the increase in productivity which is essential, the deteriorating trend may be accentuated. The most elementary precaution dictates that measures should be taken to ensure that the positive policy of financial aid, which has been pursued, will not be prejudiced by market forces.

Quantitative targets, apart from their basic importance as a means of giving substance to a policy, will enable us, if the idea of successive conferences and of a standing committee is accepted, to follow the course of economic and social developments, to see how close to or how far from the targets we come and to ensure that additional measures are taken to strengthen the previous ones, if the desired results have not been achieved. These measures must not be confined to the importing industrial countries only. It is essential that this periodic survey of international economic policy should also be undertaken with respect to the policies pursued by the developing countries. It will be necessary to ascertain whether those countries are making use of the facilities which may result from this Conference and whether they are taking the necessary measures to ensure that the facilities may lead to the desired objectives.

Furthermore, there is one aspect of the setting of targets which could provide a pragmatic solution to the following problem which has been discussed in the Preparatory Committee of the Conference, as well as in articles on this subject.

That problem is the one of determining how socialist countries may apply measures equivalent to the reduction or elimination of customs duties or internal taxes, such as the developed private enterprise countries may apply, to promote the exports of developing countries.

Neither the customs tariff nor the internal price system have the same meaning in socialist countries as in private enterprise countries and it is possible that the best method of coping with these differences lies in the fixing of import targets. Both types of countries would fix targets to be attained progressively within a certain number of years and would take the necessary measures to achieve them in accordance with their own economic and social systems. The private enterprise countries could apply quotas covering access to or participation in markets or purchase commitments linked to consumption; reduce support prices; reduce or eliminate tariffs; and take promotional measures in the technical and financial fields. The socialist countries on their part could do so by means of long-term agreements as well as promotional measures appropriate to their own

system. We could thus have a common denominator which would enable us to solve problems whose solution would otherwise be most difficult.

I now come to the conclusion of my statement. When the Secretary-General of the United Nations offered me this responsibility in connexion with the Conference, removing me temporarily from my former United Nations responsibilities in the regional field, I did not hesitate to accept. I must confess that I did not make an assessment for myself of all the pros and cons that lay ahead. I did not stop to ponder the favourable and unfavorable factors which might affect the success of the Conference. I simply recognized that the Conference presented a unique opportunity for peripheral countries to explain to the industrial centres, clearly and objectively, the problems hampering their economic development. I did so in the firm belief that there are certain basic ideas which, sooner or later—and better sooner than later—will have to be accepted if there is to be any fundamental change in international economic policy, and if the major countries are not indifferent to the fate of the rest of the world. I believe, in fact, that this is a historic opportunity. Ten years ago, in the region from which I come, a great opportunity arose to effect a fundamental change in the policy of international co-operation. That opportunity was missed, with serious consequences which now make it much more difficult to achieve what might then have been achieved. I should not like this new opportunity for the developing countries to be missed. I do not wish to consider the effects that such a failure would have and I believe that we must all try to recognize the importance of this moment and to appreciate the hopes which the developing world places in the developed countries. Basically, it hopes that it may be allowed to play its part in the international field.

The fundamentally sound idea has been put forward, and is still being stressed, that countries must develop through their own efforts. However, these efforts must be allowed to take the form of an increase in exports, which is the only form they can take in the international economic field. There is therefore a need for a policy of continuing and accelerated expansion of exports which, in turn, will accelerate the development of these countries.

A fruitful dialogue is now about to commence, in the course of which we must concentrate on basic problems and avoid marginal issues which may divert us from the questions with which the developing countries are primarily concerned. I should like to indicate briefly how people in the periphery view these problems at present. We believe that developing countries must not be forced to develop inwardly—which will happen if they are not helped to develop outwardly through an appropriate international policy. We also deem it undesirable to accept recommendations which tend to lower mass consumption in order to increase capitalization, either because of the lack of adequate foreign resources or because such resources are lost owing to adverse trends in terms of trade.



I believe that to force these countries to develop inwardly would have serious consequences, not only economically and socially, but also politically. However, I do not wish to point to the dire handwriting on the wall.

On the contrary, I wish to stress the great opportunity we have of solving the basic problems of the developing world. It would be tragic if this opportunity, accentuated by the great potential of modern technology, were to be wasted. We must make use of this potential and we must learn to influence technological and economic forces and also to influence the forces of history in order to channel the profound emotional pressures which have been accumulating in the developing countries. Those countries have a great task before them. However, they are not merely called

upon to solve their own economic problems. They can contribute a great deal because they have a concept of life and of human values which will, I am sure, enable them to contribute decisively to resolving basic incompatibilities between technological and spiritual values.

Many developing countries bear the deep imprint of thousands of years of civilization. They could do much to ensure that, in our efforts to control economic forces, we do not subordinate man to the demands of technology or of purely economic processes, but enable him to free himself from economic need, from poverty, and from his inherent ills, so that he may improve his life and achieve that full life which, in the developing countries has until now been traditionally enjoyed by only a few.



## Opening Statements of Policy



STATEMENT BY H.E. Mr. MOHAMMAD SARWAR OMAR,  
MINISTER OF COMMERCE OF THE ROYAL GOVERNMENT OF AFGHANISTAN  
at the tenth plenary meeting, held on 30 March 1964

[Original text: English]

Together with the other members of my delegation, I was greatly pleased by the election of Mr. Kaissouni as the presiding officer of this historic Conference. I hope he will allow me to add my congratulations to the many others that have been so properly extended to him.

Our thanks and admiration go also to the distinguished Secretary-General of this Conference, Mr. Prebisch, and to his staff, who have provided us with such a wealth of material. The impressive documents that we have before us will not only serve us at this meeting, but they will, I am sure, be useful for the continuing activities that must follow our present efforts to find solutions to the staggering problems that confront us.

Almost sixteen years have passed since the calling of the United Nations Conference on Trade and Employment in Havana. The intervening period has been a momentous one. It has been characterized by rapid changes in the political and economic affairs of nations, and it has witnessed the emergence of a new force—a revolutionary force—which arises out of the poverty, the wants, and the urgency of the needs of two-thirds of the masses of the world. The strength of this force has given a new direction to the world's economic affairs, and the convening of this Conference is a direct result of it.

We firmly believe that rapid progress in the development of the economies of the developing nations and the raising of the standards of living of their peoples is vital for the preservation of international peace and the attainment of collective economic security. This is the challenge that faces this Conference. This is why we are here. Our problems are clear; they are important world problems affecting the lives and welfare of all peoples, and they await our decisions.

These are not new problems. What is new is the calling together of a gathering of this nature which includes not only members of cabinets and responsible officials of nearly all of the countries of the world, but leading authorities on world trade and important officers of the principal international organizations concerned with the practical realities of trade. The volume and quality of the preparatory work for this Conference is also a new factor. Never before have the problems of world trade been as comprehensively

examined, nor have the combined opinions of experts and statesmen from all parts of the world been collected and analyzed as thoroughly as they have been in the documents now before us. Indeed we are deeply indebted to Mr. Prebisch and his associates for their outstanding and unstinted labours.

This Conference is now providing a forum for each country to express its views on the possible solutions to the problems that confront us. This, in itself, can be a contribution to the task of reaching useful conclusions because it should enable us to find some common ground, some consensus, from which we can proceed toward broader positions of agreement.

The reports and studies which are available to us all emphasize the persistent tendency toward an imbalance in the external trade of the developing countries. In every developing area of the world the slow rate of growth of primary exports contrasts with the accelerating demand for imports. There seems to be much evidence to support a general conclusion that the rate of growth which most developing countries achieve requires a somewhat higher rate of growth of imports. Therefore, if the rate of exports remains constant or grows only at a nominal rate, an imbalance becomes inherent in the development process.

Estimates of the magnitude of the imbalance of trade of developing countries are interesting calculations, but they should be considered, as has been suggested by other speakers, as broad indications of the scope of the problem. Nevertheless, it is interesting to note that the results of the long term survey made by the secretariat of the Economic Commission for Asia and the Far East (ECAFE) roughly confirm those used by Mr. Prebisch in his report. The conclusion of the ECAFE study was that, for that region alone, even when using the most optimistic set of assumptions, a rate of growth of 5 per cent would produce an annual "trade gap" in excess of \$9,000 million by 1980. This compares with the estimate of a global trade gap of \$20,000 million by 1970 used in Mr. Prebisch's report, which also assumes a rate of growth of 5 per cent.

We feel that these calculations, as well as those that have been made in regard to the extent of the deterioration of the terms of trade, are not to be taken as exact measures, but that they must, nevertheless, be accepted

as definite evidence that the world faces a problem in the field of international trade that is of immense magnitude and of staggering proportions.

I have said that the problems we are considering are not new. One of the great difficulties associated with the industrialization process has been the disparity of income earned by agricultural and raw material producers compared with the earnings resulting from industrialized activities. It is this disparity which is at the root of the inequalities that appear in the terms of trade. Today it is becoming increasingly clear that some adjustments in the distribution of income between agricultural and industrial activities must now be made on a world-wide scale in order to create a viable and stable world economy and an economic climate in which development can proceed at a rate that will make a decent and modern life possible for the two-thirds of the world which now lives in poverty.

In considering the practical steps that must be taken to accomplish our objectives let me say at the outset that we appreciate fully the need on the part of the developing countries for effective internal development programmes. International co-operation and the adoption within all countries of progressive internal social and economic policies are complementary factors in the task of creating world-wide economic development. Neither one can be a substitute for the other. This subject is ably treated in Part Three of Mr. Prebisch's report, which I recommend to the attention of all representatives.

Coming now to the steps which this Conference must take in order to start the process by which basic changes in the structure of world trade may be made, let me first comment on Mr. Prebisch's report entitled *Towards a New Trade Policy for Development*. We consider this a masterful and impressive document. The importance that it rightly assigns to the persistent trend towards an imbalance in the external trade of the developing countries and the emphasis that it places on the terms of trade are matters which both stem from the basic inequality of income distribution between the agricultural and the industrial sectors of the world's economy to which I have already referred.

In addition to Mr. Prebisch's report to the Conference, we have as a guide for our work the concrete measures listed in the Joint Declaration of the Developing Countries, submitted to the Preparatory Committee for this Conference, at its second session, and later endorsed by the General Assembly of the United Nations [resolution 1897 (XVIII)]. The Declaration has achieved such wide recognition, and its principal points are so important, that I shall take a few minutes to comment on them.

Measure number one of the Declaration covers the need to create conditions that will make trade between countries at different stages of development more feasible. Clearly that goes straight to the root of our problems and involves the whole question of unequal distribution of income from agricultural activities and its relationship to the terms of trade. These thoughts

lead naturally to consideration of the proposals made in the Prebisch report regarding the introduction of a system of preferences in favour of developing countries, while they are in the process of creating more diversified economies. As pointed out in this report, the case for preferences is a logical extension of the infant industry argument which is no longer a matter of controversy when properly applied to a developing economy.

Point number two pertains to the reduction and early elimination of trade barriers without reciprocal concessions from the developing countries. This concept, we are glad to note, is gaining recognition.

The third measure, which calls for increased exports of primary commodities at fair and remunerative prices and for price stabilization is, of course, directly related to the basic problem of income distribution. In this connexion we are especially interested in the work that has been done on compensatory financing and in the extension of this work to broader aspects of the problems of commodity prices.

The fourth point is specific and a very practical one. This is the expansion of the markets for exports of manufactures and semi-manufactures from the developing countries. Under this heading comes the need to permit semi-processed goods to enjoy the duty-free privileges of the same goods in their raw form. The most natural and feasible steps toward industrialization are those which are related to the processing of indigenous raw materials. In fact, without such steps as mechanical cleaning, sorting, and packing, and other elementary processing, many of the markets in developed areas will remain closed to the less developed producers. Furthermore, any steps taken which will help to open markets for manufactures, and especially for semi-processed goods, produced in the developing countries will, of course, have our support.

Provision of more adequate financial resources on favourable terms is the fifth measure. Even to maintain the present rates of growth, large amounts of long-term credits at low interest rates are needed to cover the trade deficits inevitably generated by the development process. In this connexion we have listened with close attention to Mr. Wood's statement of the new policies of the International Bank for Reconstruction and Development. We were especially interested in what he said about the increased allocation of funds for the International Development Association (IDA) and the plans to use these funds for development loans covering both local and foreign currency requirements. The intention of the Bank to enter the field of the extension of agricultural credit was also of great interest.

The demand for credit which exists in the developing countries offers vast opportunities for the employment of capital throughout the developing world to finance the purchase of the immense quantities of equipment and tools that are needed for new industrial and agricultural activities. Nevertheless, relatively simple calculations will show that as long as present trends and present policies continue, only slow

progress is in sight. We suggest that a first step toward the creation of new credit policies would be the adoption of the proposal in the Prebisch report regarding the consolidation of existing debts, the extension of their repayment period, and the lowering of interest rates. This would improve the credit standing of many countries and would make it possible for them to meet the service charges on a larger debt. Furthermore, an increase in the volume of development loans which is badly needed would of course reduce the "trade gap" and would thus help sustain a higher rate of growth.

We are well aware of the contribution that an influx of private capital can make in speeding up the process of development. My country has already taken steps to clarify and to protect the position of foreign investors. We welcome their participation in our economic development and hope that it will continue.

Point six covers the necessity of finding ways and means of reducing existing payments for ocean and railroad freight rates and for insurance and other "invisible" payments. Very large sums of money are involved in the so-called "invisible" items of trade, and they contribute heavily to the size of the foreign exchange gap of most of the developing countries. These costs are especially onerous for land-locked countries, so that we shall actively support all efforts that are made to reduce them.

All these measures are vital to any programme that we may devise at this Conference. Afghanistan has signed the Declaration in which they appear. We voted for its endorsement in the General Assembly and at the Ministerial Meeting in Manila, and we wish now to record an additional endorsement of it at this present Conference on Trade and Development.

I would now like to say a few words about the implications of regional economic groupings. My country has consistently supported plans for regional co-operation and will continue to do so as long as the nature of the co-operation takes into consideration the varying stages of development of the members of regional groups. In other words within each region we must achieve the adjustments of trade practices which we are now discussing. What I have in mind are special preferences and other concessions for those countries which are in the earliest stages of development. Subject to this reservation, we supported at the Ministerial Meeting at Manila the programme of regional co-operation that was presented by the Executive Secretary of ECAFE and later, with minor modifications, was adopted by the Conference.

Regional groupings in other areas of the world have, of course, had an impact on many traditional patterns of trade, and in some cases this impact has adversely affected Afghanistan's foreign trade. For example, our exports to Central Europe have suffered as a result of the changes in tariff schedules on dried fruits and carpets that the Common Market countries

have adopted. We also suffer because of preferences granted to our competitors who are associate members of the Common Market. We have brought these matters to the attention of officials of the European Economic Community (EEC) and we are hopeful that steps may be taken to adjust the present rates and degrees of preference.

Before concluding my remarks on the implications of regional groups, I wish to voice some reservations that we have against too strong a trend toward regionalism. Does this trend mean that in place of national barriers to trade we shall have new and stronger group barriers? Furthermore, individual countries may be forced by this trend to continue restrictions on trade that could otherwise be liberalized. Should we not at this time pause and consider the desirability of substituting a greater degree of global co-operation in the search for solution to the problems of world trade rather than relying too much on the more limited goals that may be achieved by regional co-operation?

In addition to the intensified efforts to industrialize that I have already emphasized, the possible solutions to the very difficult economic future that has been projected in the reports and studies before us, are few in number. Aside from some form of compensatory financing, the practical difficulties that interfere with programmes for increasing the proceeds derived from exports of raw materials are very great. By far the largest part of the export side of the foreign trade of the developing nations consists of primary commodities produced by farmers, and efforts to improve export trade in these goods inevitably encounter the very serious impediments that exist throughout the world to the marketing of agricultural products. Other primary commodities face similar difficulties in varying degrees, but the cards are stacked effectively against the success of plans to expand agricultural exports. The impediments and difficulties to which I refer are well known. They include quotas, export subsidies, high tariffs, extreme price fluctuations, and the slowing down of the rate of growth in the demand for primary products. In fact, the prospects for improved trade in primary products are so bleak, that an atmosphere of discouragement has begun to dominate current thinking and planning in this field of development. The only encouraging aspect of the situation is that many responsible and serious-minded people concerned with these matters in the developed countries, as well as in the developing nations, are determined that solutions must be found.

Unless present trade practices are changed and other adjustments are made, many of the developing countries may face the necessity of slowing down or limiting their rates of growth. In view of the urgency of the needs created by the spread of modern civilized living throughout the world, a deliberate abandonment of goals would be disastrous and would have political repercussions in many parts of the world. From the

economic point of view, its effect on the rate of growth of the developed nations might be serious enough to tip the scales toward a world-wide depression. Generally speaking it would be an admission of defeat on the part of the present leadership throughout the world.

This task, of taking definite and specific steps that will prevent this slowing down and will lead to solutions to these staggering problems, is the challenge that faces this Conference.

I now wish to bring to the attention of the Conference a matter which is of great importance to my country and to a number of other nations represented here. I am referring to the rights of land-locked countries. This is a matter directly related to world trade and one which affects not only countries without seaports, but the trading partners of these countries as well. The special circumstances pertaining to the international trade of land-locked countries deserve particular consideration, just as do the special circumstances related to trade between nations in different stages of development or between nations with different economic systems.

The purposes of this Conference and any benefits to international trade which may come from it, will be a loss as far as land-locked countries are concerned, unless their transit rights are recognized, and facilities are accorded to them and are embodied in an international Convention.

Recently the delegates to the annual meeting of ECAFE in Teheran reaffirmed by unanimous resolution the transit rights of land-locked countries. Similar action was taken at the Ministerial Meeting of Asian countries held in Manila in December 1963. As a result of these resolutions and in accordance with the decisions made at the pre-conference meeting held here in Geneva on 21 March, and at the meeting of the General Committee of the Conference on 26 March, a special committee is to be appointed to consider transit matters and the Secretary-General is circulating to the members of this Conference a statement of principles and a draft convention on transit trade, both of which were annexed to the ECAFE resolution to which I have referred. We have also prepared another document on transit matters which will be presented to the special committee to which this subject has been assigned. In the meetings of that committee we shall discuss in detail the substance of the specific issues related to these matters.

At this time I shall confine my remarks to a brief statement regarding the need for a new convention. The Barcelona Convention of 1921 and the Convention produced at the 1958 Conference on the Law of the Sea have laid the groundwork for what we wish to accomplish at this meeting.

More than forty years have passed since the Barcelona meeting, which was convened shortly after

the First World War. The wording of the Convention which it produced does not adequately cover existing conditions, nor does it anticipate the needs of new and expanding patterns of trade. Since it was written, methods of transportation have changed and the use of freeport facilities has vastly increased. A modernized version of the existing provisions is therefore urgently needed.

The fact that the General Agreement on Tariffs and Trade (GATT) has recognized the rights of land-locked countries is, of course, no argument against a new Convention, rather to the contrary—it is an argument in favour of it. GATT is not a universal organization. Only half of the Countries attending this Conference are members. Furthermore, some of my remarks regarding the need for the extension and modification of the Barcelona Convention apply equally to the article on transit matters in the General Agreement.

What we shall propose to the special committee to be formed to consider this matter will be a carefully prepared extension and modernization of the principles and rights found in the earlier conventions regarding this subject. We believe that its adoption will clearly establish the rights of land-locked countries, and that it will thus become easier to carry on in a smooth and uninterrupted manner that portion of international trade which is transacted with countries without seaports.

At this historic Conference, where basic ills and structural defects in the world economy are to be closely scrutinized, the specific ills of land-locked countries represent an important portion of those inherent defects that have plagued world trade for so long a time. It is therefore singularly appropriate that a new convention on transit rights for States without a sea coast be considered and acted upon at this Conference.

Finally I wish to make some remarks on institutional arrangements. Within a restricted sphere, the GATT has accomplished much, but it seems clear to us that its activities are too limited and that, as now constituted the GATT cannot meet the pressing needs of the existing world economic situation. To quote from the Prebisch report, "GATT has not served the developing countries as it has the developed ones".

We propose that this Conference should establish a permanent secretariat to continue the work that we shall start at this meeting. We cannot afford to leave this Conference without making provision for some form of organization that will see to it that our decisions are carried out and that the work is further extended in the future. The secretariat or permanent staff which we propose should include committees assigned to the main topics which we are considering at this meeting. Among others there should be created a committee to maintain permanent liaison with the work of GATT. Another committee is needed to deal with the special problems of



developing countries. We could not consider any proposal on institutional arrangements a satisfactory one if it leaves to a subsequent meeting the task of creating a permanent structure which will have the responsibility of putting into effect the mandates of this Conference.

I further propose that the secretariat should be responsible for the calling of additional conferences, similar to this gathering, when needed. By giving this kind of institutional permanence to our work, we can have some assurance that it will go forward through the years. We should hope eventually that the permanent secretariat which we have proposed could absorb some of the functions of GATT and that an organization of sufficient scope and power could thus emerge as a result of the impetus given to it at this Conference.

I have been deeply impressed by many of the introductory speeches that have been delivered to us. Afghanistan strongly supported the plans which led to the calling of this Conference on Trade and Development, we have voiced on several occasions our conviction of its importance and significance. This, we hope, will be the first of a continuing series of similar gatherings that will carry on the work that will be started here.

It is also our hope that out of this meeting, and from subsequent gatherings called for this same purpose, there may emerge a new global approach to the world's problem in the field of trade and development. We are confident that this Conference will earn the distinction of having taken significant steps toward finding solutions to many of the very difficult problems that confront the world today.

STATEMENT BY H.E. Mr. KIÇO NGJELA,  
MINISTER OF TRADE, ALBANIA

at the fourteenth plenary meeting, held on 1 April 1964

[Original text: French]

On behalf of the delegation of the People's Republic of Albania allow me first of all to congratulate Mr. Kaissoumi on his election as President of this Conference.

The problems of world trade and development which have led to the convening of our Conference are many, varied and complex. Their importance to the economic and social progress of the world is unquestionable.

A thorough analysis of these problems has become an urgent necessity of our times. It would help to put international trade on a proper footing, base it on sound principles and make it serve the cause of international co-operation and peace.

The problems confronting the developing countries are especially numerous and of particular importance within the general framework of international trade and development. At present the developing countries constitute a great political and economic force in the international arena. The place which they occupy and the part which they play in international trade and in the general economic political development of the world are very important. A high rate of economic development in those countries and the true and effective aid which they should be granted to achieve that goal should be the special concern of this Conference.

We note with satisfaction that some of the developing countries, placing their trust in the energy of their

freedom-loving peoples and on the great resources of raw materials and products at their disposal, have made great efforts to lay the foundations of an independent, developed economy, and are marching forward towards economic development and social progress with unshakeable confidence in their victory. The Albanian people wholeheartedly welcomes the successes achieved by those countries, and wishes them even better results in the future. We fully understand the difficulties through which they are passing, for our own country has had, and to some extent still has, to face difficulties very similar to those still confronting the developing countries.

In the past Albania was a backward, semi-colonial agrarian country, and its principal wealth was in the hands of foreign capitalist monopolies. In these conditions the level of economic development was very low, while foreign trade was very limited; it was unilateral and showed a chronic deficit.

The situation has now changed radically. The People's Republic of Albania is no longer a backward agrarian country. It has become an agrarian-industrial country and is making rapid strides towards becoming an industrial-agrarian country. It is a socialist country with an independent economy which is developing rapidly.

The Government of the People's Republic of Albania is giving particular attention to the expansion of

foreign trade, an important factor in strengthening the national economy and international co-operation. In our time the volume of goods traded with other countries has considerably increased. In 1963 the volume was 4.4 times greater than in 1938, while in 1964 it will be five times greater. As part of the increase, it is noteworthy that exports increased 9.2 times in the same period. The rise in exports has increased our purchasing power abroad. Whereas in 1938 the ratio of exports to imports was 1 to 3, it improved to 2 to 3 in 1963 and continues to improve as a result of the favourable conditions which are continually being created.

A notable change has also taken place in the structure of goods in our foreign trade. While before the war exports from Albania consisted essentially of raw materials of agricultural and animal origin, 49 per cent of its exports are now minerals, 33 per cent industrial goods and only 18 per cent agricultural and animal products and other goods. Basic changes are also found in the import structure. Before the war all our imports were mainly of consumer goods, and machines accounted for only 5 per cent of the total. At present machines and other industrial plant account for more than 33 per cent of the total, and ordinary consumer goods for only 21 per cent. As can be seen, we have ended a situation in which exports and imports were purely unilateral and our people was perpetually condemned to merciless capitalist exploitation.

The successes scored in the development of our foreign trade and in the change in its structure have as their permanent material basis the development of the national economy and the new structure of its branches. The most important indication providing an exact illustration of our economic development and distinguishing the new socialist Albania from pre-liberation Albania is the increase in national income as a whole by about five times as compared with 1938 and about three times per head of population.

The rapid strides made by our economy are due primarily to the intensive and dynamic process of transformation and economic, social and cultural development to which the entire life of our country has been subjected since it committed itself to socialist development. Social changes, the industrialization of the country and the modernization of agriculture—these were great historical tasks which would have taken much longer to achieve in the conditions of the old oppressive and semi-colonial régime and would have run against insuperable obstacles and difficulties—but the people's Government has successfully carried them through, thanks to the superiority of our socialist system.

In those twenty years of popular democracy a new and modern industry has been created in our country. Major branches of industry have come into being and by the end of 1963 the total industrial production was thirty times greater than in 1938. Owing to the rapid strides made by industry our foreign trade has been considerably broadened and strengthened. Through

the industrial development which has been achieved so far and through the further process of industrialization now rapidly going ahead, we aim to develop our productive forces by processing our national wealth to a greater extent, particularly our country's mineral wealth, in order to increase our economic potential, improve the structure of foreign trade, increase the volume of goods traded and so improve the balance of payments.

This trend in Albania's economic development is perfectly justified, since it seeks to increase our economic potential in the first place through the utilisation and maximum employment of the country's wealth, avoids any idea of self-sufficiency in industrialization and broadens the basis for the development of our economic relations with foreign countries.

The collectivization of agriculture, the major improvements and the increased mechanization of work (more than 7,000 15-h.p. tractors are now in service), the increase in the irrigable area and the other steps taken by our Government to construct large plants for the manufacture of nitrogenous fertilizers and phosphates, are factors ensuring intensification of our agriculture and a continual rise in agricultural and livestock production which, in addition to satisfying the growing needs of the working people, provides a good basis for increasing the exporting power of our country.

The resolute and consistent policy of relying mainly on national effort, i.e., taking economic resources away from foreign monopolies and applying them to the development of the country's productive forces and earmarking financial resources to the key production sectors has been, and continues to be, the main factor of our success. Obviously our external economic co-operation, primarily co-operation with and mutual aid to and from socialist countries has been and continues to be of great importance to Albania's economic development. Our country continues to receive important brotherly assistance, disinterested and on very favourable conditions, from the People's Republic of China. This assistance has played a great part in overcoming the difficulties created for our country by the imperialist powers and their flunkeys who, by exerting pressure and also by imposing embargoes in trade have sought to frustrate the economic and cultural development of the country and overthrow the people's Government.

At the present time the People's Republic of Albania maintains regular trade relations with twenty-five States having different social systems and with hundreds of commercial firms in all continents. The larger part of our trade is carried on with the socialist countries with which the People's Republic of Albania conducts a policy of international solidarity. Our country has also extended its trading relations with the countries of Western Europe and with several of the newly liberated countries according to the principles of peaceful co-existence between States with different social systems. We maintain relations and trade with the majority of

European countries, including Italy, France, Austria, the Netherlands, Denmark, the developing countries, the United Arab Republic, Algeria, Guinea, Morocco, Ghana, Mali, Libya, Sudan, Pakistan, Brazil, etc. The Government of the People's Republic of Albania will be glad to continue to extend its trading relations with these countries and with other countries in Africa, Asia and Latin America, towards which the Albanian people have feelings of sympathy and friendship.

In proof of its good will, the Albanian Government has often declared itself ready to conclude commercial agreements with any country showing a desire to do so, on the basis of the just principles of equality, non-interference, reciprocal advantage and peaceful co-existence between States with different social systems.

We have paid particular attention in the past, and continue to do so in the present, to trading relations with neighbouring countries. With some of these countries we have regular trading relations and we consider that there are no real obstacles in the way of the establishment of such relations with other neighbouring countries on the basis of reciprocal advantage.

It is a fact, which must be admitted, that the social, economic and political contradictions in the world, like the existence of the colonial system of exploitation, leave profound traces on the character, nature, targets and volume of the commercial exchanges between States. Sometimes they aggravate and disturb normal international economic relations to such an extent as to make them completely impossible. In these circumstances, international trade can grow only if it is founded on a solid basis of respect for national sovereignty and the principles of equality, non-interference and reciprocal advantage; if an end is made to the colonial and neo-colonial system.

We consider that a further serious obstacle to the normal development of international trade is the selfish and neo-colonialist policy of exploitation carried out by the imperialist powers, first and foremost by American imperialism. All discrimination, blockades and artificial restrictions on foreign trade must be liquidated. The situation on the markets must be stabilized by the signing of commercial agreements and short-term and long-term contracts, without imposing economic conditions. It is disgraceful that in our century the great imperialist powers and their flunkeys should be conducting economic blockades against independent and peaceful States. The People's Republic of Albania itself continues to be the victim of a severe economic blockade.

We strenuously condemn these blockades since they are a manifestation of the imperialist policy of aggression; they violate in a flagrant way all the principles and rules of international trade relations, constitute an act of aggression and tend to bring about the economic and political enslavement of the countries against which they are directed. In particular, we condemn the blockade established by the United

States against Cuba with the unattainable aim of suffocating the Cuban revolution and reintegrating socialist Cuba within the economic and political system of exploitation of the American monopolies.

Closed economic groups, such as the Common Market, constitute a serious obstacle to the development of international trade. The member countries of the Common Market practise a policy of discrimination, through tariffs and quotas of imports, against non-member countries. Closed economic groups erect customs barriers against the sale of goods by the socialist countries. We consider that the existence and activity of these groups are not in conformity with the true aims of this Conference since they are directed against the interests of the weaker participating countries and the countries which are not members.

The People's Republic of Albania is opposed to all forms of dependence and inequality in trade since they represent an attack on the interests of all the peoples of the world.

When they achieved their independence, the developing countries found themselves faced with countless needs and difficulties. They had long been under the control of the colonialists and monopolists and had remained single-crop economies exporting unprocessed raw materials and importing industrial goods. Taking advantage of their plight, the capitalist monopolies are trying in every way and by new methods of colonialism to re-establish economic and political domination over these countries.

Many of the new countries are making big efforts to escape from control by foreign monopolies and create an independent and developed economy. To succeed in doing so, however, they need the technical resources and equipment which will help them to develop their industry, and they also need other equally indispensable goods for domestic consumption. Hence the expansion of foreign trade is a matter of vital importance to them.

But we observe that foreign trade is precisely one of the means used by imperialist States to subjugate these countries and establish a neo-colonial system there. They hinder the industrialization of these countries and the modernization of their agriculture, and try to keep them in a state of dependence as suppliers of primary products at low prices and consumers of industrial products at high prices.

In recent years, while world trade between the developed countries has increased, the position of the developing countries has relatively deteriorated. The last few years have been bad ones for the export earnings of the developing countries, as the terms of trade have not been favourable to them.

As the representative of Colombia put it at the meeting of the International Monetary Fund in 1962:

"In 1954 we paid nineteen bags of coffee for an automobile whereas in 1962 we had to pay thirty-two bags."

How can the export earnings of the developing countries rise with such a price policy, and how can their industry develop?

Because of the changes in prices for the benefit of foreign capitalist monopolies, the countries of Africa are losing hundreds of millions of dollars each year, thus further aggravating the deficit in their balance of payments.

Great harm has also been done to the peoples of Latin America by United States monopoly capital which continues to exploit mercilessly both the natural resources and sweated labour in that area. According to official statistics, the United States controls 90 per cent of Latin America's copper production, 95 per cent of its lead, 98 per cent of its zinc, 70 per cent of its silver, 50 per cent of its oil, and so on.

Such dependence greatly reduces trade with the countries of Latin America, and it is precisely here that serious contradictions exist between the development needs of the Latin American countries and the tendency of United States monopolies to keep those countries under colonial domination and exploitation. According to calculations of the Economic Commission for Latin America, between 1955 and 1960, by reason of the changes in the price index of imports and exports alone, the countries of Latin America lost over \$7,000 million. The same phenomenon is also to be observed in the countries of Asia. In 1961 the oil monopolies paid the countries of the Near East \$5 per ton for oil and sold it for \$10 to \$16 per ton.

This Conference's aim should be to increase the export earnings of the developing countries and encourage their industrial development, thus expanding their trade and raising the living standards of their peoples. To attain this objective the prices of primary commodities, which are at present essential exports of those countries, must be raised. In order to stabilize markets for the sale of primary commodities at remunerative prices, the structure of commodity exports and the conditions of goods transport must be improved.

If the developing countries are to be given effective help in expanding their foreign trade, as a contribution to their faster economic development, we consider that the Conference should adopt measures to liquidate the older colonial and neo-colonial systems of trading as soon as possible, and condemn economic blockade and all other forms of foreign trade discrimination and pressures applied today by the imperialist States against other countries.

We can well understand that in the developing countries domestic capital resources are insufficient to accelerate their rate of economic development in such a way as to put a speedy end to the backwardness inherited from a long period of colonial domination. In such circumstances, foreign financial and technical assistance would be of considerable importance to them as an additional resource. Our country's experience shows that such aid can be effective if it is

granted disinterestedly and not accompanied by political, economic or military conditions, and if it is given for the sake of developing a country's productive forces as a basis for its economic development. The Albanian delegation also believes that foreign aid should only be regarded as a supplementary factor. The decisive factor for economic development remains the mobilization of domestic forces and resources under the control of the people themselves and not of foreign capitalist monopolies.

It is noticeable, moreover, that so-called aid to developing countries granted by the imperialist States does not in fact strengthen the economies of the countries which receive it. On the contrary, it serves to facilitate the penetration of foreign monopolies into those countries. The imperialist States led by the United States of America have never granted economic and technical aid without attaching political conditions. Instances of this are plentiful. Only recently the United States threatened to stop so-called aid to any country which dared to establish friendly relations with a socialist country or pursue a policy of safeguarding and strengthening its national sovereignty. Just as our Conference was about to open, the United States Secretary of State, Dean Rusk, speaking about the so-called American aid programme, confirmed once again the subservience which this aid imposed on countries receiving it. Foreign aid, Dean Rusk declared, is the principal instrument of United States foreign policy. The granting of United States aid to other countries, he went on, is strictly accompanied by a number of undertakings on the part of the recipient countries. In the case of military aid, he said that it would be granted to countries bordering on the socialist States, and repeated the usual slanders about the so-called direct military threat represented by the communist countries. We repeat that the rich countries, in granting aid to others, should not ask for privileges or stipulate any other conditions. We are convinced that the peoples of the developing countries, who have suffered and are still suffering from the evils of imperialism, will not accept aid with political strings attached, and will never be misled by the demagogy of United States imperialism and its lackeys.

In the report presented by the Secretary-General of the Conference, the view is expressed that the financial resources released by disarmament and the use of a part of these resources in the form of aid to developing countries could serve as an additional source of investment. We are aware that the expenditure on armaments has today reached enormous proportions and constitutes a heavy burden on all peoples, while the arms race itself is a serious danger to the future of world peace and progress. Accordingly the Government of the People's Republic of Albania has constantly urged the prohibition of the arms race and is making every effort both in the United Nations and outside to bring about disarmament.

We are strongly in favour of general disarmament, the complete and final liquidation of nuclear weapons and the use of atomic energy for peaceful purposes

only. But instead of concrete and effective measures being taken to achieve disarmament, we find that there is nothing but endless talk on the subject. This talk is used by the United States of America as a screen behind which it quietly and speedily pursues the arms race, particularly in the field of nuclear weapons, at the same time plotting and committing acts of aggression against the peace and freedom of mankind. The talks on disarmament are exploited by opponents of disarmament to give currency to the dangerous illusion that something is being done in favour of peace and disarmament, when in fact nothing has been done to further those ends and all that has been done is contrary to them. We are profoundly convinced that disarmament talks are necessary to achieve real results, but they must be primarily based on the active mobilization of the peaceful peoples and countries of the world in order that the imperialist Powers may be forced to carry out disarmament.

In these circumstances efforts to spread the illusion that developing countries would stand to profit by the funds released by disarmament, if an agreement on that subject were concluded, are designed to hoodwink the anti-imperialist and anti-colonialist peoples and countries, to keep them quiet in their present state of underdevelopment and dependence on the imperialists, and to neutralize all efforts to develop their productive forces. The sad experience of the past has shown that neither for national liberation nor for economic and cultural progress can the developing countries pin their hopes on their age-old oppressors and exploiters, the imperialists and colonialists, nor give credence to the myth that funds will be made available by disarmament. Let us not put the cart before the horse. Let us mobilize all the energy and strength of all the peoples and countries which desire peace, to oblige imperialism to disarm. The developing countries will not let themselves be lured by the golden bait of funds to be made available through disarmament, at a moment when the armaments race is developing at an unprecedented rate and when the imperialists and colonialists are exterminating by fire and sword peoples struggling for their liberty whilst at the same time trying by every means to re-establish neo-colonialist oppression in the recently liberated countries. The developing countries are successfully mobilizing their economic and productive resources and, relying mainly on their own strength, are every day winning fresh victories in their campaign to build a prosperous and independent life.

The essential aim of convening this Conference is to find ways and means of expanding commercial exchanges between all countries of the world, regardless of their political and social system. But the Albanian delegation notes with regret that at the very outset of the Conference, violence has been done to this ideal. An abnormal situation has been created and its good intentions are in danger of frustration. We note the absence from this Conference of the legitimate representative of the People's Republic of China whose place

is occupied by the puppet clique of Chiang Kai-Shek which represents nobody but which, through United States' support, has usurped the place which belongs to the People's Government.

As you know, the People's Republic of China has the biggest population in the world with an enormous internal market and a highly developed foreign trade. Despite the imperialist blockade and embargoes, it maintains commercial relations with more than 110 countries. In regard to the development of its relations with foreign countries, including trade, the Government of the People's Republic of China continues to practise consistent policy of peace and good neighbourliness based on the five well-known principles of peaceful coexistence between States with different social systems.

The People's Republic of China has maintained and constantly supports the expansion of commercial relations with all countries. It trades with all the newly liberated countries, and exercises an increasing influence in the field of international exchanges. The Albanian delegation puts this question: can there be any sincerity and any sense in the promises of some of the Western Great Powers, particularly the United States of America, which proclaim their support for trade relations with all countries whilst at the same time endeavouring to eliminate from this co-operation a great country which comprises a quarter of the world's population? Is not this fresh confirmation that in all fields of international co-operation the United States of America, and some other powers subject to their dictation, are guided essentially by specific political objectives which seriously hamper international co-operation? But whatever the efforts of the American imperialists to isolate the People's Republic of China, the facts show that it is those who pursue this policy who are becoming more and more isolated, while the People's Republic of China is developing and marching onward, winning constant successes both at home and in the field of international relations. The delegation of the People's Republic of Albania considers that the Conference should at once throw out Chiang Kai-Shek's puppet. China's seat belongs to the real representatives of the great Chinese people, the representatives of the People's Republic of China.

The value and the results of the Conference are closely related to its universality but this principle has been infringed by the fact that the independent and democratic States such as the Democratic People's Republic of Korea, the Democratic Republic of Vietnam and the German Democratic Republic, which today maintain commercial relations with very many countries, are not represented at this Conference. We do not consider it at all normal that the representative of the South African Republic, whose Government practises a policy of racial discrimination and *apartheid* condemned by members of the United Nations, should have been invited to sit at this Conference.

With the continued increase in the forces of socialism, the entry of the colonial system into its final phase of

disintegration, and the appearance of a large number of new States in Africa, Asia and Latin America which are resolutely advancing along the path of political and economic independence, with imperialism no longer a force to impose its will on the world, there exist great possibilities, and it has become essential to liquidate the old colonial system even in international trade exchanges.

In the circumstances, the Albanian delegation considers that the realization of our Conference's aims depends largely on the realistic attitude adopted by the Governments of the different States towards the problems which arise at the present time in connexion with international trade and development. If the Conference takes really effective decisions and measures to expand international trade and to help developing countries,

it cannot but justify itself. Our view is that the Conference ought not to become a dubious theatre of action for certain imperialist and colonialist Powers but a field for contacts, exchanges of opinions and co-operation to smooth out the obstacles to international trade, to bar the road to economic aggression and neo-colonialism, and to find appropriate, just and effective means to assist the developing countries in their struggle for economic progress and expansion.

Without underestimating the difficulty of the problems with which the Conference will be faced, the delegation of the People's Democratic Republic of Albania will make every effort to offer the greatest possible contribution to the settlement of these problems in the interest of expanding trade and international co-operation.

**STATEMENT BY H.E. Mr. BACHIR BOUMAZA,  
MINISTER FOR ECONOMIC AFFAIRS, ALGERIA, HEAD OF THE DELEGATION  
at the twenty-third plenary meeting, held on 8 April 1964**

[Original text: French]

As world opinion unanimously recognizes, this Conference on Trade and Development, held under United Nations auspices, marks a truly historic occasion.

Our President is a statesman of great renown, who has served the cause of his country's development ably and zealously and is devoting a large part of his activities to the problem of the reorganization of world economic relations for the benefit of the developing countries.

On behalf of the Government of the Algerian People's Democratic Republic and of my delegation, I warmly congratulate Mr. Kaissouni, Minister of Finance and Planning of the United Arab Republic, on his election. I also offer my congratulations to H.E. Mr. Georges Hakim, Ambassador of Lebanon, our General Rapporteur, to Mr. Prebisch, Chairman of the Preparatory Committee and Secretary-General of the Conference, and to all those others who helped to bring the preparatory work for this Conference to a successful conclusion.

First of all, I should like to express the Algerian delegation's views on the problem of representation. As a matter of principle, we consider that all countries should have been represented here in order to ensure the greatest prospect of success for our work. But what do we find? Neither the People's Republic of China with its 700 million inhabitants and its high degree

of international economic co-operation, nor East Germany with its important industrial potential, nor developing countries such as the People's Republic of Korea and the People's Republic of Viet-Nam have been invited to take part in this Conference. On the other hand, the representatives of the Governments of South Africa, whose policy of segregation and colonial exploitation is universally condemned, and Portugal, whose colonial policy has provoked the indignation of all freedom-loving countries, are sitting in this hall. We deeply deplore the fact that in both cases—the absence, on the one hand, of certain countries and the presence, on the other, of the two last-named, which we hope is only provisional—absolutely inadequate and unfair political criteria were adopted. It is my duty to express in the strongest possible terms my Government's complete disapproval of such a situation, which is contrary to the fundamental principles of its foreign policy.

We believe that economic liberation is inseparable from political liberation. Material, scientific and technological progress is the result of an evolutionary process which began with mankind and in which all peoples have taken part. The advanced state of some peoples in comparison with others—the majority by far—is due to circumstances that can easily be retraced. Colonial domination, the rule of force and feudalism enjoyed for centuries by so-called civilized peoples, has

assuredly been one of the factors determining the present situation. Political oppression and colonial exploitation are, without a doubt, the underlying causes of the state of under-development of the developing countries. Nevertheless, recent history has abounded in evidence of liberation, progress and political and social conquests: the birth and strengthening of the socialist countries, the political liberation of almost all the colonized peoples of the world, and the changes in ideas and structures among the peoples of the capitalist countries are the most striking features of this phenomenon. Furthermore, two world wars and the race for supremacy between countries with different economic and social systems have brought about the scientific and technological advances known to all.

Recent years have been particularly important for our peoples whose awareness of their plight as economically under-developed nations grew with their determination to secure their political liberation.

The victories scored over reactionary forces everywhere and the spirit of solidarity shown by the peoples of Africa, Asia and Latin America resulted in the decisions of the Conferences of Bandung in 1955, Belgrade in 1961 and Cairo in July 1962. Algeria took part in these three great meetings which forged the spirit underlying the main objective of this Conference: namely, to bring about a rapid rise in the living standard of peoples who had long been under alien domination.

I wish to speak to you about a revolution in the organization of international economic relations. The whole world is today aware of the grave nature of the inequalities between nations and the imperative need to ensure the rapid advancement of the developing countries. It is quite clear in this connexion that our peoples will find largely in themselves the means of achieving their development. Firstly, through the measures they will apply inside their own countries; secondly, through the common front they will present to those who would like to keep them in a perpetual state of economic subjection.

Algeria, for its part, has made up its mind and is determined to strive for the following objectives:

Total reconstruction of its economy and planned development for the benefit of the people as a whole;

Rational and maximum use of domestic resources, both human and material;

A policy of austerity;

Considerable mitigation, followed by complete elimination, of social inequality;

A bold policy of cultural, social, agricultural and industrial development.

In addition, I believe that two things are necessary for the development of our countries:

The enthusiastic support of the masses of the people and the intervention of a central authority, i.e., the State, in economic development.

The spirit of solidarity in economic relations among developing countries is also a determining factor in our struggle against hunger, poverty and ignorance. The ties that were created during the preparation of this Conference and that will be created during the Conference itself must be preserved and strengthened. Our action in the United Nations and in all the international institutions must be more closely co-ordinated and more dynamic.

If we take such a stand internally and in our relations with one another we shall be able to meet our requirements more effectively. This Conference should make a good starting point, since whether it is a question of marketing our primary products at remunerative prices or of the problems posed by our industrial development (training of personnel, capital equipment, outlets) a great deal will depend on our unity and solidarity. Practical measures can undoubtedly be taken, for which we alone are responsible, at our level as under-developed countries, to bring about a marked increase in our development possibilities, namely, trade, regional economic integration, harmonization of industrial development, joint use of certain resources, establishment and co-ordination of transport and telecommunication facilities, training, etc. Within the Maghreb and in the Economic Committee of the Arab League and the Organization of African Unity, and in concert with other countries of the developing world, these principles are now being successfully applied.

Turning now to the developed countries, it is my duty to speak to them with equal frankness: they call us developing countries, but that is a misnomer because they know full well that the statistics show the exact opposite. While they have more than they need, while they build splendid clinics for animals, human beings are dying daily for lack of medical care; while they are overstocked with food, multitudes are threatened with starvation. The situation is getting worse with every day that passes. The rapid growth of population is accompanied by poverty, and hunger is an obstacle to productivity; ignorance is the exact opposite of development.

In the meantime, \$120,000 million are spent annually on armaments (I would add that the war in Algeria cost France at least 10 million French francs per day).

If peaceful coexistence is of vital importance, then it is with the disinherited peoples that it has to be ensured; how can anyone fail to realize that peaceful coexistence is incompatible with a world in which some nations see their living standard constantly falling while others see theirs constantly rising? What will be the world population in twenty years' time, and what will be the situation then if the present state of affairs continues?

If we try to discover the philosophy underlying world economic policy today, we find that in almost every State it is marked by social objectives directed towards economic equality and social justice among members of one and the same community through



a more equitable distribution of the national income. We believe that Governments are trying to practise such a philosophy according to their own lights and in their own countries; this philosophy needs to be transposed today to the international community so as to ensure a more equitable distribution of the benefits of development in the world as a whole.

The under-developed or developing countries have not come here—nor has Algeria for that matter—to hold out their hands and appeal to the generosity of the richer countries. They are here to try to introduce a new morality into economic relations. They are here to appeal for international solidarity with a view to restoring more humane relations to the world economy and thereby changing the present machinery which intensifies the inequality between nations.

The problems and their causes have been discussed at length both from this rostrum and in the documents prepared by the Secretariat, to whom I would like to pay a tribute for its valuable work. Many solutions have been expounded or suggested. If they are to have any real chance of success, we must agree once and for all on a number of fundamental issues:

Are the industrialized countries prepared to abandon a little of their economic growth and well-being for the sake of improving the economic situation of the under-developed peoples?

Are they ready to stop exploiting for their own exclusive benefit the natural resources of the under-developed countries?

Are they capable of accepting for all agricultural producers everywhere the same support which they grant to their own?

Are they in a position to stop encouraging aid to under-developed countries solely for the sake of its effects on their own economy?

Are they prepared to contribute to the industrialization of under-developed countries outside the standards of private capitalism?

Are they really anxious to help to raise the scientific and technological levels of the new countries under conditions which will bear less heavily on their economies?

If the answer to these questions is in the affirmative, I am convinced that the committees will find the technical means of reaching the goals that we have set ourselves.

If our Conference really seeks to correct the imbalances existing between the different economic regions of the world and place trade flows on a sound footing, its success can only be ensured if it tackles all the problems. In other words, it must not allow itself to follow any course that will restrict its field of action. Consequently, when we examine the range of products on which certain proposals seek to focus the work of the Conference, and the various draft solutions which have been put forward, we find that a sector of such importance as hydrocarbons is generally omitted. Yet, more than half of the petro-

leum products at present consumed in the world come from regions whose development looms large in the discussions of our Conference. To Algeria, oil at present accounts for more than half the value of its exports. Consequently, it is of direct interest to Algeria, but as a primary product it also concerns other regions of the world and comes well within the purview of the Conference because it provides the most striking example that can be described to illustrate the economic relations existing between the suppliers of primary products and the industrialized countries.

Must we infer from the silence which surrounds this problem that the oil-producing countries' ownership of the deposits in their subsoil is disputed, and the problems connected with the exploitation and development of such deposits are a matter solely for the powerful groups at present in control to decide? That would indeed be a situation fraught with dire consequences, for it would imply that the concessions of one kind or another under which such groups have access to the exploitation of deposits constitute a real transfer of sovereignty on the part of the producing countries to the companies which represent the exclusive interests of the industrialized countries.

It is not inappropriate in this connexion to stress the line very often taken by the oil companies in their dealings with the authorities of the countries in which they operate. Inside the economies of the producing countries they seek to establish veritable enclaves which are nothing more than a direct extension of the economies of the industrialized countries that are the large consumers of petroleum products. This form of economic segregation is marked by a desire to evade the laws and regulations governing the operation of the local economy, particularly in fiscal and customs matters and also in the field of foreign trade. Moreover, the organs of control which dictate the rate of oil production are located outside the producing country, of whose wishes and development needs they know nothing.

Consequently, we may say that if the marketing of primary products and raw materials from the developing countries suffers from market instability and consequent price fluctuations, oil on the other hand benefits from an organized world-wide market. But unfortunately this difference in the position affects only the products themselves; in other words, if we can regard oil as privileged in relation to other raw materials because it has an organized market with structured prices, enjoying continuous and stable expansion which permits long-term planning, it cannot be said that countries whose subsoil produces oil are particularly privileged in comparison with exporters of other primary products.

Although one of the justifications for market organization is that it eliminates the drawback of price wars, oil-producing countries are not protected from falling prices which reduce their income, for market organization operates mainly to the advantage



of the companies within those countries. Indeed, oil has not escaped the general downward trend of commodity prices during the last ten years, but only the producing countries have been out of pocket as a result.

Between production and consumption, the oil economy is made up of a chain of transactions and processing operations, not to speak of the ancillary or derivative operations, which at every stage produce income to line the pockets of the businesses associated with oil.

In this entire chain of operations only the production link concerns the producing country. Since the retail price is regarded as a constant or as a given quantity whose variations are directly controlled by conditions on the consumer market, which thus acts as a dominant economy, the whole strategy of the oil groups consists in diverting to the production level the effects of the fluctuations which occur at other stages in the process. This means lower prices for crude oil, reflected in loss of income for the producing country.

Admittedly the oil companies as producers do not escape the repercussions of lower prices either, but since they control the activities which lie beyond production, particularly transport, refining, distribution and processing, as well as financing, their losses are largely recouped through the various compensatory mechanisms which function throughout these operations.

The loss to the producing countries is brought out even more clearly if an attempt is made to determine the causes of the lower prices which affect production.

One of those causes, we are told, is the appearance from time to time on the market of new suppliers who attempt to secure a foothold by starting a price war. Although the quantities involved in such skirmishes are negligible in relation to the global volume of oil traded between the producing and the consuming countries and marketed within an organized system, they are used as a pretext for lower prices at the production level as a whole. In this connexion I should like to take, with your permission, a specific example: in the past one producing region has been played off against another, just as States located in the same geographical area have been set against each other. Today an attempt is being made to use the same gambit with the Soviet Union and the other exporting countries, or again with Algeria and Libya, which have become the two producers of hydrocarbons in North Africa. The spectre of Libyan oil and natural gas, which apparently is knocking at the door of European markets at prices which defy competition, is conjured up to impress Algeria. We cannot say whether the European consumer will ever have the opportunity of finding out whether oil or natural gas from Libya really does cost less than the same products supplied by other producing regions, i.e., whether the lower price asked by Libya will be passed on to the consumer. But our view is that if Libya enjoys a favourable geographical situation which places it in

a privileged position in relation to the big consumer markets, and if the geological structure of its subsoil contains deposits of high yield which can be easily reached and are near the loading points on the sea coast, that is a matter of luck for which it has only nature to thank, and consequently only its inhabitants should benefit. In other words, the additional income accruing as a result of the favourable conditions which Libya enjoys should go primarily to that country, and not provide the oil companies with a source of excessive profits or means of exerting pressure on other countries. It would thus make a new contribution to the development of the Libyan people and might also assist, if necessary, the development of the regions of which Libya forms part, i.e., the Maghreb, the Arab world or Africa.

Any other policy would ultimately intensify still further the imbalance existing between the industrial oil-consuming countries and the countries from which the oil comes. It would be tantamount to imposing a forced levy on the hydrocarbon resources of the countries less favoured by nature, since for them lower prices would be reflected either in a decline in earnings if their production remained stable, or lack of sales if their production rose. Moreover, those initial conclusions are also applicable to most other primary products.

The second cause which is also used as a justification for bringing pressure to bear on oil prices at the production level lies in the cost of the many transactions through which petroleum products pass from prospecting and production to the various forms in which they are supplied to the consumer. Under cover of the doctrine of profitability, substantial profits are reaped for the sole benefit of the industrialized countries. For indeed as far as the producing country is concerned, profitability merely reflects in terms of money the demands of the carrier, supplier of equipment, industrial processor, distributor and banker, who in fact are often one and indistinguishable in the case of many companies engaged in prospecting and production. These demands, expressed in the form of interest, dividends, depreciation, reserves, payments for services, fiscal charges and customs duties and profit margins, are incorporated in the prices of equipment and services which appear as costs in the operating accounts at the production level. In addition to those demands, there are also the demands resulting from the rise in the cost of living and the rise in the standard of living of the industrialized countries, also included in the prices in question. All these charges help to reduce the producing country's share of the wealth from the exploitation of its hydrocarbon resources to a minimum. When it is further remembered that those factors are also liable to economic fluctuations which are frequently fluctuations upwards only, we can understand the twofold tension to which the resources of a producing country are constantly subjected; on the one hand, the downward trend of the export selling price of the raw material, and on the

other, the rise in prices which continually swells operating costs. The result is a reduction in the profit margin from which the producing country's share is calculated.

The least that can be said is that this system, which is remarkable for its efficient organization, is so constructed that all the control levers are completely beyond the reach of the peoples whose wealth it exploits. Its machinery denies them any chance of increasing the share of the income left to them. This system of monopoly and profit-making, which applies to all the primary products, has the effect of keeping primary-producing countries in a state of under-development.

The example of oil thus shows that although market organization may be an effective method of stabilizing or revalorizing prices and guaranteeing the expansion of an economy, it does not necessarily represent a valid system either for protecting the interests of the countries exporting raw materials or for correcting the imbalance between those countries and the industrialized countries. Moreover, the example of oil shows that an organized market may result in widening the imbalance and in hampering the growth of the producing countries which, very often, have only that single source of income for financing their development programmes.

In fact, no solution can be valid and effective unless it gives the peoples of countries that are still able to export only raw materials real control over and an active role in the exploitation of their wealth. But unless these are decisive they are meaningless. In other words, Algeria is in favour of the principle of market organization with a view to the revalorization of commodity marketing inasmuch as it is true, to use a celebrated phrase, that "between the poor and the rich, the weak and the strong, it is freedom that oppresses and constraint that liberates". Nevertheless, market organization dominated solely by the interests of the industrialized countries can only result in intensifying the process of transfer from the poor to the rich countries.

Only a market organization in which the under-developed countries play a preponderant part can redress the balance in international economic relations.

The good will of the industrialized countries which today are seeking forms of positive collaboration with the developing countries will be measured in the light of the steps they are prepared to take to give up the dominant character of their economic relations with those countries. This new trend must not be restricted to those products to which the industrialized countries attach what is admittedly an important but not a primordial interest. Nor must it be limited to a few products of world-wide dimensions, but must take into consideration the weight of those products in the foreign trade of each under-developed country. In other words, in making readjustments with a view to the flow of world trade on fair and rational bases, such

vital products as hydrocarbons must not be overlooked; for that would perpetuate the present situation, which is that hydrocarbon stocks are no longer considered as belonging to the countries in which they are situated but as an integral part of the economy of the home countries of the companies which exploit them. This is nothing other than a survival of imperialist exploitation inherited from the colonial period, and it must be eradicated, the sooner the better.

It should perhaps be mentioned, in this connexion, that the industrialized countries, when speaking of security in the strategic sense of the term and of their oil supplies, actually recognize how unjust is the method by which at present they obtain this oil—a material that is a carrier of virulent germs which breed the conflicts that cause them so much concern.

Algeria, for its part, does not hesitate to affirm that its gas and oil resources—once its own present and future requirements are covered—remain available for supplying other countries, particularly those whose stage of industrial development necessitates a high consumption of petroleum products and natural gas, under the requisite conditions of stability and for as long as necessary. But we also believe that it is fair to ask in return for an equitable distribution between producer and consumer countries of the income derived from the valorization of hydrocarbons. Whether the product concerned is hydrocarbons or some other commodity, this implies in particular:

(1) A method of determining the selling price of the unprocessed raw material, to take into account its intrinsic value and protect it from fluctuations in the law of supply and demand;

(2) That the producing country should have a share in the valorization operations, which come after production proper.

(3) The development within the producer countries of industries linked to the production and processing of the raw materials, and the organization of markets for them.

(4) The inclusion of industrial activities in the economy of the producer country, so that it may benefit from all the secondary advantages of the exploitation of the raw materials.

(5) The establishment of financial bodies to facilitate the start of industrialization in the developing countries. In fact, one of the obstacles to industrialization in those countries is the investment criteria, imposed by the financial market both as regards the duration of loans and the rates of interest. Such conditions in some cases frustrate all attempts to launch industrialization, particularly as regards basic industries requiring substantial investments. The bodies contemplated would be financed mainly by contributions from the industrialized countries, which contributions would simply represent a transfer of the additional income that their present status as industrialized countries enables them to derive from the valorization of the natural wealth originating in the develop-

ing countries. They could be organized either on an international scale or within a regional framework. Their action would be equally advantageous to countries that are large exporters of raw materials such as hydrocarbons and to countries less well-endowed by nature.

In short, the fundamental problem underlying the various measures which our Conference is called upon to consider is the final purpose of the utilization and valorization of the natural wealth of the under-developed countries and, in particular, their mineral wealth. Will these resources continue to be considered mainly as reserves at the disposal of the industrialized countries, or will they be appreciated as being first of all wealth belonging to the countries in which nature has placed them? In the former case, the problem of their development is reduced to the mere finding of methods to deliver them at the lowest price to the industry which uses them, precisely, as raw material reserves. No thought is given to the present or future lot of the peoples living in the countries being thus drained. In the latter case, valorization implies above all a desire to utilize the resources of nature in such a way as to ensure the development of the populations to whom they belong. Such development must be viewed both from a material standpoint and from that of the advancement of man and economic and technical progress. For natural resources, however vast they may be, will some day be exhausted—without taking into account the risk of depreciation to which they are subject, in the light of technical progress. These resources must therefore be so exploited as to enable the countries containing them to acquire the infrastructure and accumulate the material and human means that will ensure not only an immediate improvement in the living standard of their inhabitants but also their continued development and future progress.

In trade between industrialized countries and developing countries, imbalances do not appear solely in the nature of the goods imported or exported.

The role of invisible transactions as a factor of inequality is often underestimated; true, judging simply by their financial contribution to the balance of payments these transactions may appear to be of secondary importance. Nevertheless, this trade in services directly reflects the lack of cadres, the weakness of the capital markets and the absence of infrastructure, and is one of the essential aspects of under-development, which constitutes in itself alone the sum and centre of all inequalities and all injustices; for this is how I would describe the weakness in intellectual and human potential of the under-developed countries.

One of the bottlenecks in economic development apart from lack of capital is the problem of manpower, technicians and managerial staff. To take concrete steps to enable large-scale and effective technical assistance to be supplied immediately to the under-developed countries is one of the objectives which our Conference should set itself. It seems to

us important that a detailed examination should be made of the problems presented by the organization and financing of such operations from a new standpoint and that they should be planned on an international scale; but it will not be enough to contribute these momentary palliatives demanded by present circumstances in order finally to vanquish the obscurantism which keeps the majority of mankind in a state of extreme material and moral penury. The effort to promote the progress of the under-developed peoples also requires the carrying out of research in their countries with a view to discovering, exploiting and developing all their resources of whatever nature.

But it also seems to us profoundly unjust that an under-developed country should pay the price of its intellectual under-development in the same proportion as an industrialized country; admittedly, intellectual ability must be remunerated at its just value, whatever the country using it. But it is perhaps possible to make certain compensatory arrangements for the benefit of the under-developed countries within the framework of an international organization.

This would, incidentally, merely serve to illustrate the principle, a very simple one after all, that as regards services the balance of trade can only be achieved between countries at the same stage of development; consequently, in view of the acceleration of the process of relative under-development, no remedy would be too drastic; the only admissible gauge is that which measures the efforts made according to the field of application and the extent to which the discrepancies in each of these fields may widen.

I believe it to be important to stress the fact that the existing organization makes use of the classical channels of saving and finance, such as the insurance sector for example, to retard the growth of the under-developed countries still further. We all realise that the exiguity of a market naturally leads insurance companies to transfer capital to the developed countries, and the efforts which we are making to reduce the amount of these transfers can have only limited results since they do not in any way affect the nature and underlying causes of the phenomenon; even regional regroupings are unlikely to reverse this trend although they could reduce it considerably; it must be fully recognized that these are factors of disequilibrium which history has bequeathed to us and which we have to remedy within a multilateral framework. Sooner or later, it will have to be recognized that the growing poverty of some is merely the logical and complementary outcome of the growing wealth of others. And so this great hope that has given birth to the United Nations, the hope of seeing this monstrous absurdity disappear must be fostered and supported with all our strength.

There are concrete measures which it would not be difficult to put into practice but which would, however, bring about substantial and immediate improvements; I will mention one which affects us particularly.

The emigration of Algerian workers has for a long time past assumed such proportions as to make it one of the components of the Algerian economy; we have never under-estimated it and we have always taken the fullest account of it: but this does not prevent us from analysing the causes of these movements of labour, from assessing the future consequences and from trying to remedy the unfavourable aspects they may involve. It is undeniable that at the present time these movements are determined by demand in the labour markets of the developed countries, a demand mainly for unskilled manpower; nor can it be denied that, at the level of intellectual investment, these movements are not calculated to contribute anything at all to the supplying country; we, for our part, think that it is time to state the principle that every country receiving emigrants from an under-developed country should endeavour to give them vocational training related to the objectives of the supplying country in its efforts at industrialization. It is certainly not our intention to flout established practices, but let us just imagine what force these principles would have if bilateral agreements for their application were drawn up within the framework of an international organization which would provide funds and supervise their implementation.

It is, incidentally, impossible for an under-developed country to subscribe completely to the slogan "Trade, not aid" for the simple reason that the backwardness in absolute terms, of our countries does not originate solely in a momentary destruction of their material resources; for us the co-ordination of trade policies and the co-ordination of assistance policies is a means of preventing the financial aid granted us from finally returning to the donor countries enriched by some of our wealth; aid will at all events remain indispensable for a long time yet, since it would be impossible for us to find from our own resources the necessary means of financing a very rapid development.

Numerous proposals have been made regarding the forms which this aid should take; we, for our part, are convinced that new problems call for original solutions; the structures established at the end of the Second World War for the restoration and reorganization of the financial market of the industrialized countries can no longer serve as a point of reference.

The question at issue today is not the repair of a faulty mechanism, it is the construction of a fairer and more humane economic order despite the tendency of the gaps which we wish to fill to widen.

Two principles must guide us in the solution of these problems.

In the first place, aid to the under-developed countries will undoubtedly be most effective within a multilateral framework; and, since there is ample evidence to show that trade and development are intimately connected, we are prepared to examine the proposal for an international organization combining these two functions.

Secondly, the aid mechanism should be adapted to the magnitude of the problems to be solved: it would seem illusory to attempt to set a country on its way to industrialization with a system of loans restricted to a term of 12 to 15 years. The improvement of loan systems by extending the term to 20-25 years and the extension of outright gifts are imperatives which it will be difficult to elude.

As I said just now, it is nearly ten years since the first conference took place at Bandung to mark the entry of the developing countries on the international scene as a political force determined to play their full and proper part in the conduct of world affairs. The main objective of that conference was to hasten the process of liquidation of colonialism so that all countries might attain independence. The will and determination shown at Bandung were renewed at subsequent conferences which have further marked the growing awareness among the under-developed peoples of their interests and the force derived from their solidarity.

Today, as a result of the action and sacrifices of each people and of the effective support contributed by the countries that proclaimed the Bandung principles and those that have assisted them, particularly within the United Nations, colonialism is at its last gasp. But the relations which it fostered for centuries at the economic level between the former colonized countries and the industrialized countries still survive in almost every case. This means that the disappearance of colonialism has not in itself put an end to the exploitation of the peoples who were its victims. It thus remains for us to complete our political liberation by its natural corollary-economic emancipation. This entails the complete reorganization of the bases on which economic relations between developed and under-developed countries are at present established. It is with a view to seeking and finding the means to this end that our Conference has met.

This Conference thus constitutes in itself a significant success, firstly because it shows once again the determination of the developing countries to achieve the conditions for their genuine liberation. And secondly because it has brought together the representatives of the under-developed countries and those of the developed countries anxious, side by side, to find solutions for the problems which unite or divide them. We for our part have put forward some ideas and suggested ways and means which to certain minds might appear to be much more like metaphysical views than an outline of realistic solutions. Actually, there is no question of any antagonism between the metaphysics of some and the realism of others. It is simply a matter of knowing whether, with a view to solving the grave problems with which we are faced and overcoming the disparity between the situation of the developed countries and that of the under-developed countries, the former are ready

to envisage their relations with the latter in a light which conforms to the principles of modern civilization and human solidarity.

If this were not the case, we could only record the persistence, under cover of realism, of a policy based on relations dominated by force. The will of our peoples to achieve the conditions of their economic

emancipation and development would not be broken on that account, but co-operation with the industrialized countries would have proved to be an illusory solution. For our part, we sincerely desire that our Conference should confirm the triumph of understanding between all peoples and the strengthening of human solidarity.

STATEMENT BY H.E. MR. EUGENIO BLANCO,  
MINISTER OF ECONOMY OF ARGENTINA, HEAD OF THE DELEGATION  
at the fifth plenary meeting, held on 25 March 1964

[Original text: Spanish]

My delegation, Mr. President, would like first of all to express its warmest congratulations on your unanimous election to the Presidency of this Conference. Your recognized ability and experience are sure guarantees for the sound conduct of the debates which will take place during our meetings.

This Conference has come about after nearly two years of intense and complex preparatory work carried out jointly by our Governments in the United Nations and the regional organizations. It is thus the culmination of a period of patient exploratory work and clarification which will open up a far-reaching chapter in the history of the international community.

The preparatory task has not been limited merely to the methodological framing of an agenda, nor has it led to groupings of geographical regions based on selfish interests. The very essence of the problem has been thoroughly probed and the result has been an evaluation of concepts, an analysis of existing situations, and the planning of a homogeneous series of specific, practical measures calculated to bring about the most equitable distribution of the wealth of the world and to overcome those pronounced inequalities which divide the industrial countries from the developing countries.

There is no doubt in our minds that what is at stake in this Conference is the establishment of international relations on just and stable foundations. Thus, in our view, our deliberations go beyond economic matters and embrace our political outlook as well.

The main ideas underlying this drive for a critical review of the situation have a very special character which distinguishes them from the ideas on which the existing commercial and financial norms and policies are based. It is no longer a question of trying to attain objectives based on a mechanistic expansion of the

interchange of goods; the concept of equity must be brought in to enable nations with weaker economies to speed up their development on the basis of expansion and diversification of their international trade.

The Havana Charter was intended to reconstruct a world on the foundations of the past; the world we envisage at this Conference on Trade and Development must be built on the basis of justice and solidarity.

This solidarity must be reflected in the international distribution of incomes on a more equitable basis for all countries. This calls for structural transformations which are even more obvious when viewed in the light of the growing disparities revealed in the studies made by the Secretariat of this Conference.

It is difficult to put forward proposals aiming at a more equitable distribution of incomes at the national level if policies with parallel objectives are not put into practice on the international plane.

We are certainly not unaware of the obstacles which stand in the way of any change in the structure of international economic relations. The very sense of frustration which brings us together here is evidence of these difficulties.

To overcome them, the Governments of the developed countries will need to take decisions at the international level with the same foresight and sense of urgency that they habitually show when solving internal problems.

Without a positive attitude on the part of the developed countries, this Conference would clearly lack the basis of solidarity which is indispensable if we are to make real progress. If this attitude is not forthcoming, or is only half-hearted, the Conference runs the risk of degenerating into a mere string of general statements which will do little to establish sure foundations for a new policy of world co-operation.

History provides many examples of nations which have been frankly mistaken and, under the influence of a distorted view of the international situation, have delayed the discovery of satisfactory solutions.

I therefore repeat that the present historical circumstances demand that we act with foresight and responsibility. A responsible attitude is needed not only on the part of developed countries, but also on the part of the countries in the course of development. So we realize, that resources coming from abroad to accelerate development are not a substitute for, but a supplement to those internal forces which must necessarily be generated within our national economies.

In the course of the preparatory work we have considered the meaning of the contemporary scene. In doing this, we naturally proceeded from the consideration of our national problems to a study of the problems with which the whole vast Latin American region is confronted, and setting these in turn in the framework of the problems of the developing countries throughout the world. We believe this work to have been extremely useful since it has enabled us to work out definitions which have been unanimously accepted at the regional level and favourably received by developing nations in other areas.

True though it may be that different countries and regions have individual characteristics and varied problems, a common factor exists in the developing world, namely the need to speed up economic growth.

This common factor, which inspires the will of our countries to act at the present time, leads to a combination of effort, to a pooling of resources and to responsible co-operation.

At the same time, we are convinced that the developing nations of other regions will harmonize their efforts with due regard to Latin America because, through a series of contacts and exchanges of views, we have begun to evolve the guidelines of a long-term policy of solidarity.

We therefore believe that the lines traced in the Charter of Alta Gracia will inevitably make a positive contribution to co-ordinated action on a world-wide scale by the highly developed and the developing countries.

The basic aim of my Government is to make full use of human and material resources as part of a long-term programme of economic and social development proceeding at a steady rate. The abundance and quality of the resources available provide an adequate basis for this enterprise.

However, the economic stagnation of Argentina may be cited as a typical case of a process of growth which is mainly affected by adverse developments in the external sector.

The visible expression of this stagnation is the disequilibrium of the balance of payments. Part of the earnings from increased exports is wiped out by the downward trend in prices; and a fall in prices often

occurs because of the increased volume of exports, thereby cancelling out much of the effort made. This aspect of the situation is aggravated by the existence of surpluses on the world markets, attributable to artificial policies.

My delegation attaches great importance to the approach adopted in the Charter of Alta Gracia and, until radical action is taken in the direction of eliminating surpluses, it advocates the establishment of a world fund for financing foodstuffs which would make it possible to manage stocks in such a way as to take into account the interests of all the developing countries.

Our import requirements are so circumscribed that the margin for reduction is limited, if output and employment levels are not to be seriously affected.

The inevitable solutions are currency devaluations and other restrictive measures which, by their very nature, have only a passing effect and in due course lead to further devaluations and more and more stringent restrictions.

External financing is resorted to as a way of easing the situation, but it cannot always be procured in a suitable form and on such conditions as to relieve the pressure on the balance of payments.

This description of our experience—which is shared by other countries—shows that the developing countries depend largely on the behaviour of the external sector in determining their growth policies. The industrialized countries and the international monetary agencies will therefore have to take financial action which takes the balance-of-payments difficulties of the developing countries into consideration and may thus help to augment their foreign purchasing power.

Moreover, since the future payments capacity of many countries is seriously jeopardized—largely because of a decline in earnings due to the deterioration of the terms of trade—there are basic limitations here which cannot be ignored by the industrialized countries.

My delegation wishes to stress without the least ambiguity that the radical solution is to afford the developing countries unrestricted opportunities for marketing their products by taking the best possible advantage of their ability to supply goods on economic terms.

This is the basic stand we take and which does not in any way imply that we accept any procedures designed to replace the free access of primary commodities to the import markets; the industrialized countries must compensate the under-developed countries both for the perennial deterioration in the terms of trade and for any reduction in the volume of goods for export caused by restrictions and policies of self-sufficiency.

Pending this remodelling of international trade, the developing countries call for the establishment of machinery with special characteristics: it must first of all be truly compensatory in that it is on the basis of non-repayable, automatic net transfers providing total

coverage for losses and which flow from all the developed countries together towards the under-developed countries.

The system must also make provision for long-term losses and must be mandatory and world-wide in scope. It must, too, ensure that fluctuations are taken into account, even where the balance of payments is in equilibrium owing to reductions in imports or a fall in the foreign exchange reserves of countries suffering from the deterioration in the terms of trade.

My delegation wishes to make it quite clear that the developing countries alone are to be empowered to allocate the resources provided by this machinery. We also wish to emphasize that the developing countries must have a decisive say in any studies and decisions relating to possible alterations in the existing international financial arrangements made by monetary and financial agencies.

The experience we have described—shared by many developing countries—intensifies the expectations awakened by the Conference, for on its results depends in large measure the type of development planning that may finally be adopted.

Thus, if the industrialized countries were to maintain their restrictive—not to say autarkic—policies, the persistence or the aggravation of the difficulties affecting the external sector of our economies would make it necessary, even though we might not wish it, to adopt

systems of planning for growth which would be less open to world markets.

I should like to express my gratitude to Mr. Raúl Prebisch for the pertinacity he has displayed in conceiving and preparing this Conference and for his brilliant achievement in throwing light on the complex problems with which we shall be dealing.

My country comes to this Conference with an intense desire for mutual understanding, a clear awareness of the way things are, and the profound conviction that the debate that has begun will lead to concrete results, to the advantage of all, enabling world income to be distributed more fairly and spreading prosperity through the steady expansion of trade.

We are not trying to destroy anything; we want to put things right; we have come to create. We wish to conserve anything that constitutes a useful tool for co-operative action and to make changes wherever realism indicates that they are needed.

We are sure that the countries constituting this assembly have come here in the same spirit and with the same desire for creative work.

No one is here to win battles or inflict defeats; rather, we are seeking a concerted triumph for mankind through mutual understanding and a common aspiration towards a really just future that will lay the necessary foundations for the consolidation of peace among nations.

**STATEMENT BY THE RIGHT HON. J. McEWEN,  
DEPUTY PRIME MINISTER AND MINISTER FOR TRADE AND INDUSTRY,  
HEAD OF THE AUSTRALIAN DELEGATION  
at the eighth plenary meeting, held on 26 March 1964**

[Original text: English]

May I congratulate the President and his fellow members of the General Committee on their election. We look forward with confidence to the guidance which he and they will give this Conference. I also acknowledge the honour paid to Australia in the appointment of Sir Ronald Walker as Chairman of the Fifth Committee.

Nineteen years ago the San Francisco Conference, in which I was privileged to take part, gave to the war-torn world the Charter of the United Nations. Since San Francisco we have made progress, but progress is not achieved by a declaration or a resolution. Once we declare for an objective, we must be unceasing and unswerving in identifying the actions necessary to give effect to our pledged purpose. Then we must demonstrate our bona fides by action.

This Conference provides that historic opportunity. The opportunity for urgent and concerted action to set the people of the developing countries on the way to a better life. There is no need to spend time debating this, nor in attempting to define with any more precision the size of the need.

It is the task of this Conference to convert the principles and objectives into detailed courses of action, including more satisfactory institutions, which can promote and safeguard prosperity. The Conference must determine specific techniques. Mere agreement on techniques, however, is pointless unless there is also the will to carry them through to successful outcome.

To me the problems faced by developing countries are clearly discernible. Australia's own recent experiences



in pursuing development, in fostering industrial expansion, of persistent balance of payments problems, of financing the heavy demand for imports of capital equipment, of adverse trends in the terms of trade and of overcoming obstacles in export markets, combine to give us a most vivid understanding of the problems facing the developing countries.

Solutions of their problems will inevitably be complex due to differences in the stage of development, differences in philosophical approaches and differences in administrative structures. All accept that no single or simple formula approach is feasible. This is all the more apparent when we refer to the Prebisch Report. I pay tribute to Mr. Prebisch and his associates, not only for this report but also for the rest of the documentation which has been prepared for us.

Much of the work of this Conference will undoubtedly be devoted to a serious study of the problems associated with international trade in primary commodities. I welcome the emphasis placed by Mr. Prebisch on the need for better quantitative access, on prices which are remunerative and on the orderly management of any surpluses that may occur.

Australia has been vigorously advocating this approach within the framework of international commodity agreements. Currently negotiations are being conducted within the GATT Cereals Group in an endeavour to give practical effect to these very principles for this range of commodities.

Effective planning for "development" is impossible for developing countries without reasonable predictability in the availability of the foreign exchange resources required for such planning. Depressed prices for primary products and disruptive fluctuations in these prices have been, in large part, the cause of the balance of payments difficulties which have bedevilled countries trying to press on with development plans.

This is so important for the developing countries that I urge the Conference to declare itself on this issue of stable and remunerative prices. There should be agreement here on the principles. Then in whatever institution is best, appropriate machinery should be established to secure the result intended.

Care must be taken to avoid freezing patterns of trade, or the expectations of the developing countries may be frustrated. Opportunities for countries whose production is only now just being developed, or may not yet have been begun, must not be limited.

This Conference begins with a clear recognition that countries with small domestic markets and new in the field of manufacture, face special difficulties in entering export trade in competition with long-established suppliers. The papers before the Conference generally advocate preferences as the solution to these difficulties. Understandably there are differences in views as to how a preference solution should be applied. The fact is, however, that it will be literally impossible for many developing countries to export manufactures without important, and perhaps novel, provisions.

In the past, preferences have been employed as a means of giving one exporter an advantage over another. In the present context I see the objective quite differently. What is required is action to offset the initial competitive disadvantage of many developing countries which are or may be newcomers in the business of exporting manufactured products.

Australia is prepared to join in a positive examination of this problem and to contribute within our capacity to a multilateral solution. The outcome must offer real benefit to developing countries. This Conference must never tolerate a result which is merely presentational.

The circumstances of different developing countries and the factors governing their different items of manufacture will need study. As circumstances will undoubtedly change, any preference arrangement which may be developed would need to be subject to periodic reviews.

Mr. Prebisch makes the point that any form of help for developing countries in this field should not require reciprocity. This point of principle is already accepted by and applied by Australia in the preferences which we grant to Papua-New Guinea.

Here I can speak of our own experience and special responsibility in the tropical territory of Papua and New Guinea. Substantial progress has been made in education opportunities and in political development towards self-determination. Practical aid and encouragement has been provided for the expanded production of cash crops with quite striking results in increased production and income. But Papua and New Guinea is still one of the least developed of the developing countries.

Australia therefore accepts that it has an obligation to see that there is a market for the products of Papua-New Guinea. Political independence, or the movement towards it, has to be matched by substantial economic independence.

There are a number of observations in the documents before us about the means for financing an expansion of international trade. I believe there is need for further study of this and my delegation will participate in the exchange of views during this Conference about the action that is required.

In this context, we attach major importance to the avoidance of unsettling commodity price fluctuations, and to the need for assurance that prices should be at more remunerative levels, or levels which bear a reasonable relationship to the prices which must be paid for the goods and services purchased by the countries which live by exporting primary products.

This is not to say that there is no need for continuing aid. Australia has recognized and will continue to recognize this in a practical way. Since the war, we have contributed 750 million dollars to international development and relief. Our present level of aid is 100 million dollars a year. This is all in the form of grants.



We ourselves are dependent on overseas capital both in the form of borrowing, and as investment to sustain our own development. Without a regular inflow of capital from overseas sources we would be in a chronic adverse balance-of-payments situation. Thus, I feel entitled to point out that in providing 100 million dollars of aid a year, we are really giving away capital which we have obtained from overseas—capital on which we will continue to pay interest and which we will have to repay.

Despite our dependence on primary commodities for 85 per cent of our export income and a deterioration of one-third in our terms of trade in the eight years ended 1961-62, we increased our aid grants four fold in that period.

We can appreciate why the developing countries are expressing dissatisfaction with the existing international trade institutions. We have said clearly on a number of occasions that GATT has been unsatisfactory in its failure to produce a proper balance of opportunity and obligation as between the industrialized countries, on the one hand, and the developing countries and the exporters of bulk commodities on the other.

There is, however, no point in seeking to establish new institutions until the detailed objectives required of them are defined and we are satisfied that the existing institutions cannot be made to serve the purpose adequately.

The GATT and other existing organizations have not proved adequate to meet the needs of developing countries. However, there is real advantage in carrying forward the work already under way to strengthen the GATT and I commend, as a positive contribution, the proposal before us for utilizing existing organizations within a wider organizational framework.

Another aspect of institutional arrangements concerns the need for a rapid growth of trade between the developing countries themselves. This should be sought by all the means available. Mr. Prebisch has laid stress on regional groupings as a means to this end.

Certainly this must be pursued. I am sure there should be a close examination, particularly in the Economic Commission for Asia and the Far East (ECAFE) and the other regional economic commissions, of what opportunities exist through which developing countries could profit from a mutual exchange of goods, so promoting the increased use of their productive resources.

The Prebisch Report highlights the importance of the removal, or at least a significant reduction of existing barriers to the trade of developing countries. The report commends the GATT "Programme of Action" and proposes its adoption in this wider forum.

Australia has already indicated acceptance in principle of the action programme and I reiterate that we will implement it in accordance with our capacity to do so.

Australia, with a small population of 11 millions, has a high living standard and has made good progress in

industrialization. However, we face many of the problems of developing countries which need to be dealt with at this Conference. It is sufficient to mention our dependence on primary commodities for the bulk of our foreign exchange, our very large payments for invisible items; our imports of capital; our small exports of manufactures and our continuing industrialization.

So we live with the same problems that the developing countries face, or will face, but we undoubtedly have made progress and achieved a high living standard. This we feel places us in something of a midway position between the developed and the developing countries.

While we cannot negate policies designed to pursue our own development or policies applied in relation to our primary responsibilities for Papua and New Guinea, I can say that we have already satisfied much of the GATT action programme. We have no quantitative restrictions on any items of direct interest to developing countries. Many imports of tropical products already enter Australia free of duty. My Government will remove the duties now operating on bulk tea and cocoa beans, and will make a corresponding reduction in the duty on packaged tea. This decision will cost 2 million dollars of revenue.

We import items to a value of 450 million dollars from developing countries. Over 70 per cent of these imports already enter Australia duty free.

Whilst, for the reasons I have previously mentioned, we are unable to accept a rigid standstill or formula approach to the reduction of duties, we are prepared to examine on a case by case basis, items of interest to the developing countries. In connection with the "Kennedy round" we have an examination covering 135 items of manufactures already under way.

What we are aiming to do at this Conference fits within or is an expansion of the objectives of the "Kennedy round". Let us hope that the "Kennedy round" proves such a success in trade liberalization that it becomes a further lasting memorial to that great President. The "Kennedy round" and this Conference should together be a monumental forward step, uplifting the living standards of millions and lessening international tensions which so often have a relationship to trade opportunities.

In conclusion, Mr. President, let me revert to the words of Mr. Prebisch. He speaks of the importance of "new attitudes", and an approach based on "realism", and the need for "an act of faith". This is the frame of mind in which we have accepted the invitation to participate in the Conference.

Let us face the fact that it will not be easy to reconcile conflicting national interests in international trade. This Conference will prove whether the nations represented here have the collective capacity to resolve these conflicting interests.

I have confidence that if we have the will the way will be found.

STATEMENT MADE BY H.E. Dr. BRUNO KREISKY,  
FEDERAL MINISTER OF FOREIGN AFFAIRS OF THE REPUBLIC OF AUSTRIA,  
HEAD OF THE DELEGATION

at the seventh plenary meeting, held on 26 March 1964

[Original text: English]

Let me, on behalf of the Austrian delegation, offer the President our heartfelt congratulations. In him the United Nations Conference on Trade and Development has found a chairman who brings rare qualities to this high office: a strong personality, a profound knowledge of the subject matter, and an outstanding international reputation.

His task will be facilitated not only by an excellent staff, but in particular by the eminent Secretary-General, Mr. Prebisch, who has contributed so much to the preparation of this Conference and has submitted such an excellent report. A great many countries have looked forward to the United Nations Conference on Trade and Development with high hopes. Others—let me be quite frank—have been somewhat sceptical. It would be realistic, I believe, if we could meet somewhere in the middle; guarded optimism might be the word.

But mere optimism will not avail us if we cannot take effective precautions from the very start, in order to prevent this Conference from becoming a probing ground for international tensions. This is not the purpose of this gathering. Instead of venting these tensions, we should combine our efforts to make this Conference a success. Should we fail to do so, a great opportunity to render one of the most vital problems of our time susceptible to a solution on the basis of international co-operation would be missed. It would not soon return.

A few months ago, I made the observation that, in the final analysis, it may depend upon a solution of the disarmament question whether our civilization will survive; that the realization of peaceful co-existence, in spite of the continuing process of polarization in the realm of ideas, will be decisive in determining whether we can really live with each other; and finally, that only an effective partnership between the industrialized countries and the developing nations will enable us to get along on this shrinking planet. Fortunately, we can deal with all three of these questions within the institutional framework of the United Nations.

This Conference, then, is a new beginning. And it seems to me that all the conditions are present here that should enable us, in the course of many weeks of debate and deliberation, to arrive at practical solutions, at least in respect of some of the major problems under discussion.

From the point of view of international morality we welcome the principle of economic aid, but charity, much as it might alleviate want, cannot eliminate poverty. If that is our aim, we must find economic solutions, means of international assistance that help each country to help itself. The slogan "aid through trade" is fair enough in itself, but it would be dangerous if it ever became a catchword used to obscure realities. International solidarity is much too subtle a purpose to be expressed in a mere slogan.

After the Second World War, half of Europe was laid waste. None of us dared hope that new life would blossom forth from this arid desert, none could imagine how the millions who were picking up the shreds of their abandoned possessions from the rubble could again live in dignity and reasonable security.

At this fateful juncture, the Marshall Plan, singular in scope and character, was enacted. This was a design for economic assistance on a grandiose scale, and it was more than that: it was the tangible expression of the solidarity of the American people with the nations of Europe. One might even say that it was responsible for the survival of democracy on the old continent.

However, the Marshall Plan has also furnished us with a remarkable example: it established a pattern of economic measures that enabled the European nations to become self-supporting again with a wholly unexpected thoroughness and speed. Europe's prosperity today has no parallel in the past.

I dwell on this matter at some length because I believe that our experience has taught the world a lesson—or rather two—first, that economic problems, however insurmountable they may appear, can be solved; and second, that we should study the methods used at that time with a view to adapting them to our needs today. In this context I should like to refer, above all, to the system of drawing rights.

It is not, of course, the purpose of a statement given during the general debate to offer a detailed programme. I can only sketch the general outline, and here I should like to emphasize that I consider it highly important that our friends in the developing countries should not lose sight of certain facts: for instance, that the contributions of the industrialized countries for development aid do not stem from the "ill-gotten gains of the big monopolies" or from the accumulated

treasure of a colonial past. In two world wars these have dwindled into nothing. The means we put at the disposal of the developing countries are a part of our national cake—which means that someone, somewhere, has to sacrifice a slice of it. Whether these means are derived from taxation or other revenues, whether they are used in the form of direct aid or export financing, the fruits of the labour of millions have gone into it.

The rules of democratic government require us to render account, to Parliament as well as to the wider public, of the use to which these monies are put. It seems to me of great importance that these facts be known and appreciated. Only thus can we establish, on either side, the psychological climate conducive to development aid.

Therefore, I would like to appeal to the developing nations and urge them to consider that their political stability, the soundness of their economic programmes, the realism of their aims, and the economy of their management all combine to lay the foundations for mutually beneficial economic co-operation.

Now, as far as the country which I have the honour to represent is concerned, I cannot but observe that Austria's material resources are limited. We have only just completed the task of reconstruction; and just a few weeks ago have we finally fulfilled the material obligations which the Austrian State Treaty had laid upon us. Yet even today the commodities which are the primary exports of the developing countries meet with only minor import restrictions. Tariffs, to name the most important, have been scaled down considerably. With regard to tropical products, Austria is prepared to give its consent to further commodity agreements, which are the requisites for price stability and a rise of the income which the developing nations derive from these exports. As far as tariffs for these commodities exist at all, the Austrian Government would agree to their further reduction, or even complete elimination, on the condition that other industrialized countries be prepared to make similar concessions.

With regard to other primary products, Austria is prepared to join other industrialized countries in formulating, and concluding, further commodity agreements.

In any case, however, we are ready not to raise tariffs on primary products mainly imported from developing countries and to continue our policy not to levy internal taxes on such products.

Again, in order to help facilitate exports of finished and semi-finished goods from developing countries, Austria is ready to agree to a standstill on tariffs and quantitative restrictions and to participate actively in the forthcoming tariff negotiations in the framework of GATT.

Furthermore, Austria welcomes the activities of the International Monetary Fund in the field of compensatory financing which are designed to offset short-term fluctuations in the prices of primary products on the condition, however, that any resulting burden on the Austrian economy be limited as well as susceptible to prognosis.

The whole of Europe is now very prosperous, but there are differences between the European countries. While in some countries further rapid investments and higher production would increase inflationary pressure, in others hidden capacities are available owing to the lack of capital. In order to mobilize these resources—industrial as well as capital resources—a combined and organized effort of Europe's industrial countries, economic groupings and organizations seems desirable. Austria in any case would be prepared to take part in such an initiative, which through better co-operation would permit countries like mine to participate to a greater extent in the investment programmes of the developing world.

It is the great, the central task of this Conference to do its part in order to alleviate, and help to overcome, the grinding poverty which still engulfs large parts of the globe. There are some who say this is a task as hopeless as the one faced by Sisyphus in ancient Greek lore.

To them I would say that only fifty years ago the advanced countries of today have known abject poverty too. If living conditions in Europe from the Polar circle to the Mediterranean shore have undergone a fundamental change, it is in no small measure due to the fact that our concept of political democracy has been imbued with a transcendent social meaning. This evolution is still continuing. There are those who call it a free—or social—market economy, others call it a welfare state. That merely depends on the political viewpoint from which one chooses to observe the growth of modern societies. At any rate, it will be the increasing penetration of democratic thought and substance into the fabric of international life that will lead us to that synthesis of idealism and empiricism which we need if we are to fulfil the great task of our time.

STATEMENT BY H.E. Mr. MAURICE BRASSEUR,  
MINISTER FOR EXTERNAL TRADE AND TECHNICAL ASSISTANCE  
OF BELGIUM, HEAD OF THE DELEGATION  
at the third plenary meeting, held on 24 March 1964

[Original text: French]

I am happy to congratulate Mr. Kaissouni on his election to the presidency of the United Nations Conference on Trade and Development.

I can assure him that the Belgian delegation will do its utmost to give him its fullest and most constant collaboration in his onerous task.

Belgium is now one of a family of six, each of them possessing a strong personality and firm views and convictions. It has had, even, the honour and the responsibility of presiding over this group for the first half of this year.

The existence of this family is not always peaceful: there are frequent noisy dissensions of opinion about the way it should manage its affairs. These discussions should not be misunderstood. The Community came into being because the six countries realized that they needed to combine their activities and because they are actuated by the desire to live and grow together. This desire is the predominant factor; it lies behind the compromises that it has to reach, and gives rise to the concepts which assist the Community to cross each obstacle on the way to integration.

The Community is aware of its place and importance in world society. At the same time it is imbued with a sense of its responsibilities, both those arising from its particular situation and those it shares with all countries, great or small, which desire the maintenance of peace and the progress of mankind.

You will, therefore, appreciate that we have followed the preparatory work for the Conference with the keenest interest. We realize that it marks an important stage in the evolution of the relations and economic co-operation between the nations. Indeed, from a moral standpoint, we cannot allow inadequate standards of living to continue indefinitely, while, economically, we must be aware that the common interest demands that all the countries in the world should have their proper share of international trade.

A task as heavy as that which lies before us must be approached without dogmatism or hard and fast preconceptions. We need to exchange clearly expressed points of view, so that, by comparing, contrasting or combining them, we may make some progress towards possible solutions. The European Economic Community has no wish to take up a strictly defined standpoint towards the problems before us. The representatives of the member States and of the Commission will inform the Conference in the course of its meetings

of the findings of national and community studies and some of the points arising out of them.

The United Nations Conference has been convened because there is a consensus that we are approaching a turning point which calls for a bold but careful decision on the direction to be followed.

A great decision was taken on the morrow of the Second World War: to embark on an effort to emerge from the bilateral system and to base trade once again on multilateralism. Our Secretary-General, as a well-known economist, rightly stressed in his report how important this was, for under bilateralism, small countries with narrow markets and only a few products to bargain with are in a weak position in relation to larger economic units.

The General Agreement on Tariffs and Trade was drawn up during the preparatory work on the Havana Charter and has been a particularly useful instrument in the important sphere of the liberalization and expansion of trade. The organization of the Contracting Parties to that Agreement has been able to exert a constant, gradual and steady pressure with a view to reducing tariff barriers and quantitative restrictions. It has gradually and steadily put the rules of the General Agreements into effect, while dealing realistically with the special problems that arose. It has been able to relax particular principles when the circumstances required. In other cases, however, it has affirmed the strength of the principles underlying the General Agreement in the face of opposition arising from attachment to an out-dated protectionism or bilateralism.

What the Contracting Parties have managed to do, therefore, has been to build up an effective, flexible and dynamic organization and at the same time to accumulate valuable experience and put together a series of texts which make up a corpus of customary law for world trade. The Community is convinced that this organization, with this behind it, should be a valuable instrument for the practical application of the resolutions and general directives to be drawn up by our Conference.

While noting how fruitful and useful have been the efforts we have expended since 1947, we have to admit that it is the industrialized countries that have derived the greatest benefit from its development. They had to work hard to achieve these results. The European countries in particular have been able to restore their

own economy and take part in the increase in production and trade because of their relative stability and self discipline. For instance, over a long period of years they have devoted to investment large resources they held back from consumption.

Substantial efforts have also been made by other countries, where circumstances were at first perhaps even more difficult and which have succeeded, or are on the point of so doing, in developing their industry and agriculture.

The Secretary-General, in his report, seems to see a conflict between what has been done so far and the new direction that should be given to international trade and economic relations. We are not convinced that this conflict is a real one. We are inclined to think that the new direction will simply be the logical outcome and result of what has gone before.

It would be dangerous to allow what has been done so far just to be dropped as inadequate. Without firm foundations in the past, there is a serious risk that in the long run we shall go backwards instead of forwards. These foundations doubtless need to be improved or supplemented so as to provide an increasing number of countries with adequate resources for their further development. It is therefore necessary to seek a more constructive pattern of trade for the benefit of the developing countries. But the main thing is to use international trade for the purpose of increasing the resources of all the countries of the world.

This growth will contribute in its turn to speeding up the development of international trade. This is, in fact, what has happened within the Community itself. As the result of its internal economic expansion, the Community has increased its global imports to such an extent that they are now the highest in the world.

In particular, the Community has increased its imports from the developing countries at a much faster rate than most other countries. Its imports rose between 1957 and 1963 from \$7,119 million to nearly \$9,000 million, that is to say by about 25 per cent. The Community has thus become the most important customer of the developing countries.

I should like to point out further, that the Community's imports from the developing countries accounted in 1961 for 4.55 per cent of its gross national product—one of the highest percentages recorded anywhere.

Western Europe is the region with the highest level of imports from the developing countries: the global imports of both the Community and European Free Trade Area, from those countries rose to about \$15,000 million in 1963. Member States of the Community cannot help noticing that the industrialized countries with a State monopoly of external trade are very far from having made a comparable effort in absolute terms as regards their imports from the developing countries. If they would make a similar effort to ours, the problems of development might be well on the way to a more rapid solution.

The statistics I have quoted give the facts as distinct from mere assertions. These facts, however, do not leave the Community with a feeling of self-satisfaction. On the contrary, it is more ready to give ear to the developing countries who would like to have their problems dealt with in a businesslike way. We are therefore ready to associate ourselves with any new efforts agreed upon for a broader approach in which all countries take part.

The Community is aware that the developing countries have not always benefited to the full from the quantitative increase in their exports as a result of the trend in prices. Consequently, and as it has already declared elsewhere, the Community is, in principle, in favour of the stabilization of commodity prices at a sufficiently remunerative level for the producing countries. If all the countries taking part in the Conference were likewise in a position to endorse this principle, we should have reached an important milestone along the right road.

Every form of stabilization has of course its limits. In the first place, we must take care not to bring about over production which would destroy the aid we intended to provide. Secondly, we must not be led to disregard the essential problem of diversification of production, which is much more important for a good number of developing countries. Lastly, we must beware of encouraging the use of substitute products, although technical progress and its inevitable consequences compel us to take a realistic view of this problem.

In the light of these considerations, the Community is ready to take an active part in seeking appropriate means likely to lead to the stabilization of prices of raw materials desired by the developing countries.

In the preparatory work for our Conference, close attention has been paid to the progressive reduction of customs duties and other measures applicable to primary commodity imports. The Community has already expressed elsewhere its opinion that freedom of access to markets constitutes only one among several means conducive to the achievement of the general and primordial objective of increasing the export earnings of the developing countries.

This in no way implies that the Community is either unable or unwilling to adopt measures in this field. In 1963, it abolished spontaneously and completely the duties on products such as tea and tropical woods, which are important for the economy of certain developing countries. The coming into force of the Yaoundé Convention will be accompanied by a reduction, up to 40 per cent in certain cases, of the common tariff duties applicable to a certain number of products, including coffee, cocoa and pineapples. In making these arrangements among themselves, the first consideration of members of the Community and the eighteen associated States of Africa and Madagascar has been to reconcile their interests with those of the developing countries.

In this connexion it should be noted, incidentally, that, whereas Community imports from the less developed countries as a whole rose by 25 per cent between 1957 and 1963, imports from the associated African countries and Madagascar increased by only 12 per cent—from \$877 million to \$987 million. The contrast is even more striking when it is borne in mind that during this same period the African countries which are not associated with the Community saw the latter increase its purchases from them from \$1,553 million to \$2315 million, an increase of 49 per cent.

Co-operation on a basis of complete equality and with mutual respect for national sovereignties between the Community and Africa is therefore no impediment to the expansion of exports from the developing countries. Quite the reverse—the expansion brought about by the creation of the Community has had beneficial effects in all parts of the world. We are therefore happy to note that the forecasts which we brought to the attention of GATT in 1957 and 1958 have been amply fulfilled.

With regard to manufactures, the Community agrees with the developing countries that there are important problems and that a serious effort must be made in this field. It is obvious that there must be in time a substantial increase in the foreign currency resources of the developing countries from the diversification of their exports, which means that sales of primary products must be accompanied by sales of manufactured products.

At the present time, we find that, in most cases, developing countries do not manage to present their manufactured goods, or to get them accepted, abroad, while in a few cases they have introduced their manufactured goods successfully on foreign markets solely by exploiting the price factor. In neither case is the situation satisfactory: neither in the former, because the trade is yet to be established, nor in the latter, because abnormally low-priced exports give satisfaction neither to the exporting countries, which are compelled to keep the level of their workers' pay extremely low, nor to the importing countries, where domestic markets are likely to be disrupted.

The solutions to be sought for the variety of problems ranging from the presentation of goods to access to markets will have to be based on co-operation between the industrialized and the developing countries. In particular it may be necessary to endeavour to make the rules governing most-favoured-nation treatment more flexible for the benefit of the less advanced countries. Many ideas have been put forward about this, including temporary degressive and selective preferences.

The Community will take an active share in examining well balanced proposals likely to lead to this expansion of exports of manufactures from developing countries, thereby promoting their industrialization.

Another important point that the Conference will be called upon to consider is the development of intra-

regional trade. Here, too, many ideas have been put forward; there has been talk of relaxing the rules of article XXIV of the General Agreement on Tariffs and Trade so as to facilitate the establishment of customs unions and free trade areas among developing countries; there has been talk of preferences being granted on a reciprocal basis between developing countries; there has been talk, too, of the institution of a suitable payments scheme, similar to that which operated in the recent past between the Western European countries.

The Community has pondered these matters. It is convinced that regional co-operation based on sound economic principles is likely to have many beneficial effects, for it attracts foreign investment, promotes the rational utilization of natural resources and provides undertakings with a market broad enough to enable economic production levels to be reached.

Whatever is done along these lines will be useful, provided it has a multilateral basis, avoids upsetting international trade and gives no sanction to vested interests. We have to lay the foundations for a diversification and rationalization that will stimulate economic expansion.

In this connexion, the Community finds it hard to understand the systematic and dogmatic criticisms frequently levelled against the principle of its association with various developing countries. The essential justification of such an association is to be found in the advantages it brings the latter. It is inconceivable that the first thing to be done in seeking new resources for countries striving for development is to pull away the supports from beneath those who have most need of them.

So far I have spoken about the views which Belgium shares with the other members of the Community.

Now I want to put before the Conference certain specifically Belgian views, although some of them are shared by other delegations.

To begin with, I should like to pay tribute to all those who have conducted the preparatory work for this Conference. They have applied their hearts and minds to it, so that the crop of ideas has been such that we are almost in danger of being overwhelmed by a superabundance of wealth. Fortunately we have a first-class guide. In a masterly report, our distinguished Secretary-General, Mr. Prebisch, has given us a systematic account of the problems and prospects of the Conference, couched in terms which reveal his high ideals; the generous but restrained emotion that permeates his report cannot fail to strike an answering chord in our hearts. Although we cannot say that we shall always agree with Mr. Prebisch, we shall, I think, be unanimous in conveying to him our admiration for his work.

A conviction which I fully share with our Secretary-General is the existence of the problem created by trends in commodity trade. This would be a serious problem in itself if only because of the unfairness of the lot automatically dealt out to different nations. It

becomes vital when it is remembered that for a long time to come the under-privileged countries will depend for the bulk of their foreign earnings on the export of primary products.

Belgium has for a long time asserted its conviction that an attempt must be made to stabilize commodities and, if necessary, increase their prices.

As you are aware, there is a certain divergence of views between the supporters of stabilization and those who consider that revalorization is necessary. I think that the importance of this controversy has been exaggerated.

Everything depends on the level at which a commodity is stabilized. If, for instance, a rise can be used to fix a floor price, stabilization will be the same as a degree of valorization. Since, moreover, spectacular price rises cannot be envisaged without a risk of reduced consumption, over-production or a stimulus to the production of substitutes, producers and consumers alike will naturally exercise restraint.

After careful reflection, we have come to the conclusion that a variety of methods must be used. Each commodity has its own particular problems, and no standard solution can be found for them all nor can it be stated as a principle that all commodities require an inter-governmental agreement for their regulation. That is why we favour a commodity-by-commodity approach, through inter-governmental control agreements or other methods. Moreover, among the solutions to be adopted, I do not exclude *a priori* a system of supplementary import levies when world prices fall below agreed levels, the receipts from these levies to be earmarked for development in the less advanced exporting countries.

As regards agriculture, co-operation should be encouraged in order to achieve progress of two kinds:

1. Mobilize some of the factors of production, human and otherwise, in order to improve and increase crops destined for domestic consumption with a view to raising the level and increasing the variety of the population's diet, and at the same time providing the national economy with raw materials;

2. [which also has a bearing on] 1. Develop apace scientific research into possible new crops or possible new uses for traditional commodities. An example is provided by the big oil companies which have progressively discovered uses for all the by-products, formerly wasted, of crude petroleum refining. This type of research has undoubtedly had a beneficial effect on the export volume of oil producing countries.

I have already had occasion elsewhere to express my views on the assistance which should be given for the industrial development of the less advanced countries and for the expansion of their exports of manufactures. These views—which have been called the Brasseur Plan—aim at avoiding the complex and possibly sterile discussions in which, I fear, we might become engaged if we seek to work out logically over-coherent pre-

ference systems; for reality, unfortunately, does not always obey the rules of logic.

Without wishing to provide anything more than a basis for discussion—certainly not a detailed plan—I have made an analysis of the three categories of industrial commodities which can be placed on the markets of the more developed countries:

(1) Commodities offered under conditions similar to those for the same commodities offered by highly industrialized countries. Here, little or no useful purpose would be served by a preference: it would merely upset the normal course of trade and give rise to unfavourable reactions.

(2) Commodities manufactured under abnormal economic conditions, and thus offered at prices appreciably below those of most domestic or foreign producers, who are the habitual suppliers of the import market. We must not make the ensuing dislocation even worse by granting additional privileges to these commodities. Here, we should seek to introduce such methods of international co-operation as would avoid the brutal repercussions of safeguards adopted to counteract the disruption of markets.

I have in mind compensatory taxes administered by a small body composed of representatives of the exporting country and the importing country. The receipts would not go to the importing country, but would be used for development purposes in the exporting country.

(3) Commodities which cannot at present be sold on the international market under competitive conditions. Many of these commodities could become competitive through appropriate efforts and assistance. We should therefore encourage measures for rationalization, improved production and active marketing on the part of the producers. The latter would receive an effective stimulus if their markets were expanded and if they were exposed to a certain amount of competition.

The grant of tariff preferences by the developed countries would make a valuable contribution to the aim of expanding the market and opening it to competition. These preferences should be adapted to the needs of each particular case and to the conditions of the importing market. This could be achieved through negotiations between the parties concerned. The initiative would, of course, lie with the would-be exporting country. In this way, true non-discrimination would be brought about, for each developing country would be free to ask for the negotiations it thought useful.

The preferences thus negotiated should be selective, temporary and degressive for two reasons:

Firstly, to avoid the formation of permanent links which might distort the flow of trade;

Secondly, to encourage the protected industry to use the preference period to improve its production methods, output and commercial processes.



The effect of preferences would be much greater if the development of the industry affected were to be thought of within the framework of a regional organization between developing countries. The growth of the industry would, in fact, be assured, not merely through the planning of its domestic market and the temporary preferential market, but also through the opening up of the markets of the other member-countries of the regional organization.

The result of the negotiations to establish selective, temporary and degressive preferences should be communicated to an appropriate international organization. In this way, the system would not harm the principle of the most-favoured-nation clause. Indeed, this principle would be maintained as the rule, while the preferences would simply appear to be exceptions, individually authorized by an international organization.

In referring to the preferences to be envisaged for assisting the process of industrialization, I mentioned the advisability of considering them in the framework of regional organizations. This means that Belgium endorses the opinion expressed by the European Economic Community on the importance of regional groupings.

The proposals for expanding economic co-operation between developing countries and increasing their mutual trade arouse the keenest interest in Belgium. We can be of assistance in carrying them out. It seems to us that the training of technicians, the improvement of marketing methods, the promotion of exports (which should be sold instead of being merely offered for sale) and the encouragement of assistance in the form of capital and private technical knowledge are fruitful fields for collaboration.

In this sphere I have two kinds of suggestions that I should like to put before you so that we can think them over together.

The first would be the establishment of international credit insurance machinery to give a backing to exporters in the developing countries. Such an organization could comprise both developed countries and less advanced countries interested in the sale of industrial goods requiring export credits. The initial funds of the institution would not necessarily require a very large capital outlay. The experience of bodies functioning in industrial countries shows that, in general after a relatively modest initial endowment, credit insurance institutions have managed to become self-supporting and even to build up reserves.

By means of the guarantee provided by such an insurance, manufacturers in the developing countries who would have difficulty in financing from domestic sources their credits to foreign purchasers might perhaps apply to international financial circles for cover on conditions which would enable them to meet international competition. If it were well run the credit insurance organ would therefore provide

an effective means of giving substantial assistance to countries which are taking the first tentative steps to export on credit.

The second idea is that the question of the guarantees to be given to private capital investing in developing countries should be taken up again. We should consider ways and means of providing the necessary safeguards, bearing in mind the desire of most nations not to see considerable sectors of their economy permanently dominated by foreign influence. Bilateral systems of investment insurance are in operation between some countries. It has been proposed several times that the scheme should be taken up on a multi-lateral basis. To my mind that is an idea worth considering.

Moreover, we might endeavour to encourage the return of capital expatriated by the nationals of developing countries by enabling it to be used to buy back foreign shares in undertakings; this should be done some years after the start of operations and payment should be made in convertible currencies.

The most striking form of co-operation between developing countries is of course the formation of regional unions. In this connexion it is often asserted that the provisions of Article XXIV of GATT are too rigid since they require such measures to take the form of a customs union or free-trade area. Even the flexible application of these rules granted in the case of several proposals for closer union between less advanced countries does not dispose of these criticisms.

I should like to warn this Assembly against the danger of a belief in painless effortless solutions; an illusion of that kind might have a numbing effect on energies which should be fully employed if the progress that is rightly hoped for is to be achieved.

The developing countries should not remain entrenched behind protectionist walls. The industrial expansion of those countries cannot be based merely on narrow national markets and on exports to the developed countries. It will be successful only if exchanges between the less advanced countries increase side by side with the growth and diversification of their production.

The organization of regional groupings among developing countries is the best way of providing a sound basis for economic development. It would fail in its purpose, however, if the exchange of preferential advantages were to be made chaotically without any specific aims and with undue deference to vested interests which, though powerful, are sometimes unfair.

Of course, the developing countries will probably have even greater difficulties to overcome than the European countries before achieving regional groupings. The rules to be applied should therefore be much more flexible in their case than in that of the more advanced nations. This certainly does not mean that they should try to do without any rules, exchanging



preferences without any precise aims. Such practices would not be in the interest of the developing countries themselves nor would they promote a harmonious and fruitful expansion of international trade.

We are living in an historic epoch when all the vital forces of mankind are responding to the challenge of the future. It is the responsibility of us all to direct this torrent of new energy towards the realization of our common aspirations: to see all men enjoy at last a standard of living which gives them every opportunity to develop to the full, both materially and spiritually.

That is why Belgium, like all the members of the European Economic Community, has come to this Conference in a realistic and constructive spirit. It knows that the problems are immense, complex and difficult and that existing resources are not unlimited. But it wishes to take an active part in exploring all the avenues which may lead to the maximum use being made of the resources employed.

It wishes to share in improving the life of all peoples. The aim of this Conference is man himself. We should be actuated by a single thought: to make every effort for coming generations to be able to say tomorrow that at Geneva, together, we took the decision that

there would be no more poor countries and no more rich nations. The rich must participate loyally and generously in establishing a fairer and a better world. But if our responsibility is great, the harder part of it devolves upon the developing countries. Surely the best authority that I can cite in this matter is that of our distinguished Secretary-General. As he said so forcefully and eloquently in one of the most moving parts of his report, the contribution by the developed countries can and should be increased, but this increase alone cannot sustain the efforts needed to achieve the desired development. It is for the developing countries themselves to respond to the challenge of progress.

The wealth is there, ready to come forth if we will it to do so. It is there, in the soil, within the earth, in the waters and in the seas. But wealth is even more in the hands, brains and hearts of men. With our aid, but first and foremost through their own work and intelligence, the developing peoples will be able to transfigure their countries and create a new world in which modern technique will be developed for the benefit of humanity as a whole. Let us, before it is too late, take together the indispensable measures to banish inequality, poverty, misery and hunger from our planet.

**STATEMENT BY H.E. Mr. ROBERTO JORDAN PANDO,  
MINISTER OF PLANNING AND CO-ORDINATION,  
HEAD OF THE BOLIVIAN DELEGATION**

at the thirteenth plenary meeting, held on 1 April 1964

[Original text: Spanish]

From the statements made so far by some of the developed countries in the general debate, I have the impression that we shall have to change the tone of the debates and statements at this Conference, and make them more positive, if we are to prevent this gathering from becoming "a mere exercise in political futility or an abstract seminar of leading statesmen and learned economists from all corners of the world", to quote the words of U Thant, Secretary-General of the United Nations. It is a fact that the hopes which we underdeveloped countries, particularly those relatively less developed, had placed in the Conference have been gradually decreasing in the last few days.

It must be remembered that roughly 79 per cent of our trade is carried on with the highly industrialized countries. The economic and financial results of that trade give evidence of a defective structure, because, in

so far as it acts as an instrument for the redistribution of income, it is making the rich richer at the expense of the low-income countries, which are becoming poorer. The external factor and the terms of trade, as already analysed, show that all our efforts towards economic development are being neutralized or brought to nothing. In a word, the countries of the periphery, as Mr. Prebisch calls them—namely, those developing countries with dependent economies—are working more and more for the benefit of foreign countries. But we have heard nothing here but references to long-term solutions.

Some European countries, and also the United States of America, have made very general statements on the deterioration of the terms of trade and the need for compensation. Some have called it an equitable position, others have described it as theoretical and

doctrinaire approach, and there are others who consider that anything more than an "arithmetical proposition" is a pure "figure of speech" in relation to the demands of development. It has also been suggested that we have met here to solve problems, not to discuss them. I cannot see how we can do one without the other. It has also been said that we are here to draw closer together and not to be divided, as if, with the present economic differences which separate countries more sharply every day, the world had not already been divided into two-thirds struggling in a condition of under-development and a mere one-third, colonialist and neo-colonialist, enjoying a well-being which dates from the early days of capital accumulation.

It would appear that no attention has been paid to the words of the President of the International Bank for Reconstruction and Development, Mr. George Woods, when he stated that the value of the exports of the under-developed nations as a group had increased since the war at a rate only of some 3 to 4 per cent a year, less than enough to support the level of developmental imports. He referred to the Latin American countries as a striking example, in that they had "increased the volume of their exports of primary commodities by 25 per cent during the period from 1956 through 1962", but "had actually earned less foreign exchange in the last year of the period than in the first". To this should be added his authoritative statement on the public indebtedness of the developing world which had increased two-and-a-half times in the period 1955 to 1962, while debt service payments had risen by almost four times owing to the high proportion of the debt represented by short- and medium-term suppliers' credits.

That is why, at this stage in the debate, we feel able to state that we have been listening to mere general declarations from the developed countries of the world to examine the solution of problems. Few have been the exceptions, offering positive proposals with regard to some of those problems. It was the Secretary-General of the Conference Mr. Raúl Prebisch, rather than the States that are the parties concerned, who in his study and report has stated the problems clearly, objectively and with the sense of urgency which the faulty structure of external trade requires. He has rightly understood that, considering the time available to them and their need, the countries that must solve their problems of development and trade are in quite a different situation compared to the developed countries which are not affected by the persistent present situation, but on the contrary benefit by it. This is Mr. Prebisch's contribution to the world and we are very grateful to him for it. Also we can pay no higher tribute to Mr. Kaissouni, President of the Conference, than to quote his words of warning at the opening of this Conference, when he said, "the problems of trade and development are a challenge of such magnitude and nature as can be met only through political will, concerted action, and a bold new policy of international co-operation."

Bolivia, like other countries, will have to speak at length on the problems connected with its own primary

commodity, which is tin; that is almost the same thing as talking of coffee, cocoa, sugar, cotton, bananas and fruit, and in fact all the primary commodities produced by the other developing countries, many of which suffer from the grave handicap that they export only one product. This means that we shall speak for ourselves, and also for our sister countries throughout the world which produce only one commodity, continue to be under-developed and are exploited in their commercial relations when trading their raw materials under unfavourable conditions against manufactured and semi-manufactured products.

Throughout the last few days we have been listening in this hall to statements about the stabilization of prices for our raw materials; stabilization in itself can be a positive factor, provided that it is accompanied by at least a relative stability in the prices of the products which we import, but it can never be so if those prices increase. Otherwise, what would become of this stabilization of our prices, if manufactured and capital products increase in price while our raw materials are kept at the same price? Nor do we want a pure and simple stabilization; we are seeking more than that, namely, remunerative prices for our primary commodity exports, which would mean the elimination of one of the factors making for deterioration in the terms of trade. We understand that, in order to receive remunerative prices, we must depend not only on external factors, but on internal ones, such as the cost of production, elements not dependent on the foreign market.

In the case of tin in particular, we must point out that a change is needed in the Agreement governing the International Tin Council, because it deals only with producers and consumers, but does not include countries with accumulated reserves, such as the United States. Sales effected by such countries have a direct influence on international prices and if made without any plan taking market conditions into account, they deteriorate the market by bringing prices down. Some form of direct financial compensation should operate in such cases, as it is possible to ascertain the extent of deterioration caused. The International Tin Council should include both buyers and sellers, and not only producers and consumers.

These strategic reserves were accumulated during and after the Second World War, with a large part of Bolivian tin, purchased at prices frozen during that conflict, as a form of international co-operation by my country with the United States. These reserves are therefore, paradoxically, operating in a dual capacity. In the commercial transaction, we lost by selling at a low price and now they depress the market for us when they enter it subject to no control. Our double loss means a double profit abroad. The USSR, in its turn, at the end of the last decade offered tin on the market at a low price, and this too was not subject to international control, so that it caused a drop in prices, with the disadvantage that some of the countries bound by the control regulations purchased that tin. Our

position is that we are demanding the protection of national interests. Considering that 87 per cent of our external trade depends on mineral ores, the economic and social impact of price variations and non-remunerative sales of these primary commodities on the country and its industrialists will be readily understandable. It is imperative that these contradictions in the trade structure of a world which is planning its systematic development should be corrected without delay. The only explanation for them lies in the false liberal conception of a free trade, which does not in practice exist, and which exercised a formative influence on the absurd structure established by the Havana Charter of 1947.

In this Conference we are discussing developing countries, but it is also necessary, as the Latin American countries unanimously concluded at Brasilia and Alta Gracia, to understand the inequalities in the growth of developing countries, giving greater preference and favourable differential treatment to relatively less developed countries, if we are to proceed equitably in any structural change in development and its direct relation to trade as an instrument of redistribution. All of us, as developing countries, have a common denominator in our attitude to development at the present time. The countries which are now developed faced the problem gradually and by stages in making their structural changes, their accumulation of capital and their redistribution of income. Now we have to do the same, but all at once and in circumstances where foreign trade constitutes a structural problem, and at a time when the terms of trade are almost permanently unfavourable to us and trade relations in general have not ceased to be neo-colonialist in their operations and results between peripheral countries and the centre, or semi-colonies with an industrial nucleus.

It is also necessary to bear in mind that social anomalies and the political action taken to deal with them require that some of the structural changes necessary for development in our countries should be more radical and equitable than others, as new and increasingly decisive factors arise.

Consequently, it is essential to understand the differences between relatively less developed countries with regard to preferential financial treatment, the servicing charges on public debt, the cost of technology for development, technical assistance, compensatory financing, direct financial compensation as well as any programmes of international co-operation which to some extent act as repayment for that already given directly or indirectly by developing countries. There may be talk of helping those who help themselves, but it is impossible to rely entirely on internal effort; it must be taken into account that low-income countries cannot afford the same internal savings as higher-income countries. Moreover it is also true that if we require foreign credits for development, it is not only because we need to acquire capital, but because we lose by the terms of trade favourable to foreign countries.

It would be sufficient to quote certain figures for Latin American countries as a whole, such as for

instance the data given by the Economic Commission for Latin America (ECLA), which are as follows:

(i) From 1955 to 1961, capital revenue was \$8,000 million and trade expenditure \$10,000 million in 1950 values. This represents 3 to 4 per cent of our gross product.

(ii) In world trade, Latin American operations registered 11 per cent after the Second World War while at present they register only 6.5 per cent.

(iii) Within the area of the three Americas, trade with the United States represented an equivalent of 35 per cent in 1948 but has now decreased to 22 per cent. This is not offset by the geographical expansion of trade with socialist countries, which increased from 1948 when it was 2.8 per cent to 4 per cent in 1962 (present volumes not including the figures for Cuba, for which no information is available).

(iv) Another factor to be taken into account is that of financial charges, which rose from 5 per cent in 1950 to 11 per cent and more recently to 15 per cent, including amortization and interest payments.

It is unjust in any case that high income countries should seriously compromise the growth of developing countries. For that reason and as a result of our experience, we realize that our development will not be achieved merely through international co-operation since, owing to the anomalies of the system, the advantage to be gained from external financing is often neutralized or cancelled, and at times even results in a loss to us, as a result of the drop in our prices, the reduction in our volume of trade or its yield and the servicing charges on our debt.

With regard to the plan for the creation of a special fund for compensatory financing for unfavourable terms of trade, various ideas have been suggested in the course of the general debate, but whether it operates through a system of deductions or whatever other form is provided for its constitution, it is clear that it is fundamental if we are to seek positive results in the structural change considered desirable for foreign trade. My delegation will therefore support the execution of this plan. We believe that it should only be complementary to the compensatory financing operating through the International Monetary Fund, but improving and extending the system with greater flexibility in the light of previous experience, since in cases where compensatory financing has already operated it has not provided real or effective compensation of the same volume as the deterioration, as was seen in the case of Brazil.

With regard to the terms of trade and their relation to the actual structure of international trade, it must be realized that not only are the terms of trade deteriorating, but also the factorials, with the continual increase in the number of working hours necessary to acquire the same imported products, thus increasing the costs of national production.

The financing of exports should be effected in accordance with a world and not merely a regional system

and for every type of product whether primary, intermediate or capital goods.

We are in favour of establishing a new International Trade Organization which would make it feasible to employ and operate standards and systems agreed upon in the organization and including all trade aspects and not only tariffs. Moreover, it should guarantee the conduct of trade without any kind of discrimination and take into account the varying degrees of development and facilitate trade expansion in the different areas and regions regardless of their social and political régimes, since trade is by nature universal.

The Latin American countries that met in Alta Gracia understood that in this United Nations Conference on Trade and Development the special position of land-locked countries would be discussed. While economic development and international trade seek a final solution to the problem of access to the sea and waterways for such countries, they should in their trade relations be granted special treatment guaranteeing them free, unrestricted and adequate transit rights in all circumstances and for all kinds of merchandise and implements, since the fact of being a land-locked country, in a general and not exceptional sense, is a negative factor for economic development and restricts economic and political activity. We listened with

keen sympathy to the statements on this subject made by the delegations of India and Afghanistan, endorsing the general opinion of the Conference on this special type of country. My delegation considers that it was essential to set up a special Sub-Committee for Land-locked Countries like the one created yesterday by the Fifth Committee to study the problems of the land-locked countries of the world.

The two-thirds of the human race represented by the developing nations have to bear an unjust trade structure and are faced in the twentieth century with neo-colonialist trade relations and their effects. We who represent the developing countries have to act calmly but firmly. As a majority, we have to make our claims and act together in defence of our common interests. We must be uncompromising and at the same time have the flexibility necessary to obtain immediate solutions in a cause which we are certain can be won if there is the political will to do so. We have to prepare for mediate and continuing solutions, leaving aside all euphemisms and the diplomatic formulae so often employed to avoid substantive solutions. If we do this, our Conference, on which all eyes are fixed, will prove successful. If not, the magnitude of the hopes disappointed by it will also be the measure of its failure and we shall have deluded those two-thirds of humanity.

**STATEMENT BY H.E. Mr. JOÃO AUGUSTO DE ARAÚJO CASTRO,  
MINISTER OF STATE FOR EXTERNAL RELATIONS OF THE UNITED STATES  
OF BRAZIL, HEAD OF THE DELEGATION**

at the fourth plenary meeting, held on 24 March 1964

[Original text: English]

It is with a very deep sense of pride and great happiness that I am now addressing, on behalf of my country, this historical meeting.

This sense of pride and happiness stems from my recognition of the long way we have covered since the days of the Havana Conference on Trade and Employment, back in 1947, towards the major goals of mankind—peace and economic and social welfare.

Many people sitting around this hall will certainly remember how badly prepared were the under-developed countries when they faced the delegations of the industrialized countries at the Havana Conference. And not many of those countries were conscious that what was being concerted there, in Havana, was an attempt to recreate a liberal international economic world, which had already definitely

disappeared in the chaos of the Great Depression. Even the name of the Havana Conference—on Trade and Employment—was an indication of the unconscious desire of that meeting not to arrive at ways and means to develop the under-developed countries, but to maintain employment levels in the industrial countries devastated by the economic depression of the Thirties.

Except for a few documents produced by the League of Nations, practically no documentation was distributed at the Havana Conference in which the typical situations of international trade and economic development were either sketched or even approached. These documents aimed, as their major objective, at removing difficulties and solving problems of the industrial countries.

And the irony of history is that the major industrialized countries did not ratify the Havana Charter, thereby giving the under-developed countries a chance to attempt and strive towards the solution of their own problems, at their own risk, and to pursue keenly the study of these difficulties and solutions for those problems, laying the very seeds of this gathering. This Conference resulted from the failure of the Havana Conference in dealing properly with the problems of economic under-development.

An appendix to the Havana Charter conveniently outlived the main body which never came to life. This was GATT, the General Agreement on Tariffs and Trade. And from 1948 to 1954, all the efforts of the under-developed countries concentrated on changing the GATT Contract, in order that it could be made more comprehensive, to take care of particular situations peculiar to problems of economic development. The delegation of Brazil took a major part in provoking the industrialized countries to come forward and to accept the challenge to draft a modified GATT Contract. As all of you know very well, this resulted in the GATT Revision of 1954. At the time, that was a step forward, which, with the passing of the years, was, as a matter of course, accepted as an accomplished fact and absorbed by the economic thinking of the day.

The GATT Revision, however, left many problems unsolved. One of them was the case of the tariff preferences, which were rendered acute with the creation of certain economic groupings which added to the preferences already accepted and institutionalized in the GATT.

I do not propose to list, here and now, the advantages and disadvantages of the GATT. The delegation of Brazil to the GATT and to other conferences has always voiced with frankness these inborn defects and sins inherent in the General Agreement. The fact is that other countries along with Brazil—and again with the passing of time—became keenly aware of the problems still ahead. It was the initiative of the under-developed countries to convene the Cairo Conference of 1962. Looked upon with great misgivings and reservations by the industrial countries, the Conference, at its closure, produced the Cairo Declaration, a document wherein these same industrial countries were compelled to recognize all the ingredients of equilibrium and mature behaviour. This came to them as a surprise. How countries, in many cases emerging from colonialism into independent life were able to draft, in not more than five days, such a document. Abdel Moneim Kaissouni, Minister in the United Arab Republic, is now our President and was the guiding light at the Cairo Conference in 1962. At this point, I should like to extend to him our most sincere congratulations on his election, which was warmly received by his friends and admirers. My delegation is confident that his action and foresight will lead our proceedings to a successful conclusion. Many of our friends now here were also at the Cairo meeting

and may testify how difficult it was to achieve in such a short time the Cairo Declaration, as it was presented to the world.

The following step, after the Cairo Conference, was the seventeenth session of the General Assembly of the United Nations. Therein, the developing countries played a decisive role in convening this Conference, in spite of the fact that some industrial countries still opposed this meeting on the grounds that it was superfluous and useless. They affirmed that the existing norms and machinery of international trade could still very well support the burden of the claims of the under-developed countries.

Subsequently, at the first session of the Preparatory Committee, in New York, and at the second session of the same Committee, here in Geneva, the Brazilian delegation joined the delegations of other developing countries in setting up a comprehensive agenda for our discussions and in identifying, as clearly as they could, the problems related to trade and development. Also signed in Geneva was the Statement of the Representatives of Developing Countries, later supported by all the developing countries present at the eighteenth session of the General Assembly of the United Nations.

My purpose in recalling this long chain of events was to point out, as clearly as possible, that this Conference is not an isolated event but a moment in a historical process in which the consciousness of the under-developed countries was more and more attuned to the solution of their problems by their own means, thereby giving to those solutions a genuine character which could not be imported from abroad.

For the first time in the history of economic conferences, the under-developed nations come here as a united front. Now we know better than in the past how to qualify our problems and how to state them in so far as they result from the major problem of economic development. In order to achieve economic development per capita of population, it is necessary for us to export more of our products; to diversify our trade by the export of new products, especially manufactures and semi-manufactures; it is necessary for us to gain access to markets; it is necessary for us also to adapt our institutional settings to the goals of an expanded internal market; it is necessary for us to unite ourselves regionally in such a way that trade between under-developed countries be increased and it is necessary for us, last but not least, to obtain from the industrial countries financial resources on long terms, accessible to us. The short term variations of prices of primary products should also be lessened; export receipts should increase at adequate rates in order to meet requirements of growth, such as that set out as one of the objectives of the United Nations Development Decade; finally, the ever recurring problem of deterioration in the terms of trade between primary products exported and manufactured products imported by under-developed countries, should

be firmly dealt with and not swept under the carpet as something to be ashamed of.

What do we expect from this Conference? What can we hope to achieve at this gathering of the most authoritative trade policy makers of our nations, large and small, rich and poor? It is the deep conviction of my Government that, here and now, at Geneva, a new era in international trade relations ought to be inaugurated. We are also conscious of the fact that this new era could not be made possible by the under-developed countries alone. In spite of the fact that we are now able to set our problems forcefully, to propose adequate solutions to those problems, and not merely to plead for solutions, the industrialized countries must live up to the challenges which are now facing them and stop striving to maximize at all times their trade advantages. Those nations which regard themselves as the bearers of culture and civilization, must now listen not only to the plea of 2,000 million human beings in search of decent standards of living, but also to countries which, although economically under-developed, are able to come to this Conference not with a plea for help but with a catalogue of measures to solve problems of economic and social development concerning the whole of mankind.

Geneva must stand out, in our move towards economic independence, as the historical place where this challenge to the industrial countries was finally met. Geneva should no longer be considered as the place where we tried to prove that equal treatment is iniquitous when applied to unequals. This was our banner at the Revision of GATT in 1954. When my country undertook its tariff reform, many of us remember that we had to plead as a matter of charity that concessions should not be paid eye for eye, tooth for tooth. It is incredible that almost ten years after that banner was waved, here in Geneva we still have to come and plead, but now no more as a matter of charity, but as a matter of justice, that preferences should be extended without requiring reciprocity when exchanged between industrial and under-developed countries. It is here in Geneva that this absurd give and take must come to an end.

This awareness of the tragical dimensions of our plight has been giving us the strength to proceed with our efforts of co-ordination in the Latin American group of countries and within the larger community of the under-developed nations of the world. In Latin America, these efforts led us through a long and careful preparation, both at the technical and political levels. The Charter of Alta Gracia, as the final result of our joint endeavour, embodies all the legitimate claims of Latin American countries in the field of international trade.

As stated in its opening Declaration, Latin America does not bring to this Conference a dogma or a prejudice, but rather a careful and objective evaluation of its problems and the possible alternatives for their solution. Therefore, although we are strict in our aim of transforming international trade into an instrument for promoting the welfare among nations, we are willing to

allow some flexibility in the study and eventual acceptance of proposals that may prove to be compatible with the attainment of this goal.

Recognizing the importance of this document, and furthermore that much of what it contains is meant not only for Latin America, but for all developing countries, Brazil is firmly determined to abide by its principles and conclusions. We are certain that all under-developed countries of the world may find their way to abide by these principles and we are certain, also, that if a similar document emerges from this Conference as a unanimous economic and political declaration of the under-developed countries, it will be very difficult for the industrial countries to disregard, without sacrificing their moral standings, this impressive array of norms, principles and guiding lines of a new order of international trade.

It seems to us appropriate, at this time, openly to proclaim our pride and our great happiness in what we have been able to achieve so far. Our meetings at Cairo, New York, Santiago, São Paulo, Manila, Brasilia, Teheran, Alta Gracia, Addis Ababa and Niamey have enabled us to convene this Conference.

This Conference is therefore our own, the Conference of the Developing Countries. It is ours because we knew it was bound to assemble, even though the developed countries proclaimed it to be untimely, unwise and unnecessary. This Conference is our work, because in striving for its realization, we have been able to concentrate our efforts in the formulation of problems in such an objective way as to support our endeavours towards economic emancipation, whether or not the developed countries recognize the significance of the challenge. Because this Conference is our work, we will come out of it wiser, and firmer in the justice of our strivings for a concerted action in the elimination of poverty and need from the face of the earth.

And now, having made possible this Conference by the exertion of our political will, we ought to make sure that the same political will remains always present in our deliberations, so as to guarantee, by its projection into the future, the continuation of our present pursuit. We consider this to be the first and foremost goal of this Conference. We believe, furthermore, that only within this spirit and encouraged by our past deeds, will we be able to keep united, and therefore strengthened, on the way to greater results that will provide our peoples with the benefits of development through the establishment of a new order of international trade.

Here, in Geneva, we must take practical and concrete measures that will, in the short run, take into account the pressing trade problems of the developing countries. But we must also set up the operational guide lines, based on just principles that will in the near future transform international trade into an effective instrument for promoting the development of these countries. To this end, declarations of good will and the rhetorical recognition of our plight will be a waste of time. The real need is for commitments and binding decisions and not just declarations of good intention

that never result in well-defined procedures, time-tables for implementation of measures and institutional arrangements, capable of ensuring the progress of our task.

Should the Conference of Geneva, like the Havana Conference, turn out to be just another failure and the starting point for timid attempts that will occupy us with conferences and meetings for years to come, irrepressible social forces will certainly lead the developing countries into inward-looking forms of development, such as internal inflation and external devaluation which undoubtedly will lead the world to the same chaotic situations that prevailed before the Second World War, much more aggravated today by the fact that world population is almost three times as large as in the Thirties, as well as by the fact that technological advancement in industrial countries has produced instruments of destruction and raised levels of comfort to heights never experienced in world history.

The primary responsibility for improving the standards of living of the peoples of developing countries falls upon our Governments, which are not waiving their responsibility when they ask for a more equitable system in the distribution of gains of international trade. In this Conference, we all should seek to advance the attainment of collective economic security under which developing countries can fully exercise their rights to development.

If, to this day, these rights have in fact been denied us, it is due, to a large extent, to the actions and omis-

sions of the developed countries. However, the political consciousness of this world has brought about such an acute popular perception, that it is imperative that the Governments and the peoples of the developed countries join us in this common endeavour that will benefit the whole of mankind. This will have to be done in the interest of justice and in the interest of peace we all claim to cherish and to be intent on preserving.

In the course of the eighteenth session of the General Assembly of the United Nations, my delegation had the opportunity to identify an invisible veto often opposed by the Big Powers to frustrate the wills and desires of small and medium nations which do constitute the clear majority of international gatherings. This veto, which may be more harmful than the so-called principle of unanimity in the Security Council on matters of peace and security, not only may prevent the adoption of certain decisions or resolutions but—which is more often the case—may prevent the implementation of resolutions adopted. It is our sincere hope and, more than that, it should be our determination that this invisible veto will not prevail this time.

The mere convening of this Conference, however, is a living proof that the world is changing and changing for the better. Let us be wise not to oppose the winds of change, and let us be careful not to evade the big challenge of our times: the challenge to build a world commensurate with our responsibilities and our faith in justice and in the dignity of man.

## STATEMENT BY H.E. MR. I. BOUDINOV, MINISTER FOR FOREIGN TRADE OF THE PEOPLE'S REPUBLIC OF BULGARIA, HEAD OF THE DELEGATION

at the seventh plenary meeting, held on 3 April 1964

[Original text: French]

When on 8 December 1962, the United Nations General Assembly decided to convene a world conference on the problems of international trade and development, the majority of States welcomed this decision with enthusiasm and with the hope that this initiative will contribute to the elimination or, at least, to a decisive reduction of the obstacles standing in the way of international economic co-operation, progress and peace.

It is the President who has the honour of conducting the work of the United Nations Conference on Trade and Development—this most representative forum throughout the history of world trade, attended by more than 120 countries. The delegation of the

People's Republic of Bulgaria takes great pleasure in joining with all those who have congratulated him upon his unanimous election and would like to express to him its best wishes for success in his highly responsible task.

We should also like to express our satisfaction at the fruitful and useful work accomplished by the Preparatory Committee and at the leading role, played by the distinguished Secretary-General of the Conference, Mr. Prebisch, whose report to the Conference greatly facilitates our work.

Common sense and our duty to mankind make it necessary to multiply the joint efforts of all States and of the United Nations with a view to improving and expanding international economic co-operation and



world trade. The questions on the Conference agenda, dealing with the universal character and the indivisibility of world trade, make it imperative to have all countries in the world take part in it. For this reason our delegation cannot but express regrets at the fact that States like the German Democratic Republic, a country which trades with over one hundred countries and holds the tenth place in world trade, the People's Republic of China, a country with trading relations dating back over scores of centuries as well as countries like the Democratic Republic of Viet-Nam and the Democratic People's Republic of Korea which also have considerable and steadily growing trade relations have been prevented, by purely formal arguments, from taking their lawful seats at this historic Conference.

In his inaugural statement, the Secretary-General of the United Nations, U Thant, stressed that "the Conference was conceived as an instrument of action" and that "it is expected to lay the foundation for and pave the way towards a new trade policy for development and to define the necessary instrumentality for its implementation". U Thant was perfectly right in focusing our attention on the idea of launching a new trade policy and of establishing a corresponding international organization, since this is precisely the task of our Conference. Yet all this requires the establishment of stable and equitable economic relations between the developing countries on the one hand and the industrialized countries on the other, as well as the consolidation and the expansion of commercial links between the East and the West. It also requires that the Conference should deal with the problems pertaining to the elimination of all forms of discrimination, of all restrictions on trade, finance and credit, as well as with the inadmissibility, in the future, of all methods of economic pressure for attaining political or economic advantages.

It is to be regretted that in our times, during the second half of the twentieth century, we should witness such acts as economic blockades.

The history of economic blockades pursuing political ends is well known to us all; as a matter of fact, it is difficult to single out an example. The entire world knows what such arbitrary acts have led to: the continental blockade at the beginning of the nineteenth century forced France, and thereafter Europe as a whole, either to produce themselves or to find substitutes for the products they were lacking. Yet the most glaring example is probably the complete failure of the imperialist blockade of the new socialist state—Soviet Russia—which surged up in 1917 as a result of the Great October Revolution. The results here again are well known, there is no doubt that a similar fate awaits all the manoeuvres in which some countries— which, by the way, claim to adhere to the principles of free trade—engage with regard to the Republic of Cuba. As the distinguished representative of Cuba, Mr. Ernesto Guevara, aptly put it, Cuba exists, Cuba develops, Cuba extends its economic and trade relations in spite of the ill will of some of its neighbours,

in particular the United States. The Bulgarian delegation is perfectly certain of the failure of such actions, and this policy is based rather on fantasy than on fact, for they lack both common sense and realism. We cannot fail to point out that such actions, moreover, are in flagrant contradiction with the spirit of our Conference.

Practice has proved that the creation of closed trade blocs in Western Europe forms yet another obstacle to the development of international trade. The Common Market Treaty, while systematically removing internal tariffs between its six member countries, provides for the establishment of common tariffs with respect to third countries. In the final analysis, the Common Market countries will turn into a bloc based on a vast economic territory and with an autarkic character. Such a policy cannot fail to become a source of friction and conflicts both of an economic and political nature. It opens the way for the establishment of other blocs in the world, by way of defence against economic, financial and political penetration. The reaction of some countries and regions as a result of this policy is already all too well known.

The Bulgarian delegation finds it necessary to point out that the world market should not be torn apart and partly shut off. Every country large or small, should, without exception, have wide and unrestricted access to all markets.

Equal treatment is a major prerequisite for the establishment of normal trade relations, for the expansion of the international division of labour and for international economic co-operation.

Some delegates have spoken from this rostrum about the "necessary alliance between generosity and reason". Yet, it seems to us that exactly the opposite principle has prevailed through the centuries.

Unequal trade relations which for many centuries have been characteristic of the exchange between yesterday's colonies and the metropolis are an eloquent example of the trampling of this principle. The results of this state of affairs have been set out in Mr. Prebisch's report and hardly need any commentary.

The theory about the so-called natural economic inequality between different countries of the world, a theory preached by certain Western economists, is familiar to us all. This unscientific theory would have us accept that economic development is a phenomenon which grows proportionately to itself; in other words, that, "whoever has an advantage, will gain further advantage".

The history of present-day economic development and particularly of the development of the socialist countries has utterly refuted this theory and has proved its inconsistency.

Our country offers an eloquent example as to the possibility for a backward agrarian country to develop into an industrial as well as agrarian country within a comparatively short lapse of time and to overtake some countries possessing an economic potential comparable to its own, if it adopts an economic and social system



which ensures an unlimited development of its productive forces and a rapid upsurge of its economy.

Thanks to its co-operation in the field of economy, science and technique with the other socialist countries and above all with the Soviet Union, in 1963 Bulgaria was putting out nearly seventeen times more manufactured goods than in 1939. At present, our industry produces in eighteen days what it produced during the whole of 1939. New and important industrial branches, such as metallurgy, machine-building, non-ferrous metallurgy, chemical industry, etc., have been established and are developing.

These radical changes in our economy are primarily due to the assiduous labour of the Bulgarian people, relying on the country's own resources, on the socialist division of labour, on specialization and co-operation and on mutual assistance within the framework of the Council for Mutual Economic Assistance. This makes it possible for our country from year to year to develop its economic relations with foreign countries and to increase to an ever greater extent its trade with the developing countries.

The actual state of affairs in world trade has amply proved that under unequal economic conditions and especially under the domination of the monopolies, the so-called "free play of economic forces" could not guarantee an equal and mutually advantageous trade. The way out of this situation lies in the adoption of the principles of a policy of trade and development, based upon the continuous expansion of international economic relations and of East-West trade relations, which, in its turn, will help towards the consolidation of the international division of labour on a rational basis. Allow me, on this occasion, to recall the Declaration issued by the Council for Mutual Economic Assistance in June 1962 to the effect that "the international socialist division of labour is shaped with an eye to the world-wide division of labour. The socialist countries, by developing their economic ties with all countries, consolidate the material foundation of peaceful co-existence between the two world socio-economic systems".

The report of the distinguished Secretary-General of the Conference, Mr. Prebisch, notes the tendency towards a relative reduction of the rate of exports from the socialist countries towards the industrialized capitalist countries as compared to the rate of development of trade between the socialist countries themselves and between the socialist countries and the developing countries.

During the 1955-1962 period, the yearly rate of increase of exports of the socialist countries amounted to 9.7 per cent. The corresponding rate for the advanced capitalist countries was 9.3 per cent and for the developing countries 24 per cent. During that same period, the annual rate of increase of the exports of the developing countries to the advanced capitalist countries hardly reached 2.9 per cent, whereas the corresponding figure for their exports to the socialist countries was 18 per cent.

As unbelievable as this may seem, in spite of the uninterrupted growth of the industrial production of the socialist countries and of their export-import capacity, the rate of growth of East-West trade is, on the whole, on the decline. This state of affairs is the result of a policy of discrimination, embargo, artificial restrictions and obstacles, tariff barriers, etc., which not only have brought about a disruption of international economic relations, but have also brought to life disproportions within world economy as a whole.

The conception of a commercial policy based on unequal rights is alien to the socialist countries. It is precisely an inequitable trade policy which causes permanent deficits in the balance of trade and payments of the developing countries, a factor which prevents them from pursuing an uninterrupted process of enlarged social reproduction and from ensuring adequate living standards to their peoples.

At the present stage, the stabilization of existing prices, followed by the establishment of more equitable prices for raw materials, if of considerable importance for improving the balance of payments of these countries. Naturally, all changes in these prices should benefit the countries producing raw materials and not the monopolies.

The economic and trade relations of the People's Republic of Bulgaria with all countries are based upon the respect of the sovereignty of a given country, upon the principles of equal rights and mutual benefit, of non-interference in each other's internal affairs. The People's Republic of Bulgaria rejects the very idea and does not apply discriminatory practices of any kind. As Mr. Todor Zhivkov, Bulgaria's Prime Minister, recently put it: "... Bulgaria is striving and taking all the necessary measures to develop and further enlarge its trade and its economic co-operation, on the basis of mutual advantage, with all countries and particularly with its neighbours. We favour the development of trade relations, useful both to our countries and to the business circles in the capitalist countries, such as Italy, France, the United Kingdom, etc. We shall further develop our economic and commercial relations with the newly liberated countries, bearing in mind both their possibilities and economic interests, and contributing to the consolidation of their national economies."

Our country maintains trade relations with more than ninety countries. The trade relations of the People's Republic of Bulgaria are steadily developing and in 1962 reached the figure of \$17,000 million.

By 1970, the trade of our country is scheduled to increase to about three times as compared to 1960. The rate of increase of our trade with the developing countries has been particularly brisk: it has increased eight times since 1955.

The planned character of our socialist economy makes it possible to increase every year our trade with all countries. Bulgaria is prepared to sign long-term trade agreements or contracts with the developing countries and to increase its purchases of raw materials,

semi-manufactured and other products. Naturally, this would require a corresponding increase in our exports to these countries.

Besides the abolition of economic and political barriers, the foreign trade machinery and more particularly commodity agreements, measures tending to improve the commodity structure of the exports of the developing countries, the improvement of invisible trade, of transport, insurance and tourism play an important role in the strengthening and development of trade relations between the States and for the expansion of world markets.

The Bulgarian delegation adheres to the proposal of the Soviet representative asking for a re-examination and for increasing the efficiency of the existing international stabilization commodity agreements, as well as for the conclusion of new agreements in this field with the participation of all exporters and consumers of a given product, so as to ensure a steady increase in the trade exchange of these countries at an economically equitable price level. This is the basis upon which one could, among others, reduce, if not eliminate altogether, the influence of the fluctuation of prices of such merchandise upon the economy of the developing countries and establish a balance between supply and demand.

The Conference should also take measures and adopt decisions pertaining to the reduction of the trade and payments deficits of the developing countries as far as invisible trade is concerned, and more particularly in the field of shipping freights, insurance costs, etc.

It is within this framework that we ought to examine the problem of economic, scientific and technical assistance. Our country is not in a position to grant important credits to the developing countries for obvious reasons. We, ourselves, have yet to solve a whole series of problems linked to the reorganization of our economy. Nevertheless, we are providing a number of developing countries with assistance in the field of science and technology; we supply them with capital equipment offering them both the facilities of payment by instalments and the facility of repayment through the export of their own products; we also help them in the training of their specialists. At present, more than 1,200 Bulgarian specialists—agronomists, engineers, architects, doctors, etc.—work in some fifteen countries of Africa, Asia and Latin America, giving their modest contribution to the accelerated economic and technical progress of a number of developing countries.

The assistance which our country and the other socialist countries are giving to the developing countries, is aimed at helping the upsurge of those branches of their economy, which would help them establish their own industrial basis and diversify their economy.

Bringing the economic relations between the different countries back to normal, the elimination of all discriminatory measures as well as of all obstacles

and barriers in the field of international trade, would undoubtedly help towards strengthening confidence between the peoples with different economic and social systems and towards creating a propitious climate for mutual understanding and for the realization of an agreement on general and complete disarmament. In its own turn, such an agreement would contribute to the harmonious development of international economic co-operation and of world trade. It is precisely in this way that our Conference would contribute to the world-wide struggle for the establishment of a lasting peace on earth and for guaranteeing a better future to all people in the world.

The necessity of a new international trade policy, and thereby of a new international division of labour, brings to the fore the urgent need of solving the problems pertaining to the functioning of present-day international trade. At this stage of the world's economic development, international trade can no longer develop within the existing institutional forms.

The present structure of international trade, as it exists between the advanced capitalist countries on the one hand and the developing countries on the other, basically corresponds to what the former colonial Powers wanted it to be. We are all witnesses to the results of this structure. If the developing countries are not actually progressing at the rates they would like to, this is primarily due to the unequal relationship they have inherited from the colonial régimes. The centuries-old division of labour, based upon the exchange of raw materials for manufactured products is the major reason for the retarded development of these countries.

A new trade policy, a new international division of labour imperatively require a new structure of international trade, a new world trade organization.

The past cannot and should not impose its veto upon the future. One cannot and should not mortgage one's future to outdated and obsolete formulae, which in fact conceal selfish interests.

A lot, even a lot more than necessary, has been said about GATT. Leaving aside all that has already been stated and restated, we should like to mention the fact that GATT has been in existence for over fifteen years, yet divergences within the organization have never stopped; tariff barriers are still there; trade discrimination is on the increase and so is protectionism; closed regional organizations of an autarkic character grow in number.

Such are the results of the fifteen years since the establishment of this organization which some delegates recommend to us as a model for our future international trade organization. Therefore, we seem to be justified in our belief that the developing countries ought not to entertain illusions as to the role and the possibilities of GATT in bringing about a solution to the problems of their development and to their share of world trade.

Analysing GATT's activities, Mr. Prebisch pointed out in his report that within this institution "the rules and principles in question have not always been strictly complied with and, even though they seem to have been observed in the letter in certain instances, the spirit underlying them has not been respected". That is why we are justified in asserting that as far as GATT's activities are concerned, we could hardly assess them on the basis of the Treaty regulations, but only on the basis of the practical policy and the concrete undertakings of this organization. This comes to show the extent to which time is now ripe for the establishment of a new international trade organization. This would be an inevitable economic necessity which would make us advance not only towards an ever-growing internationalization of productive forces, but also to an ever-greater universality of international trade.

All these considerations lead us to the conclusion that GATT and other similar organizations cannot serve as a basis for the new trade organization. As a matter of fact, we have gathered here to seek new ways and new solutions. At present, the requirements of the objective trends in world trade and development are quite different from what they were. The changes in the motive forces on international markets and in their rates of development ask for the establishment of a new system of international economic relations as well as for the creation of an organization which would be in a position to guarantee the equitable implementation of the principles of an international trade and development policy.

The draft resolution on "Principles of international trade relations and trade policy", which was submitted by the delegations of Poland, the Soviet Union and Czechoslovakia to the Preparatory Committee at its third session, and the Declaration by seventy-five developing countries, which was adopted by the United Nations General Assembly at its eighteenth session, both contain, in the view of our delegation, the essential premises whose acceptance by our Conference will open a new page in the history of international trade relations.

The corner-stone of these new relations must and will be recognition—not as a legal fiction, but in fact—of the equality of all countries, large and small, developed and developing and with different social systems, in their international commercial and economic relations.

In this connexion, the elimination of all the preferences granted to developed countries by the developing countries—which are a remnant of the colonialist system—and also the granting of certain preferences to the developing countries, are more than necessary.

The draft resolution sets forth in detail the measures which our Conference must take in order to put these principles into effect.

The Bulgarian delegation hopes that, through the joint efforts of the representatives of all countries participating in the Conference, we may adopt these principles which, I am sure, will ultimately become a new great charter of international relations.

Led by these considerations, the Bulgarian delegation supports the proposal tabled by Poland, the Soviet Union and Czechoslovakia and pertaining to the establishment, under the auspices of the United Nations, of an international trade organization. Such an organization, international and universal by its character and scope, would examine all problems of world trade, work out collective proposals and take measures with a view to their actual implementation. It would also ensure the application of its own decisions and recommendations. Such an efficient and active organization would answer the necessities and requirements of all countries, irrespective of their social systems and of the level of their economic development.

Naturally, this international trade organization would not have the task of planning imports and exports on a world-wide scale; it would rather have the task of removing all economic and political obstacles now impeding international trade relations. Its goal would be to open up ever larger opportunities for international economic co-operation, in the interest of progress and peace.

Allow me, in conclusion, to reiterate what I said at the outset of my statement, namely, that the decision of the United Nations General Assembly to convene this Conference has been warmly welcomed and has given rise to new hopes. The nations have sent to this Conference their most competent representatives in the field of trade, so as to see these hopes fulfilled.

The Bulgarian delegation is of the opinion that all the necessary conditions are at hand so that the Conference may justify these hopes and by co-ordinated decisions put an end to a past and mark the starting point for a truly new international policy in the field of trade and development.

STATEMENT BY H.E. U MAUNG MAUNG, AMBASSADOR,  
HEAD OF THE DELEGATION OF THE UNION OF BURMA  
at the twelfth plenary meeting, held on 31 March 1964

[Original text: English]

First of all I would like to join my colleagues in extending to Mr. Kaissouni the sincere congratulations of our delegation on his election as President of this historic United Nations Conference on Trade and Development. Having participated earlier in the Cairo Conference on Problems of Economic Development at which his able and wise leadership gave a great impetus to its success, we feel assured of a similarly successful conduct of this Conference.

May I also say how greatly we value and respect the able guidance and direction that Mr. Prebisch has rendered us right from the preparatory phases of this Conference. His presence here as the Secretary-General of the Conference is a source of strength to all of us. Also, we would like to pay compliments to the unanimously elected members of the Bureau, particularly the Rapporteur.

The representatives that preceded me at this rostrum have already elaborated on the significance and purpose of this Conference. I shall therefore confine myself to a few points which my delegation wishes particularly to emphasize and support.

The vulnerability of primary commodity trade, on which the economies of most developing countries are based, has already been touched upon in the course of the debate. The only justification for my taking up this point again is the fact that my country offers a classic example of such vulnerability. Burma, as the leading exporter of rice in the world, is dependent on this commodity for its foreign exchange earnings to the extent of as much as 70 to 80 per cent.

The formulation of a comprehensive national development plan in my country coincided with the immediate post-war boom period for its staple export—namely, rice. The financial framework of the plan, particularly its foreign sector, was based on long-term projections of earnings from this commodity on the strength of expert opinion from national and international sources. But hardly had the implementation of the development plan gained momentum when the international price of rice fell by almost half, thereby completely putting out of gear the financial framework on which the plan was based. As a result, the implementation of the plan had to be abandoned, with serious consequences, the after-effects of which have not yet ceased, to the economy and to the process of planning. Had there been then in existence an international scheme for compensatory financing, such as that now being advocated by the Secretary-General

of this Conference, Mr. Prebisch, my country might have perhaps been spared those unhappy consequences.

It has been pointed out in various publications on world trade that the volume of exports from less developed countries rose at an annual rate of 3.6 per cent in the nineteen-fifties while the volume of imports increased at an annual rate of 4.6 per cent during the same period. In the case of Burma, exports increased at an annual rate of 4 per cent while imports increased at an annual rate of as much as 13 per cent. These few facts and figures will amply demonstrate the problems faced by an export economy like Burma with a more than 20 per cent ratio of its foreign trade to its gross domestic product.

A number of previous speakers has alluded to various causes and effects of international commodity problems. In our opinion, the crux of the primary commodity problem is that in addition to such natural factors as low income elasticity of demand, development of synthetic substitutes, diminishing export surplus due to population growth, etc., the agricultural sector of under-developed economies, which has to produce the surplus for industrialization and modernization, is having to compete with vastly more efficient agriculture in certain developed countries which in addition receives price support, or with relatively inefficient agriculture in certain other countries which nevertheless is strongly protected and subsidized by the very advanced industrial sector. It is therefore not only that the infant industries of the developing countries have to compete with the established modern industries of the developed countries, but their agricultural sector meets with stiff and often unfair competition from the protected agricultural sector of the developed countries. This Conference should therefore take positive steps for structural changes not only in the developing economies for purposes of diversification and modernization but also in the developed economies for purposes of removing agricultural protectionism and impediments to import of semi-processed and manufactured goods from developing countries.

With regard to the proposed conclusion of more long-term commodity agreements, my delegation would like to make the following observations. When international trade of a commodity forms a small proportion of its total world production on account of the marginal nature of the exportable surpluses in exporting countries or of the import needs of importing countries, concerted multilateral action may be more difficult to achieve. In such a case, it might be more to

the advantage of trading partners to enter into bilateral long-term agreements.

Another observation my delegation would like to make is that, unfortunately for exporting countries, proposals for long-term commodity agreements are made at times when the international prices of these commodities have become abnormally low. There is also another disadvantage to the countries which are small producers at the moment but which have a much larger potential, in that the quotas in these agreements for these producers tend to be pegged at a rather low level. Long-term international commodity agreements which will avoid these pitfalls can, however, do a great service to both producers and consumers alike. Careful deliberation on a commodity by commodity approach will be required in entering into long-term international agreements.

With regard to compensatory financing, while welcoming the arrangements recently introduced by the International Monetary Fund, we feel that such schemes as a United Nations development insurance fund, with automatic compensatory payments, or a revolving international fund for stabilization of export receipts, renewable on depletion by developed member countries, should be discussed with the keen attention that they deserve. However, while these schemes can assist countries in their short-term balance of payments difficulties, it is widely conceded that they cannot be of much help in the case of a secular trend of deteriorating terms of trade accompanied in all cases by an increasing need for long-term development capital. It is in this context that the long-term scheme for compensatory financing as proposed by Mr. Prebisch assumes its significance—a significance which has been amply demonstrated in the case of my own country as mentioned earlier.

The need of developing countries for long-term capital at low interest for development purposes is indisputable. The aggregate amounts of development funds needed by these countries are at present far greater than those that have been forthcoming from such existing channels as the International Bank for Reconstruction and Development and other agencies. On the other hand, the grants-in-aid at present extended by the developed to the developing countries on a bilateral government-to-government basis, while useful to some extent, tend to stifle initiative and self-reliance on the part of recipient countries. Also the political implications of such bilateral arrangements are reminiscent of the intensified cold war period. I submit that the times we live in and are moving into are the times of international co-operation and not of tensions. It is therefore highly desirable to explore additional sources of capital from developed industrial nations for development funds. A proliferation of the means and resources available to the developing countries are the best insurance for maintaining the momentum of their development efforts.

In this respect I would like to say that though the representatives of the most industrialized nations have

here and in the United Nations General Assembly often emphasised the need to tap capital from private sources, it is a commonplace experience that private foreign capital is extremely conservative and parochial regarding investments in developing countries, which after all could not offer gilt-edged prospects. In this connexion my delegation would like to draw attention to a proposal already in existence, that if the developed industrial countries would be prepared to provide collateral security and guarantee high enough interest rates, more capital could be raised by international agencies in various international centres, to be lent out again to the developing countries at low interest rates for long enough periods for development purposes. The burden of the difference between interest rates charged to the developing countries and those paid in international capital markets could be distributed among the developed countries at insignificant cost to them. At the same time, this kind of arrangement where resources are channelled through international agencies, would be politically more acceptable to many of the developing countries.

Coming to the institutional arrangements to implement measures relating to the expansion of international trade, my delegation strongly feels the need for new machinery under the aegis of the United Nations to implement new ideas developing out of, or as confirmed by, this Conference. Whatever form the new machinery may take, it should have wide competence in the field of international trade—trade in this connexion to be construed also as an instrument of economic development. The new machinery should have the authority and the capability of co-ordinating activities in international trade of existing institutions. Its membership should be as wide as possible.

Many representatives who had preceded me, particularly from the great industrial nations, have warned us that there is no simple solution, no all-embracing formula and no magic panacea for the world's trade and development problems—especially of the developing nations. It is true and indeed too obviously so. And because of the great dimensions and the complexity of the very nature of these problems, we must seek ways and means that would provide deliberate, relentless and united efforts to their solutions by the totality of all of us, nations and peoples of this world. An intermittent and pedestrian manner of tackling the problems of international trade and development, while providing momentary successes would not lead us to a purposeful pursuit of even the modest goals of the Development Decade. Such limited and desultory actions possibly might even generate more problems.

My delegation do appreciate the great value of holding conferences of this kind at regular intervals; we also appreciate the efforts, in the field of trade and development, of various other organizations, agencies and commissions. However, the time has come now for the international community as a whole to take the rational and logical step of making an integrated and

continuous effort; hence the urgency of the need for a new institutional framework which has the inner organizational strength and structure to serve the great needs of the present-day problems. Institutions which have been set up with specific roles and purposes, however well they may have fulfilled their objectives, must remain in essence institutions of limited orientation and capability when faced with larger tasks of a different nature. Superficial changes in them, short of a complete transformation, will not turn them into an organic complex, which is now required in the field of international trade—particularly trade as an instrument of development.

The measure of seriousness of purpose at this historic Conference will be the spirit with which we tackle the basic issues, such as the breaking down of barriers to trade, the free flow of financial resources as well as of technological knowledge and an organized and sustained approach to the trading problems and development needs of the under-developed nations. Nevertheless, the success or failure of international co-operation would largely depend upon the present-day world Powers taking bold and resolute steps in the basic issues.

Economic co-operation and social responsibility, in the history of the world, have never reduced great nations to poverty nor caused the lowering of their standards of living. It was the intense struggles for economic hegemony and monopoly in the enjoyment of rights and privileges that have led to wars or internal degeneration; only these have been the cause of the impoverishment of and the passing away of great metropolitan powers, or even of civilizations. In our generation the age of wars is well past; the Disarmament Conference is a mere formalization of the actual reality. Alliances of military orientation are redundant because of this very fact. Even the exploitation of the "fear of war"—the element of threat—has been exhausted, as the Cuban crisis amply demonstrated to all of us. The age of contests for greatness and hero-nations has ended with the coming to maturity of social thought, together with the progress of scientific and technological knowledge. Presently scientific contest is giving way to scientific co-operation among nations. All this is leading human society towards the only possible competition—the contest in the greater progress towards social benefits to humanity itself—in brief a contest (among nations) in world social conscience.

Here may I again come to another reality we face today, i.e., that of economic groupings of nations oriented towards economic competition with the rest of the world. It has noteworthy advantages to a certain extent. But clearly it has its limits. In its early phases it does generate and accelerate growth and prosperity but once economic growth of the groupings has reached proportions when they begin to impinge on each other it no longer is beneficial even to themselves. But worse of all it begins to sow seeds of serious conflict. In this age human society can no longer afford the struggle between the great. The only way these great economic groupings can avoid serious clashes is either to remain self-contained, isolationist, internally oriented, or open up to full and total co-operation with the rest of the world. But circumstances eventually will force even the inward-looking groupings to reorient themselves towards global co-operation for further growth. Only total co-operation in the spirit of world social responsibility can sustain their own prosperity and also that of others. No doubt there will be areas of competition—of technology, of methodology, of standards of social benefits, of different approaches to the same problems and the same goals—within this world complex. But fundamentally the world would be a single socio-economic complex and the contests within would be healthy, positive and progressive because of the great umbrella of total co-operation.

In conclusion, we are now at the threshold of this new epoch in human aspirations. The historic role this Conference will play will be determined by the sense of history of the great Powers. However, even if there are attempts to delay the taking of a forward step, if there is still reluctance to take up this role of world social responsibility, the march of time will force it upon all of us. No doubt under this alternative we will be forced to go through greater sufferings and greater sacrifices. But then, these will not be borne by the under-developed alone. The rich nations will also reap their share of the price of reluctance, much more than what they are to contribute now. We, the people of the under-developed nations, do know what suffering is in this age of general prosperity and scientific progress. But we are willing to make the necessary sacrifices; indeed many of us are already making determined efforts, with full knowledge of the price of development. However, if there is greater response from the industrial powers towards wide and effective co-operation, many of the pains and tensions could be avoided.

STATEMENT BY H.E. MR. A. S. SHAVROV,  
MINISTER OF FOREIGN TRADE, HEAD OF THE DELEGATION  
OF THE BYELORUSSIAN SOVIET SOCIALIST REPUBLIC

at the twenty-fourth plenary meeting, held on 8 April 1964

[Original text: Russian]

The delegation of the Byelorussian Soviet Socialist Republic associates itself with the congratulations conveyed to Mr. Kaissouni from this rostrum on the occasion of his unanimous election to the responsible post of President of this Conference, which has the task of finding just solutions to current problems of international trade and development.

I should also like to comment with satisfaction on the large amount of useful work done by the Secretary-General of the Conference, Mr. Prebisch, by the Secretariat of which he is the head, and by the Preparatory Committee of the Conference.

The present United Nations Conference on Trade and Development is an event of exceptional importance. In our time, when the strengthening of world peace, the achievement of general and complete disarmament and an increase in the tempo of economic and social progress are tasks of primary importance, inter-State economic co-operation, and especially international trade, are coming to play a more and more vital part. In the words of Mr. N. S. Khrushchev, Head of the Soviet Government: "Foreign trade is a healthy and sound basis for developing and strengthening coexistence between States with different social and economic systems".

In the view of my delegation and of many others, the object of our Conference is to devise practical measures for creating better conditions for the development of world trade. This would help to secure for all countries a fitting place in the international distribution of labour and would usefully supplement the developing countries' efforts to eliminate the effects of colonialism on their economy and foreign trade.

The Byelorussian SSR considers that, to ensure the extensive development of world trade, all artificially erected barriers must be removed, and that discrimination must be ended once and for all.

The negative consequences of discrimination and restrictions in international trade affect many countries, especially the developing ones. The Cuban representative, Mr. Guevara, adduced in his statement many concrete examples of discrimination, crude economic pressure and the baneful effects in many countries of such practices by the imperialist States; to the protagonists of a policy of discrimination, he addressed a number of questions to which, as we see it, the Conference is entitled to receive replies.

A normalization of international trade, particularly between East and West, will undoubtedly benefit the developing countries' foreign trade, thus creating the conditions for their more rapid economic development and for the consolidation of their positions as trading partners enjoying equal rights. It will also benefit the developed western countries, for an increase in purchases of their wares by the socialist States will raise the level of employment in the West.

To ensure favourable conditions for the development of international trade in the interests of the whole world, the efforts of one country or group of countries are not enough: a united effort by all States is essential.

A sound basis for the solution of these problems is provided by the "Principles of International Trade Relations and Trade Policy", submitted to the Conference by the delegations of Czechoslovakia, Poland and the Soviet Union. This document, which had the full approval and support of the delegation of the Byelorussian SSR, reflects the radical changes in international trade and economic relations that have occurred in the world at large. Its keynote is concern for the interests of the developing countries, to which it would extend a number of trade privileges and advantages.

Through the all-Union foreign trade organizations, the Byelorussian SSR exports its produce to sixty-three countries. Whereas pre-revolutionary Byelorussia exported only unprocessed timber and some agricultural raw materials, we now export tractors, heavy lorries, metal-cutting machine-tools, agricultural machinery, electric motors and transformers, ball-bearings, motorcycles and bicycles, radio-engineering devices and electric meters, medicaments and many other articles. During the period 1960-1962, there was an approximately threefold increase in our exports to the newly independent countries of Africa alone.

The Byelorussian SSR is also a major consumer of imported goods. During the last five years, our imports of machinery and equipment have risen by 150 per cent, while those of foodstuffs, including tropical products, and manufactured consumer goods have increased by 90 per cent.

The Byelorussian economy will be assured of high growth rates in the coming years by the continued increase in deliveries of goods for export and by a further rise in the consumption of imported goods. Steps have



recently been taken to enable economic organizations to expand their exports and acquire a greater volume of imported articles.

Our delegation is deeply sympathetic towards the desire of the peoples of the developing countries, as expressed in the course of these discussions, to put an end to their age-old backwardness as soon as possible, and to create and develop their national economies, thus providing a firm basis for independence.

At this Conference we are especially concerned with possible ways and means of promoting the development of the newly independent States, and creating favourable conditions for the development of their trade, including the establishment of fair terms of trade. In considering these problems, the Conference must not be like the doctor who started to cure the patient without making an adequate diagnosis beforehand.

Our delegation cannot agree with those representatives of western countries who pessimistically predict that the developing States will have a long and painful journey to make before they attain a high level of industrial development. This view is obviously based on the assumption that the foreign monopolies will continue to exploit the developing States' natural resources, appropriate the fruits of the hard work done by the populations of these countries, and profit by this unequal exchange in international trade.

But the time has gone for ever when colonizers could behave as they pleased towards the developing countries. The conditions are now present in the world for the developing countries to consolidate their international position and overthrow colonialism and its consequences.

Independent, strong, viable and diversified economies can be created only by destroying the ascendancy of foreign monopolistic capital, building up and strengthening the State sector, introducing agrarian reforms in the interests of the peasantry, and by other progressive measures.

In the course of the general debate, several representatives of western countries have sought to convince the Conference that all the problems of the developing countries could be solved on the basis of free enterprise, by encouraging foreign investment. Our delegation maintains that recommendations of that type are fraught with very serious consequences, for we must not forget that the ascendancy of the colonizers, who held those same ideas, is the main cause of the present unhappy economic situation of the developing countries. Moreover, unless the preponderance of foreign monopolies is destroyed, the situation will only become worse, for the developing countries will lose, not strengthen, their hard-won independence.

The pleas of the representatives of the western countries that it should be made easier for private capital to enter the developing countries, and that international guarantees should be established to protect such capital from so-called political risks, are fraught with great danger.

Many representatives have already pointed out that foreign private capital is being invested in the developing countries for purposes not aimed at developing the economies of those States. For example, the Minister of Commerce and Industries of Ceylon rightly stated that:

"The experience of many less developed countries in regard to private capital inflow has been disappointing, despite the maintenance of a favourable climate for foreign investment. The fact of the matter is that private capital moves to where it can get high profit returns."

The entire history of private foreign investment proves conclusively that not only does it not aim at solving the development problems of the young independent States, but that it is unable to do so.

In examining this problem, we also consider it necessary to emphasize that it is high time to carry out General Assembly resolution 1710 (XVI), which called for "...policies designed to ensure to the developing countries an equitable share of earnings from the extraction and marketing of their natural resources by foreign capital..."

We believe that it is the duty of the Conference to consider how, in so far as they exceed an appropriate maximum, profits on foreign capital investment can be returned to the developing States through international organizations or other means. In this connexion, the basic assumption must obviously be that profits on foreign investment in developing countries should not be greater than profits on capital investment in the developed countries.

As regards the matter of unfair terms of trade, the delegation of the Byelorussian SSR considers it necessary, in addition to what has already been said, to draw attention to yet another cause of this abnormal situation.

According to data in the United Nations *Yearbook of International Trade Statistics*, 1961, we see that for the period 1958 to 1961, i.e., during the collapse of the colonial system, the terms of trade for the countries of North America and Western Europe improved by 4 per cent, while they deteriorated by 7 per cent for the countries of Africa, 8 per cent for Middle Eastern countries, and 5 per cent for Latin American countries.

These facts show that, far from seeking to strengthen the developing countries' economic independence, the capitalist monopolies are using international cartels and closed trading and political blocs for the purpose of lowering the prices of the goods produced by the developing countries and raising the prices of their own goods.

The result is that, as U Thant, the Secretary-General of the United Nations, pointed out not so long ago, the fall in raw material prices throughout the last decade, while benefiting the rich western countries, has not only reduced to nought the total sum of western aid, but has in many cases produced an absolute drop in national income.



In order to put an end to this trend, it is necessary to get the better of the heavy legacy of colonialism represented by the fact that western monopolies control 60 per cent of the developing countries' exports. The natural wealth and resources of the developing States must be placed entirely at the service of their peoples in accordance with the principles confirmed in the decisions of the United Nations.

As the representatives of a number of countries have already proposed, the implementation of the above-mentioned measures should be supplemented by the drafting and conclusion of international agreements on particular commodities. This will enable sound and stable price levels to be established. The developing countries will thus obtain reliable sources of financing for their economic development programmes; and this will be far more in accordance with their interests than the proposals made here for a compensatory fund. We believe that the problem should be solved by removing the causes of the losses suffered by the developing countries and not by providing partial compensation for those losses.

We are, naturally, in favour of the idea that those who have enriched themselves by the colonial exploitation of the countries of Africa, Asia and Latin America should return their ill-gotten gains to those countries. It is, of course, no secret that the imperialist monopolies have for many years been pumping out thousands of millions of dollars every year from the developing countries through a variety of channels; Mr. Kreisky, the representative of Austria, has assured us that the western countries are now sacrificing "a part of our national cake". But it must not be forgotten that this cake is baked with colonial dough.

In the past forty-odd years, i.e., during the lifetime of the present generation, Byelorussia has successfully overcome backwardness and set itself on the path of progress thanks to the socialist revolution. This transition was accomplished despite the fact that the Byelorussian people were compelled on two occasions, because of wars forced upon them, to begin their development at the same level as that at which many newly-independent countries now find themselves.

Here are some figures that are worth considering. During the Second World War, Hitler's forces burned and reduced to ruins 209 cities with their industries, and 9,200 towns and villages, causing heavy losses to agriculture. The material damage inflicted by the nazis on the economy of the Republic is estimated at 7,500 million roubles. Our heaviest loss, however, was the death of more than 2 million people, i.e., more than one fifth of the Byelorussian population, killed by Hitler's forces.

The Byelorussian people began to rebuild their economy on the ruins and ashes, and were able within a short time not only to heal the grievous wounds of war, but also to ensure the rapid further development of the economy. They accomplished this thanks to the advantages of the socialist system, the heroic efforts of the

working people of the Republic and the brotherly assistance of all the peoples of the Soviet Union.

As a result, in 1963, the total volume of the Republic's industrial output was 5.6 times greater than in the pre-war year 1940 (forty-two times greater than in 1913). The average annual industrial growth rate for the period 1946-1963 was 21 per cent. All this ensures high and steady rates of increase in national prosperity.

At present, our people are successfully carrying out the impressive programme of the Twenty-Second Congress of the Communist Party of the Soviet Union for the establishment of the material basis of communism.

Guided by the sincere desire to assist the developing countries in their struggle against economic backwardness, the socialist States, including the Byelorussian SSR, are providing them with various kinds of aid and support. Machinery and equipment produced in our Republic, as well as the services of Byelorussian specialists, are being used in the construction, in the developing countries, of the industrial plants referred to by the representative of the Soviet Union.

Hundreds of citizens of the developing countries have received training or improved their qualifications with the assistance of Byelorussian specialists. The Republic contributes materially to the technical assistance programmes of the United Nations and the Special Fund.

Two important international seminars for the representatives of developing countries are to be held this year in Minsk, the capital of our Republic: the United Nations inter-regional seminar on the "Social aspects of industrialization" and an FAO seminar on problems of the production and processing of dairy produce.

Our Conference is considering a large number of complicated and urgent problems, the solution of which is a matter of interest to all countries in the world. We deeply regret that, as a result of the position taken by the western countries, a number of States, which play an active part in international economic relations and are in favour of solving problems of international trade and development on the basis of the principles of equality and mutual advantage, have not been invited.

It is unjust that among those attending the Conference there should be no representatives from the German Democratic Republic—a peace-loving State which has a great economic potential and is becoming a major partner in international trade. Nor has any invitation been extended to the representatives of the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam. The place which rightfully belongs to the People's Republic of China is occupied by Chiang Kai-shek supporters, who represent no one. On the other hand, the Conference is attended by representatives of the Republic of South Africa and of Portugal, countries which have done

things that have made them outlaws from the international community and which deserve to be excluded from the Conference since the policies of their Governments are contrary to the Conference's principles and objectives.

The problems confronting the Conference are such, by their nature and scope, as to require that efforts to solve them should be made on a permanent basis and that new measures should be regularly devised to promote the development of free international trade without discrimination of any kind.

Work can be done on these lines if a permanent executive body—an international trade organization—

exists. Such an organization, as provided for in the proposals of the delegations of Czechoslovakia, Poland, and the Union of Soviet Socialist Republics\*, must be open to all interested countries; and it must be established on the basis of principles acceptable to all States, regardless of differences in their social and economic systems, and in the level of economic development.

Throughout the Conference, the delegation of the Byelorussian SSR will do its utmost together with other participants, to find mutually acceptable solutions for all the pressing problems of international trade, economic development and co-operation.

**STATEMENT MADE BY H.E. Mr. TOUCH KIM,  
MINISTER OF COMMERCE OF CAMBODIA,  
HEAD OF THE CAMBODIAN DELEGATION**  
at the thirteenth plenary meeting, held on 1 April 1964

[Original text: French]

In the name of the delegation of Cambodia I associate myself with the distinguished speakers who have preceded me here in offering Mr. Kaissouni my warmest congratulations on his election to the Chair of this World Conference on Trade and Development to which my country attributes very special importance.

In taking the initiative in organizing this international Conference on Trade and Development at a time so fraught with disappointments, the United Nations has given clear proof of its vocation as arbitrator in the great international issues and its determination to fulfil its high mission for the maintenance of peace in the world according to the Charter of the United Nations.

The delegation of Cambodia, in whose name I am speaking, expresses its great satisfaction at being able to take part in this first meeting of such political and humanitarian importance which aims at the harmonious organization of international trade exchanges so as to bridge the gap which separates the peoples of the developing nations from those of the developed ones.

It however regrets the absence of the People's Republic of China which, with its 700 million inhabitants and its enormous economic progress, plays an extremely important part in the world trade of our time. The United Nations should revise as soon as possible its attitude to this, the most densely populated nation in the world, for the inevitable cannot be avoided.

The Cambodian delegation has studied the questions contained in the agenda of the Conference with the

keenest interest. It sincerely hopes that the discussion of these questions will lead to formulae and fundamental rules for international trade suitable to the present situation, the application of which will make possible the equitable distribution throughout the world of the wealth resulting from the common efforts of men of all conditions, races and faiths.

It will contribute most willingly to the search for solutions, since it believes that international trade, if well understood and well organized, could become a very efficient instrument in economic development and a powerful factor for the stability and security of the world.

I shall not waste the time of the Conference by making an academic speech. I shall merely stress the following two points which I believe to be fundamental:

1. International trade relations must, at all costs, be revised in order to permit the developing countries, if not to catch up with the rich and developed countries, at least to reduce the inequalities existing at present which, if no remedy is provided, will become irreparably more pronounced and constitute, in the long term, a source of discord among the peoples, of general dissatisfaction and world instability.

The economic future of the globe would seem rather gloomy in view of this tendency and the unequal distribution of wealth which creates a small number of rich countries and a large number of poor countries, although the capacity of world production

\* See Vol. V.

is perfectly capable of making all countries "equally developed".

2. The two most urgent questions to be solved in favour of the developing countries must be:

- (a) The raising of the prices of primary commodities to a remunerative level for the producing countries;
- (b) The stabilization of international markets for primary commodities.

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The Cambodian delegation cordially thanks Mr. Raúl Prebisch, Secretary-General of the Conference, for having already analysed all the elements of the problem in his document entitled *Towards a new trade policy for development*. This invaluable study will serve as a basis, with the memorandum presented by France and the draft principles presented jointly by the USSR, Poland and Czechoslovakia, for discussions intended to find adequate and truly constructive solutions.

For its part, the Kingdom of Cambodia will rely upon the results of the present Conference to accelerate the process of its economic development, since it is fully determined to become a "developed" nation following the example of the other advanced countries of our planet. Having attained its political independence in 1953, it is making real efforts, under the constant impulse of Prince Norodom Sihanouk, for the progressive completion of its economic independence.

The "national Buddhist socialism" which it practises internally allows coexistence of private enterprise, mixed economy companies in which the public and private sectors co-operate and State undertakings, and the "political and economic neutralism" it applies externally, permits it to maintain trade relations with all countries in the world. The progressive rise in its agricultural production has allowed it to increase the global value of its exports from year to year. For example, the figure for 1963 (3,100 million riels)

exceeds that for 1956 (1,282 million riels) by 142 per cent. Unfortunately, the continuous deterioration in the prices of raw materials on the world market still constitutes a serious obstacle to the general advancement of its economy. To realize this it will be enough to compare the figures for its rubber exports which are given below:

Year	Tonnage (in thousand tons)	Value (in million of riels)
1960 . . . . .	36	829
1961 . . . . .	37	800
1962 . . . . .	40	720
1963 . . . . .	42	700

It will be noticed that the tonnage has increased while the value has fallen.

In spite of all the difficulties encountered, we have decided to accelerate the development of our economy by the recent adoption of measures of economic and financial reform, after our renunciation of American aid the conditions of which were incompatible with the sovereignty and dignity of our people. We are convinced that we shall succeed in a more or less short term, thanks to the wisdom of our Chief of State, to internal peace and national unity.

This conviction will be even further reinforced if the fourteen countries which put an end to the war of Indo-China in 1954 agree to meet again in Geneva, in accordance with the proposal of Cambodia, to guarantee its neutrality and territorial integrity against frequent foreign aggressions of which the most recent was the air raid at Chantrea on 19 March 1964, for which the Governments of South Viet-Nam and the United States were jointly responsible.

It is thus with a heavy heart that, in the name of the delegation of Cambodia, I express the hope that the nations of good will represented here will succeed in starting, with this World Conference on Trade and Development, a new era of international co-operation for the welfare of all mankind, and in building a new world from which the spectre of famine and war will be for ever banished.

**STATEMENT BY H.E. Mr. VICTOR KANGA, MINISTER  
FOR ECONOMIC AFFAIRS, HEAD OF THE CAMEROONIAN DELEGATION  
at the eighth plenary meeting, held on 26 March 1964**

[Original text: French]

After having been long and urgently called for by the developing countries, whose struggle with economic difficulties is in striking contrast with the unparalleled prosperity of the industrialized countries, the United

Nations Conference on Trade and Development has now begun.

The first act of the Conference has been to appoint Mr. Kaissouni as its President and, following the

example of so many eminent speakers, I wish, on behalf of my delegation, to convey to him our warmest congratulations on his election which is an honour appropriate to his brilliant career as economist and statesman. May I, speaking personally, mention the deep and favourable impression made upon me by our recent meetings at Cairo, when we put our signatures to commercial agreements on behalf of our respective countries?

We are delighted at this unanimous expression of confidence in him and are proud when we consider that the tribute thereby paid reflects not only on the United Arab Republic, to which we are bound with close ties of friendship and brotherhood, but on our mother continent of Africa and the under-developed world as a whole.

We are convinced that his outstanding qualities will enable him to guide our work towards the sound and practical solutions for which the peoples of our various countries are anxiously waiting.

We should also like to congratulate Mr. Hakim on his election as General Rapporteur of the Conference, which fittingly symbolizes the historic traditions of the Lebanon in the field of commercial relations throughout the world.

We also wish to take this opportunity to express our admiration for the remarkable way in which Mr. Prebisch, Secretary-General of the Conference, and his assistants have prepared and documented our Conference and made our present meeting possible and for the very useful and instructive report which he submitted for our consideration at the outset.

May I also repeat our very sincere thanks to all those delegations which honoured us with their confidence and good will by appointing us as a Vice-President of this Conference.

Rarely in the history of mankind—except under the direct threat or on the morrow of war—have so many leading personalities representing so many nations and so many international organizations been gathered together in a period of peace and comparative general prosperity. The reason for this is that this Conference is not like any other conference, and should not be allowed to become so.

When we decided to meet here—and I am convinced that those who, willingly or unwillingly, are not among us are following our deliberations none the less attentively—we resolved to undertake a collective reappraisal of the present dramatic economic expansion with its contradictory and paradoxical trends.

Experts in all fields are agreed that mankind has never before enjoyed such well-being, such knowledge and such mastery of the forces of nature—forces which, if it were so decided, could lead to even higher levels of well-being. Never before have such quantities of goods been manufactured. But what is the result? Prosperity for some, for the minority, and stagnation and even impoverishment for others, who constitute the vast majority. This dangerous situation of imbalance con-

cerns us all because it represents a challenge to our conscience, to our solidarity and to our very existence as human beings. It concerns us because it tends to generate those violent and regrettable antagonisms which have marked each stage in the history of mankind.

So many pertinent and detailed analyses of the general situation have been made—without, however, exhausting the subject—that I will confine my contribution to the discussion, to a short statement of my delegation's views on the main problems on our agenda.

It has already been stated—and we do not hesitate to repeat it, since it is the very reason for our presence here—that there has been a steady and disquieting deterioration in the terms of trade affecting the developing countries.

A number of reports by international economists and the recent annual report of GATT, published in 1963 and covering the years 1961 and 1962, show that not only are the prices of raw materials rising less rapidly than those of manufactures, but that the prices of primary commodities are falling while those of manufactures are rising. Under these conditions of inequality in the system of world trade, insistence on free competition will only lead to an aggravation of the economic difficulties of the under-developed countries. It is therefore necessary to remedy or reduce this inequality to make truly healthy competition on the world market possible.

The elements of a better international policy must be worked out, both at the world level and within the framework of regional groupings, in order to secure for developing countries an optimum rate of economic growth.

Solutions must be found to provide the greatest possible expansion of exports of primary commodities, manufactures and semi-manufactures by the developing countries and of the industrialization of those countries.

If it is impossible to set up new organizations for international trade, the existing institutional machinery must be redesigned and adapted to world trade conditions while taking into account the needs of the developing countries.

The problem of primary commodities and the stabilization of commodity prices is one of the first which must be solved if a policy of promoting a balanced world economy is to be achieved.

Primary commodities account for a significant proportion—approximately half—of the total volume of international trade. About 50 per cent of all primary commodities, representing some \$25,000 million, are supplied by the developing countries, of which the economic development largely depends on their receiving a stable and fair income from their exports of primary commodities and manufactures.

Because of their extreme dependence on international trade and the very restricted range of their primary products, the developing countries and, above all, the

African countries, are seriously affected by the deterioration in the terms of trade, which I mentioned earlier, and are therefore more vulnerable to fluctuations in their export earnings.

In 1952, two primary products accounted for 90 per cent of the value of exports of seven developing countries, and 50 per cent of the value of exports of thirty-two countries. Cameroon is an example of a country in that position since, until 1961, coffee and cocoa accounted for 50 per cent of its export earnings, although the figure has now fallen to 45 per cent.

Furthermore, the GATT report which I mentioned earlier points out that in 1962 the total value of exports of manufactures rose by 6 per cent while that of primary commodities rose only by 4 per cent. These figures should be compared with the rate of growth of the aggregate export earnings of industrialized regions, which rose by 76 per cent while those of non-industrialized regions increased by only 31 per cent.

The problem of the volume of primary commodity exports is an important one, and it is regrettable that certain groups of developed countries still close their markets to our products whilst others impose restrictions on their entry, but the problem of primary commodity prices is no less important. The prices of the products which are vital to our countries fluctuate considerably from one year to the next, which greatly hampers any long-term policy of planning and development and creates extremely serious social problems, since producers do not receive an adequate return for their work and rightly feel that they are being unjustly treated.

For Cameroon, the fall in price of cocoa and coffee between 1961 and 1962 represented a loss of 2,000 million francs CFA.

At the national and regional levels, steps to combat these price fluctuations have been taken; such as the price stabilization funds set up by Cameroon for cocoa, coffee, cotton and ground-nuts.

However, these regional measures have proved inadequate; a solution on a world scale must be found to the general problem of stabilizing primary commodity prices.

Various systems have been tried, such as international agreements fixing production and export quotas, the creation of international buffer stocks and the granting of compensatory credits by some importing countries.

Detailed study by each of the committees concerned should reveal the advantages and drawbacks of each of these various solutions for each commodity or group of commodities.

It is necessary to stress at the outset, however, the vital need for a system of market organization in the field of raw materials and, within such a system, for the industrialized countries to lower their trade barriers in favour of products from developing countries.

New proof of this need is provided by the improvement in the world coffee market since the International

Coffee Agreement of September 1962 came into force. In certain cases, such market organization systems are feasible only at the regional level, but the tendency, once a solid regional basis has been established, should always be to extend them into world systems.

The organization of markets and the stabilization of raw material prices are inadequate remedies unless they lead to a genuine revision of the prices of tropical commodities which, as I pointed out just now, have been declining steadily in relation to the prices of manufactured goods.

Prices of raw materials must be stabilized at a level which not only corresponds to a vital minimum of remuneration for the producer, but also includes a margin allowing for the investment which is essential to development and the maintenance of a growth rate for which a minimum target of 5 per cent was recommended within the framework of the United Nations Development Decade. In any case, this growth cannot be achieved solely by means of external aid; it must also be secured through domestic savings. In order to maintain this rate of growth, raw material prices must not only be stabilized at a reasonable level, they must also be maintained in relation to those of manufactured goods.

My delegation therefore believes that the organization of the international market on a commodity by commodity basis, so that mutual consultation between producers and consumers of the agricultural products which constitute the very basis of our economies, becomes possible, while it would not be a panacea which would raise us as if by magic from our underdeveloped state, would be a positive measure to provide at least for a continuing exchange of views on the trade situation.

Without underestimating the good will which motivated the proposals made here for various ingenious systems of compensation by the importing countries for the benefit of the exporting countries which would take into account the decline in the prices of our products, it seems to us that the establishment of a compensatory fund—method of operation, of which, by the way, is far from clear—would be tantamount to creating a kind of benevolent fund which would certainly not be an adequate answer to the problem of achieving a balanced trade, which is what we are concerned with here.

Consequently, although the under-developed countries may well have reservations on certain aspects, my delegation considers that a real organization of the market for our products, stabilization of their prices on a remunerative and fair basis and the removal of the obstacles which certain developed countries still raise to the import of these goods—all these measures, if decided upon, and we believe that this Conference will consider them to good effect—can appreciably reduce the dangers of the existing imbalance.

While the organization of the primary commodity markets is an effective measure which will enable the

developing countries to counter the harmful effect of price fluctuations and ensure stable prices for their export products, it must nevertheless be supplemented by an accelerated industrialization of these countries if balanced and diversified development is to be achieved. There can be no doubt that the export of manufactures or semi-manufactures by the developing countries would give our national economies a necessary complement to our exports of primary commodities.

Here again, however, the difficulties which our countries are encountering in the industrialization process are numerous and are due to a variety of factors.

If I may refer now to the problem of manufactures, it is necessary to bear in mind the principles on which the policy of international trade has hitherto been based, particularly the policy which has been taken as dogma in GATT, that is, the policy of liberalization of trade. Without wishing to stress this point unduly, we feel it should be pointed out that it is mainly the most highly industrialized countries which have benefited from free trade principles, but they have proved harmful to countries whose main exports consist of primary commodities.

While the growth rate of the aggregate export earnings of the industrialized areas has increased by 76 per cent, that of the non-industrialized areas has increased by only 31 per cent, which is only about half as much.

In view of this very sombre situation, it must be recognized that the "developing countries" have no real chance of developing if the state of world trade remains the same. They need to carry out industrialization programmes for these alone can enable them to emerge from a condition of subservient dependence on markets for agricultural products, and it is the only really effective means of achieving a sufficiently high rate of growth.

Industrialization, which must therefore play an increasingly important part in the development of our States, is already giving rise, at the domestic level, to some difficult financing problems, in view of the initial lack of capital; it also entails a considerable loss in import duty and tax revenue, which has an extremely serious effect on the balancing of national budgets.

Industrialization is also very seriously hampered at the international level by the attitude of some of the industrialized States, which not only raise strong protests when we seek to introduce the tariff and quota measures that are essential for the protection of our new industries, but even resort to intransigent protectionism whenever they feel that their own industrial output may be threatened by the export of our manufactures or semi-manufactures.

It is obvious, however, that our emergent industries are labouring under a very severe handicap: they have no national markets equal in size to those of the highly industrialized States, no skilled manpower and even

no transport and power supply infrastructure comparable to that of the developed countries. In these circumstances, they must either grow in the shelter of some protection, at least temporarily, or simply disappear.

In this connexion, I feel I should stress one tangible result that we have been able to achieve by signing the Yaoundé Convention: namely, explicit recognition that the African and Malagasy States can protect their industries by tariff or quota measures, provided that these are not discriminatory.

If we consider also that industrialization, by increasing the economic growth rate of States, enables them to increase the purchasing power of their populations all the more rapidly, we must conclude that these populations will then become much more valuable customers who will purchase larger quantities of manufactured goods, not only those produced locally, but also those originating in the developed countries.

This aspect of the question leads us to the conclusion that industrialization is indispensable to the growth of young States and to world equilibrium and that it is useful and even desirable as a means of improving the quantity and quality of international trade transactions to the benefit of all the parties concerned.

We therefore hope that encouragement of the industries of countries with a low standard of living will not only take the form of a reduction of negative measures through the abolition of restrictions and customs barriers, but will also assume a broad positive aspect through the institution of a tangible system of assistance to the developing countries by the most developed States.

In view of these considerations, we believe that the time has come to transcend the present system of international trade and to plan it in terms of a world-wide equilibrium. Trade should be adapted to the conditions peculiar to the structure and development level of each nation. It is obvious, however, that the present trade system, even if liberalized, can never meet the many and pressing needs of the developing countries. It is through international aid, in addition to the measures already proposed with regard to trade in primary commodities and industrialization, that the poorer countries can be given the further factor which is essential for the stimulation of their economy.

Assistance programmes, both bilateral and multi-lateral, are nothing new. Aid programmes were established after the First World War to enable the victor countries to restore their economies more rapidly, and this was done not only out of political idealism, but primarily in order to restore the trading opportunities which are essential for the equilibrium of the highly-developed countries. Later, these factors became even more vital, and assistance was extended to the vanquished nations, owing to the prime importance attached to this goal of equilibrium, which contributes to the maintenance of solidarity among countries with a high standard of living.

Need I recall the results, which are spectacular to say the least, obtained by the same movement of horizontal solidarity which began after the Second World War, results which are apparent to all? We have before our eyes in Europe striking evidence of the expansion and development of trade, that real dynamic efforts can produce in countries with a rich potential, even if circumstances have momentarily reduced them to a systematic devastation comparable to our present poverty.

It will be readily appreciated that this objective of equilibrium and solidarity should now be extended to the developing countries, for it is a fact that the expansion of the industrialized countries cannot continue indefinitely without the parallel and concomitant development of the countries which are not yet prosperous. Naturally, however, the latter countries will also have to make efforts and even sacrifices themselves.

There can be no question, of course, of ignoring the praiseworthy efforts made by many countries since the Second World War to assist the developing States. Bilateral aid has proved valuable in certain groupings where it continues to operate through the granting of loans, through subsidies or through the assignment of personnel under international programmes of technical co-operation.

Nevertheless, it must be recognized that all such action and programmes of bilateral or multilateral aid for the benefit of young nations tend in some degree to depart from the general concept which prevailed at the time they were initiated, and this always leaves a trace of paternalism in some minds. It is therefore essential—and it is to be hoped that our meetings here will achieve this, at a time when assistance to developing countries is being subjected to lively criticism—that the fundamental motivation of aid should be clear to all nations: namely, that the world cannot for ever continue to be divided into two groups, that of nations with a high standard of living and that of starvation or malnutrition, not only for political reasons, but also in the interests of the economic development of the countries which are already the most advanced and which cannot fail to benefit from an increase in the volume of trade.

If, then, we think in terms of equilibrium we shall find it easier to see which are the best and most economical ways to achieve genuine development. It may be found, for example, that the day of subsidies is over and that long-term, low-interest credits are often preferable from the standpoint of economic dynamics.

It is impossible to over-state the case for making all this aid machinery truly international and giving it an organization that will exempt it from the criticism—justified or unjustified—to which it is now exposed.

Financial assistance, in whatever form and of whatever origin, has to meet certain requirements: firstly, it must be sufficient in volume to enable the recipients to undertake investment on a really large scale, and must in every case be more than, or at least as much as, is

needed to set up enterprises that will not be merely marginal.

Secondly, the rate of interest must be so fixed that the rate of amortization of the loan is always less than the target rate of growth both for the economy as a whole and for the growth of the branch of activity concerned, and that repayment in no case presents a serious obstacle to development.

Thirdly, the repayment period must be set with a view to the ultimate economic soundness of the operation financed; i.e., it must be calculated to correspond with the optimum length of time for the development of that operation.

Fourthly, the assistance must not be encumbered by deadening, frequently inquisitorial administrative formalities that are hardly compatible with respect for the independence of young States; still less must it be hedged about with political or economic conditions or prerequisites which in the last analysis are apt to inhibit or restrict the development of such States and to set an indirect constraint upon their entire policy.

The study of regional groupings is another important item on our Conference agenda, and one which I cannot pass over in silence.

Without going into the whole history of existing groupings, or even describing them, I would emphasize that, in the light of all the foregoing, it is impossible to speak of regional groupings without bringing up the notion of international solidarity.

These groupings were set up in an endeavour to improve present economic flows, which are erratic in character.

A desire to organize, therefore, has led a number of States in less developed regions to come together in broad groups.

Especially in Africa, a number of new countries, aware of the precarious nature of their economies and realizing the need to seek the shortest paths to development, have for several years been pursuing a policy of association, which has led to the establishment of international organizations at various levels.

Such an organization may take the form of an association between countries at the same level of development for the purpose of harmonizing their fiscal policy, abolishing customs barriers and concording their development programmes and plans; this process may even include the joint execution of industrialization projects.

Alternatively, it may be an association between countries at different levels of development, involving not merely arrangements concerning customs barriers and trade but also a comprehensive programme of assistance to agricultural and industrial production in the least developed States.

These various forms of association—whether we think of the customs union of Central African countries or of association with the European Economic Community—provide our countries with definite advantages



in the form of market outlets for their agricultural produce or industrial goods and of funds with which to increase the scale of their investments.

Certainly, therefore, we do not deny the significance or usefulness of regional groupings; it should be emphasized that they represent an appreciable step forward on the road to economic development. Furthermore, they are open and dynamic in conception. Their purpose is to facilitate internal trade between associated countries rather than to erect barriers against those outside; such barriers are a means, not an end. This observation is plainly borne out by the development of the foreign trade of certain States, whose dealings with third countries sometimes increase more than their dealings with the countries in the zone of association.

We do not think it is constructive, therefore, to engage in systematic criticism of the groupings in which we are associated, for they are our best guarantees of development at present; and they will remain so until we find better remedies, world-wide in scope and which can be more effectively applied.

We have endeavoured to demonstrate the need, which is now becoming apparent, to envisage trade in the light of principles other than those which have prevailed so far.

It is true that a body like GATT has, since its establishment, done useful work in stimulating and facilitating international trade, but it has been somewhat of a closed club in which the main voice heard has been that of the developed countries; its working principles have been based on that liberalism whose shortcomings from the developing countries' standpoint we have already mentioned, in that the main result of its activities has been to promote trade in manufactures, thus increasing the disparities between rich and poor countries.

In making a new approach, the aim is to strike a world balance in order to do away with present-day disparities; to this end we must encourage the interplay of economic ideas and principles within the international community.

If it is really desired that these inequalities should dwindle to vanishing point and that the United Nations should form a more harmonious community, there is a great deal for us to do.

If the aim is to bring to a more satisfactory completion the work which GATT has already done to develop international trade, it is to be hoped that a proposal which we shall work out together will be put into effect by a permanent organization, on a larger scale and imbued with a new spirit, which can measure the

evolution of trade and its consequences for the economic structure of the least privileged countries.

My delegation therefore considers that, failing the establishment of such an organization, the existing structures should be carefully reviewed with a view to their adaptation to the new principles that will emerge in the course of this Conference on Trade and Development, so that the developing countries may attain that minimum of well-being which is the prerequisite for the dignity of each of them.

There is no better way for me to end this statement than by imparting the feelings of hope which, I am sure, you all share and which Mr. Ahmadou Ahidjo, the President of the Federal Republic of Cameroon, expressed in connexion with this very Conference when he said to the United Nations General Assembly at its eighteenth session, on 17 October 1963:

"The time seems to have come to realize that the arms race—even the atomic arms race—is not the only factor threatening world peace and collective security. Another, more insidious factor—less spectacular it is true, but more lasting—is underdevelopment. The arms race, and the cold war which is its corollary, are merely the consequence of the basic imbalance of international society.

"How, then, is a balanced international society to be built without eradicating, in each of its constituent nations, the causes of instability among which, as you know, under-development—which means poverty, disease and illiteracy—is not the least?

"Inasmuch as history teaches that civilizations die of injustice—i. e., of inability to distribute fairly the enjoyment of mankind's achievements—it is to be hoped that co-operation will become the watchword of our era. Failing this, as we see it, mankind can but look to a bitter future.

"We therefore express the hope that the forthcoming world Conference on Trade and Development will mark a new departure for the will of mankind to banish under-development from the face of the earth." \*

If we achieve this result—and we must of necessity strive for it—we shall have done well by our generation and placed the understanding, co-existence, friendship and harmony of future generations on a firm and lasting foundation. The best memory we can take away from this Conference will be that around this table, where the well-to-do and the needy sit side by side, a joint determination has grown up to build our world and to improve, in peace, the well-being of all.

\* Provisional translation.



STATEMENT BY H.E. Mr. PAUL MARTIN,  
SECRETARY OF STATE FOR EXTERNAL AFFAIRS OF CANADA,  
HEAD OF THE DELEGATION

at the fourth plenary meeting, held on 24 March 1964

[Original text: English]

I wish to begin by congratulating Mr. Kaissouni upon his election as President of this Conference. I am confident that he will guide our deliberations over the next weeks towards constructive conclusions on the many difficult and complex questions before us.

We are faced today with one of the great opportunities of the twentieth century. Throughout the world, Governments and peoples expect this meeting to make definite progress towards a goal which each nation shares—the greater welfare of its people. We must never lose sight, in long and complex debate, of the urgency of our responsibilities.

All of us recognize that this is an historic conference. It is unprecedented in breadth of participation and the nature of its objectives. The ability of our United Nations to respond to needs of member countries is once again being tested. In recent weeks the United Nations and its member Governments have been preoccupied with the organization's peace-keeping role—and specifically with the critical situation in Cyprus. During this crisis, Canadians have, as our Prime Minister has said, been proud to play their full part once again. Canada can also be counted on to respond in those areas which are the objectives of this Conference. We recognize that prosperity and stability are indivisibly linked.

Since its foundation, the United Nations has played an important and constructive role in the vital sector of economic and trade co-operation among nations. Member countries have joined together to dismantle barriers to world trade with the aim of ensuring the best use of the world's resources and raising the living standards of the world's peoples. In the interests of expanding world trade, rules have been fashioned as safeguards against restrictive and discriminatory practices of the past. The General Agreement on Tariffs and Trade, the International Monetary Fund, the International Bank and other United Nations Institutions were set up to buttress the new framework of world-trading relationships. This new and more liberal trade system has brought benefits to all countries of the world. No country is more indebted to these accomplishments than my own which is so vitally dependent on foreign trade. Canada supports the preservation and development of basic trade rules and institutions which have been fashioned over the past two decades.

A great co-operative endeavour over the past two decades has been the economic development of new

countries and countries seeking to reach new economic and social goals. The United Nations and its agencies have not only aroused world support for these efforts, but have also given us many of the tools to work with. Massive resources have been transferred by way of aid directly and through international agencies to reinforce the even greater efforts of the developing countries themselves. That the efforts of these countries are bound to be paramount was emphasized at the first plenary meeting in the President's speech, when he pointed out that in this "endeavour for rapid economic growth to offset the increase in population and to keep up with the development trends in advanced countries the developing countries bear the main responsibility for their economic and social progress". The same point was made by the present Prime Minister of Canada some years ago when he was speaking of the role of external aid. He went on, however, to develop this point in the following way: "The fact that external aid may often be marginal does not, however, make it unimportant. Many a garment might unravel if it were not for the hem. In much the same way the fabric of economic and social life in many of these countries is strengthened by the function which outside assistance performs and by the evidence which it brings of wide-spread interest, sympathy and support".

Since the war, Canada has made substantial contributions to international development efforts. From the start, Canada actively encouraged the formation of United Nations programmes and we backed up our support with substantial contributions. We were among founding members of the Colombo Plan in 1950 and since then we have annually transferred Canadian resources to countries in south and south-east Asia, and more recently to Africa and countries in the Caribbean area. Through Canadian and United Nations programmes, we have provided substantial development resources by far the greater part of which has been on a grant basis requiring no repayment.

The Canadian aid effort is part of a broad co-operative endeavour to hasten economic and social progress throughout the world. My Government recognizes both the new sense of urgency behind this endeavour and the growing determination to achieve development goals. We have, therefore, decided to increase Canada's economic aid by more than one-half. Our expanded effort includes a new programme

of long-term loans on liberal terms. We expect our aid expenditures during the next twelve months to reach 180 to 190 million dollars.

Until recently the main emphasis in international arrangements has been to promote economic development through financial and technical assistance. We must now add another dimension to the great effort to support economic development. We must examine how trade can make a fuller contribution. Developing countries are rightly seeking through trade expansion to accelerate their economic development and raise their living standards. World trade is still too much fettered by restrictions, high tariffs, trade discrimination and other barriers. Terms of trade have deteriorated for exporters of raw materials and foodstuffs. These basic products, moreover, are subject to sudden and unforeseen price fluctuations which can result in serious setbacks for the development plans and the efforts of producing countries. Developing countries are rightly seeking to diversify their economies, to create soundly based processing and manufacturing industries and to sell products of these industries in the markets of the world. Their efforts deserve and require encouragement of advanced countries. All of these countries represented here today stand to gain by increases in productive capacity and prosperity of the less-developed world. As I see it, the task before this conference should be the establishment of a framework of world trade in which developing countries can achieve a satisfactory rate of economic growth and improved standards of living.

To achieve all these objectives will not be easy and will require adjustments and fresh efforts by all of us. Our task will be eased if we work together and share in the inevitable adjustments. By acting together within the United Nations, we can create in all our countries the conditions and political will necessary for progress. Indeed, the only way to move forward effectively is by joint action.

The issues before this conference have been ably analysed in the report presented by the Secretary-General, Mr. Raúl Prebisch. His report presents us with many challenging proposals. I should like to take this opportunity to pay tribute to the distinguished services which he has already rendered to this Conference.

My Government—and I am sure each of the Governments represented here—has given most serious thought to the issues facing this conference. Each of us will be making a contribution to consideration of these problems in the days ahead. It may be helpful if I were to outline at this preliminary stage in a more specific way the Canadian approach on how the objectives can best be attained.

Canada will work with other developed countries in eliminating wherever practicable tariffs and other restrictions which obstruct trade in the tropical foodstuffs and industrial raw materials traditionally exported by developing countries. The new round of tariff

negotiations coming up in the General Agreement on Tariffs and Trade, known as the "Kennedy round", will complement this conference. These negotiations should reduce or eliminate barriers to many important exports from the developing countries. To free world trade in food and raw materials would be a major accomplishment from which all countries in the world will benefit. At present Canada has no quantitative restrictions on imports of products of interest to the developing countries and our tariffs on tropical products and raw materials are generally low or have been removed altogether; we have no internal taxes inhibiting the consumption of these products.

Canada has been a party to all major commodity agreements concluded since the end of the last war. We have always been prepared to explore with other countries possibilities of other agreements on a commodity-by-commodity basis. However, it would not be in the interests of developing countries to encourage unduly high prices for primary commodities. High prices are likely to generate unsaleable surpluses by stimulating production and reducing consumption through use of natural or synthetic substitutes.

Canada will work with developing countries and others in trying to improve, the conditions of world trade for temperate agricultural products. Agricultural protectionism in certain developed countries has been growing; it is tending to increase uneconomic production in these countries. It has curtailed markets of efficient suppliers in the developed and developing countries alike.

Canada has advocated that, in the forthcoming "Kennedy round" of tariff and trade negotiations, developed countries should ensure that products of interest to developing countries, including manufactured goods and semi-processed materials, are included in the scope of negotiations. As has been recognized in the General Agreement on Tariffs and Trade, this should be done without expecting full reciprocity from developing countries for benefits they may derive from these negotiations. We are hopeful also that successful negotiations of reduction of tariffs on semiprocessed materials will go a long way to reducing differentials between tariffs on raw and processed commodities which have created problems for developing countries.

Canada strongly supports a general removal of quantitative restrictions now impeding imports into developed countries of manufactured goods from developing countries. It has been noted that exports of manufactures by developing countries are of limited variety and are exported in volume to only a few markets. Developing countries need the greatest possible freedom of access to the widest number of markets if they are to establish a diversified and expanding industrial structure. The likelihood of market disruption would be lessened if these exports were less unevenly distributed among developed countries through the establishment of more uniformly favourable conditions of access.

While Canada is approaching the question of preferences with caution, we would be prepared to consider proposals for exchange of regional tariff preferences among developing countries for a limited period of time and under conditions which took reasonable account of the interests of outside countries.

Canada would be prepared during the course of the "Kennedy round" of tariff negotiations to examine carefully any tariff preferences now enjoyed by Canada in the markets of developing countries which may be regarded as prejudicial to the trade of other developing countries.

Canada recognizes that the development plans and efforts may be prejudiced by adverse changes in terms of trade or by other occurrences beyond the control of developing countries. Accordingly, we supported the recent decision of the International Monetary Fund to increase its help to countries suffering from temporary declines in export receipts. As regards longer term declines, we are prepared to join with others at this Conference in studying ways of improving bilateral aid programmes and relating them more closely to the changing economic and trading circumstances of individual developing countries.

As regards future institutional arrangements, it is our belief that we will be able to see more clearly what is required when we approach the end of our deliberations. We shall then have a better idea of what is likely to emerge as a result of the Conference. In general, we are not in favour of setting up a new organization of a more or less independent character. Rather we would be more inclined to adapt the existing machinery to make it more responsive to the problems of the developing countries. Indeed, encouraging progress is already being made in that direction.

This is the position of the Canadian delegation at the outset of this Conference. It will be clear from my presentation that we believe much more can be done and must be done to free the channels of trade. We think that, if this were done, the developing countries would have a better opportunity of competing on terms

which would bring into play their natural advantages as efficient producers of certain commodities and manufactures. The freeing of trade channels would also help to overcome the effects of undue protectionism in the developed countries and to lead of itself to some of that international division of labour to which reference has already been made in this Conference. But I do not want to suggest that the freeing of the channels of trade is all that requires to be done. The range of problems which we have come to consider is vast and no single nor simple solution for them is likely to be possible. We are prepared to join others at this Conference in exploring patiently all avenues along which solutions may lie. We have come to listen to the views and preoccupations of others as much as to share with them our experiences as a young and expanding country.

The object of this Conference, as we see it, will be to contribute to the solution of problems which are crucial to the well being of a very large proportion of the human race. They are urgent problems and their solution is urgent. Many new nations have come into being over the past decade or so. Their Governments are concerned—as they must be concerned—to ensure that the political independence they have achieved should find fruition in rising standards of living, in better health and improved opportunities for education, and in the greater happiness of all their people. The urgency of this task is such that they cannot accomplish it by themselves. The more developed countries must come to their aid—as indeed they have already come to their aid—recognizing that in a world which is becoming daily more interdependent, the conditions under which mankind lives will have to be brought into more equitable relationship. It has been said of the people of the developing countries that they were embarked on a "revolution of rising expectations". It is to take a step forward in the direction of meeting these expectations, that this Conference has been called and I am glad to be able to pledge the active co-operation of the Canadian delegation in the work in which we are about to engage.

**STATEMENT BY H.E. MR. MAITHRIPALA SENANAYAKE,  
MINISTER OF COMMERCE AND INDUSTRIES OF CEYLON,  
HEAD OF THE DELEGATION**

at the fourteenth plenary meeting, held on 1 April 1964

[Original text: English]

Permit me to congratulate Mr. Kaissouni on his election as President of this historic Conference. We are aware of his intimate knowledge of the problems that confront this Conference: problems which were

discussed not so long ago at the Cairo Conference at which he played a most significant role. We feel assured that the steering of this Conference is in capable hands.

The developing countries of the world expect much from this Conference. They see in it the means by which many of their economic problems could be resolved and the standard of living of their peoples improved. It is true that institutions such as the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the various United Nations bodies have, in recent times, given increasing attention to the trade and development problems of the less developed countries. Yet these efforts have not obtained world-wide support. This Conference, however, has already achieved the distinction of focussing the attention of the entire world on the special problems of these areas and, even more important, it promises to be the means of initiating co-ordinated action on a world-wide basis to resolve these problems.

This Conference is a part of the effort that is being made by the United Nations during the Development Decade to reach certain targets by 1970. I feel certain, however, that the work done at this Conference could produce results which would go far beyond the Development Decade. It is our hope that this Conference will lay the foundations for building up healthy relationships between the industrialized countries and centrally planned economies on the one hand and the less developed parts of the world on the other, which would enable the latter to provide decent standards of living for their peoples.

The target set by the United Nations for the Development Decade—namely, an annual growth rate of 5 per cent by 1970 in the developing countries—would appear to be a modest objective in relation to the growth rate of 4.4 per cent per annum attained by these countries in the 1950s. And yet, as has been pointed out by the Secretary-General and other speakers, the implications of even such a modest target are far reaching. It would be idle to enter into a controversy over the extent of the trade deficit of the developing countries at the end of the Development Decade. We are all aware of the limitations of economic projections into the future behaviour of international trade and payments. Nevertheless, such projections are necessary in that they serve as an index to the magnitude of the problem that this Conference is called upon to consider. Without an assessment of the size of the problem, it would not be possible to decide on remedial measures at an international or national level.

The Preparatory Committee for the Conference has done a great deal of useful ground work and has provided excellent documentation to enable the deliberations of this Conference to be directed into productive channels. I wish to congratulate the Secretary-General of the Conference, Mr. Prebisch, the members of the Preparatory Committee and the staff of the United Nations who have been responsible in so short a time for making available to us such a wealth of documentation containing most useful data.

Recent studies show clearly that the problems which this Conference is called upon to consider are long-term structural problems affecting the development of the poorer nations of the world. As such, the pre-occupation of nations and international organizations with price fluctuations and other short-term problems of trade is of little relevance to the needs of today. This Conference is an important point of departure from the past in that the long-term trends and structural problems of the trade of the less developed countries are being brought to the notice of a world forum. In very recent years, certain international organizations have considered this long-term problem from the various points of view which come within the particular competence of those organizations, but the entirety of the problem does not appear to have received international attention. Some consideration was given to the problems of international trade at the United Nations Conference on Trade and Employment held in Havana in 1947/1948 and earlier at the Bretton Woods Conference in 1944. But these conferences were mainly concerned with post-war reconstruction and short-term trade problems and the organizations they brought into being reflected the thinking of the time. In fact, many responsible people in those days thought it undesirable or even immoral to interfere with long-term trends generated by the free play of international market forces. I believe that most enlightened countries have now moved away from this concept.

This important point of departure must be recognized if our officials are to negotiate any useful solutions for the future of the trade and development of the developing countries. I therefore consider it most appropriate that this Conference should start with a meeting of ministers who are responsible for political decisions in the economic field. Unless the industrialized countries are prepared to accept that the long-term trade gap has serious implications for the developing countries as well as for the world at large and that it is the responsibility of the industrially advanced countries to meet these problems, this Conference may not be able to achieve any positive results.

In an international trade forum such as this I would have preferred to avoid any reference to the colonial era but an observation made a few days ago by the representative of France has prompted me to make a brief comment on this. He made the valid point that the deterioration in the export trade of the developing countries was due not so much to restrictions in the industrialized countries themselves but rather to the inability of the developing countries to produce goods for which there was a rising demand. Suffice it to say that the present problems of the developing countries are largely the consequence of historical circumstances in which the production of primary commodities was encouraged to supply the needs of the developing industries in the West. Many of these colonial territories became independent after the Second World War and had just begun addressing themselves to their economic

development when, in 1954, their terms of trade began to fall sharply. Ever since, it has been a constant struggle to keep export earnings in step with the import demand generated by the needs of development as well as by the requirements of rapidly increasing populations. I have merely referred to this in passing to emphasize the fact that the industrially advanced countries must bear a very large share of responsibility for the present problems of the less developed countries.

The attitude of the Conference to commodity problems, the problems of trade in manufactured goods, finance and institutional arrangements will depend largely on the commitments that the industrialized countries are prepared to accept in respect of the overall problem of the payments gap confronting the less developed countries. We are not so optimistic as to believe that a Conference lasting three months can find solutions for the complex problems of trade and development. But, we believe, that the Conference can reach agreement on certain basic ideas and objectives which will lay the foundation for future international stability and provide direction for the work of existing as well as new international organs dealing with trade and development. We agree with the representative of Canada that there are probably too many economists present here for this Conference to arrive at agreed conclusions. This is precisely the reason for our anxiety to work out a broad framework of agreed ideas and objectives before we politicians go away. We think that such a broad framework is essential to provide the necessary direction to the economists and officials for their work in the Committees. Let us be quite clear on this matter. The economic problems which this Conference is called upon to consider need political decisions. If this were not so, there would be no need for the presence of ministers at this meeting.

In this connexion I would like to refer to the Teheran resolution adopted by the members and associated members of the Economic Commission for Asia and the Far East. This resolution has been distributed as document number E/CONF.46/87. \* We believe that this resolution provides an agreed set of general ideas and objectives on the basis of which the officials could carry forward their work. The Teheran resolution is significant in that representatives of many of the major industrial nations were present and subscribed to the general objectives contained in that declaration with some minor reservations. If the ministers here could formulate a similar directive for the guidance of the committees we believe that the ministerial session of the Conference would have been fruitful. Otherwise it seems to me that the full benefit of the presence of ministers who could give the Conference some direction would not have been realized.

Many developing countries such as mine will have to depend heavily on the export earnings of their primary

products for many years to come until they are able to industrialize and diversify their exports. We therefore attach the highest importance to the consideration of problems of commodity trade at this meeting. The problems relating to primary commodities exported from developing countries are so diverse and complex in character that they do not lend themselves to any readily applicable solution. To begin with, there is the problem of access to markets in industrialized countries—industrialized countries maintain tariffs, quantitative restrictions, internal revenue duties, mixing regulations, price support schemes, state trading devices, all of which have inhibited the flow of primary commodities from the less developed to the industrialized countries. In recent years, efforts have been made to deal with these commercial policy measures in the GATT. If no worthwhile progress has been made in the dismantling of these commercial policy barriers, it is not due to a lack of a suitable organization or to the lack of adequate research into the matter, but rather to the inability of Governments of the industrialized countries to move from positions established by the accidents of history. But there are other aspects of the problem of primary commodities exported by the developing countries. It is unfortunate that there is no international organization as yet, competent to deal effectively with these problems.

The growing use of synthetics, the reduction in the amount of raw material required per unit of finished product as a result of technological advance, the shift in the pattern of industrial production which has reduced the relative importance of industries heavily dependent on imported materials—all these factors have affected the quantum and price of the raw materials imported into industrialized countries during the last decade. In the case of foodstuffs and beverages, the low and declining response of demand, in spite of rising incomes in many of the industrialized countries has exercised a negative effect on the efforts made by the developing countries to expand the consumption of these items in the industrialized countries. It has been the experience of exporters of primary commodities that economic prosperity in the industrialized countries does not by itself provide expanding markets for such primary products. These are matters that should be looked into very closely by both the developing and industrialized countries, with a view to adopting measures that will mitigate the adverse effects of the factors responsible for the deterioration in the foreign exchange earning capacity of primary exports. If, as has been stated in certain quarters, the prospects for improving the market for primary products lie in the developing countries themselves, then obviously the need to improve the purchasing power of the developing countries through means other than trade, becomes a matter of paramount importance.

Development consciousness in a number of developing countries has itself resulted in encouragement being given to the production of commodities whose future prospects in international markets are dubious.

\* Published in Volume VII.

This is an aspect in respect of which the developing countries themselves can do a great deal to help themselves by being aware of each other's development programmes and by altering their future production patterns having regard to the general international position of the commodities concerned. This is a sector where producing countries can consult among themselves to their advantage without the inhibitions and controversies caused by the presence of consumers. The commodity consultations that took place during the 1950s were largely influenced by certain provisions of the Havana Charter which required that producers and consumers should get together for consultations. Coming from a country that relies on exports of tea for a very large share of its export income, I am reminded that the International Tea Agreement which came into operation prior to the last War was characterized as a producers' cartel in the post-Havana period. And yet, we as a producing country consider that the remarkable stability of international trade in tea in post-war years was largely due to the consultative machinery provided through the International Tea Agreement and the measures which the members of that agreement adopted without any detriment to consuming interests. It may be a matter of coincidence but it is nevertheless true that the termination of the International Tea Agreement was followed by instability in the tea market. We believe that the pattern of international commodity arrangements which have come into vogue in post-war years must be reviewed and remodelled.

If I may digress for a while, I should like to refer to a commodity such as rubber, not because it is one of the principal exports of Ceylon, but because it provides a typical example of a commodity which is an industrial raw material linked so closely to the level of industrial activity in the developed countries. It is also a commodity, the import of which into industrialized countries is not inhibited by tariff, non-tariff and other commercial policy measures. Yet, it is a commodity that has been subject to some of the most severe price fluctuations and long-term downward trends, even in periods when industrial activity in the West was at a relatively stable or high level. The problems of natural rubber have been due to the unbridled expansion of synthetic production in the industrialized countries. Rubber provides the example of a commodity in respect of which existing international arrangements have proved to be totally incapable of coping with the growing problems.

The solutions to the problem of primary commodities exported by the developing countries must, therefore, be approached from many sides—provision of access to markets in industrialized countries, expansion of markets in the developing countries themselves, long-term commodity agreements, long-term purchase contracts, means to soften the effect of synthetic competition on the natural products, co-operation among producers to avoid surpluses of primary products in world markets—all these methods of

stabilizing the export trade in primary products exported by the developing countries must be considered by the Committee on International Commodity Problems.

Coming to the subject of exports of manufactures and semi-manufactures, we realize that in the long-term even a country like Ceylon with a limited internal market has to rely on a degree of industrialization. We therefore support the idea of preferential access in the markets of developed countries. However, in any such scheme, the particular problem of the small developing countries in relation to larger developing countries should be recognized and suitable provisions should be made to meet their disabilities.

A subject in which all developing countries are keenly interested is the question of providing medium and long-term finance for the development of international trade. The services hitherto provided by existing international financial institutions are rather different from this new concept. This subject is of particular importance to those countries who are compelled to rely on their export of primary products for many years to come for the bulk of their foreign exchange earnings. The long-term structural problems of international trade are such that unless a radical change in current policy is made with regard to the financing of international trade in relation to the needs of the developing countries, the trade of these countries will continue to lag behind the industrialized countries. We would support the idea that a special fund under the aegis of the United Nations should be set up to compensate for the deterioration in the terms of trade of the developing countries. A new organization in this field would appear to be more feasible than effecting a complete change in the philosophy and constitution of existing financial institutions. In considering the possibilities of making more effective use of existing financial institutions we are heartened by the statement of the President of the IBRD which indicates a greater appreciation of the problems of the developing countries.

I should also like to make a brief reference to the role of private foreign investment in the developing countries to which the distinguished representative of the United States as well as the President of the International Bank referred. It is customary to talk about the need for a proper climate for private foreign investment in the developing countries. The experience of many less developed countries in regard to private capital inflow has been disappointing, despite the maintenance of a favourable climate for foreign investment. The fact of the matter is that private capital moves to where it can get high profit returns. In a scheme of national priorities, however, the scope for such investment is limited. Furthermore, a distinction must be made between large developing countries and small developing countries. Large countries, because of the very size of their assured internal markets and to some extent also because of their political image in the world, are able to attract foreign private capital.

In this background, it will be appreciated why, though we would certainly welcome the inflow of private capital, we place greater reliance for development assistance on aid through international financial institutions and through bilateral arrangements on a government-to-government basis.

On the question of institutional arrangements in general, we would like to keep an open mind for the present. It would be desirable to approach this subject pragmatically having regard to the various developments that will be seen during the course of this Conference. New institutional arrangements must help to resolve the problems of the developing countries more speedily and more effectively than in the past. The character of institutional arrangements will depend largely on the commitments that industrialized countries are able to accept as well as on the contribution that the centrally-planned economies are prepared to make in regard to the expansion of trade and economic development in the developing countries.

However, if we are not to be unduly pessimistic, we must assume that this Conference will make a modest beginning in the evolution of a new order in international trade and development. This must necessarily involve the bringing together into a closer union the nations of the world with different social and economic systems, with different political philosophies and in different stages of development. Ceylon is in sympathy with the idea of a broad-based international trade organization which will bring under its wing all the more important aspects of world trade and economic development as seen today. If the establishment of a formalized international trade organization appears to be too ambitious an ideal at the present time, we would support as an alternative the suggestion that the United Nations Conference on Trade and Development should be held periodically. We support the idea of a periodic Conference as we are not so optimistic as to believe that the present Conference will be able to find solutions to all the chronic structural problems of trade and development which face the developing countries. Future conferences will have to consider unresolved problems as well as keep under constant review the conclusions reached at this Conference. International trade needs a dynamic approach—the conclusions and objectives of today may not be valid for new situations that would arise in the years to come.

The vast preparatory work that has been done in order to enable the present Conference to be held makes

us believe that if the work of future conferences were to be fruitful, the task of preparing for such conferences will have to be a continuing process. We therefore agree with the suggestion made by the Secretary-General that there should be a permanent secretariat under United Nations auspices that will be independent—a secretariat that will be capable of studying problems of international trade and development objectively and of tendering specialist advice to future conferences. The idea of an independent secretariat is not a new one: existing organizations such as the UNESCO and SUNFED already have secretariats that enjoy a large measure of autonomy.

We also regard as useful the suggestion that there should be a standing committee during the periods between conferences. Such a committee should be entrusted with the task of keeping under review the implementation of conclusions reached by this Conference and of acting as a United Nations liaison organ between the various existing United Nations and inter-governmental organizations dealing with trade and development. In this connexion I must emphasize that we consider that maximum use must be made of existing organizations and that where necessary they should be modified and reorganized and their work reoriented in order to serve better the needs of the developing countries.

As I mentioned earlier, there is a lacuna in regard to international institutions in the field of trade in primary products—there is no single institution which has the responsibility or the authority for dealing with the variety of problems in the field of primary products. We consider that this is an important matter to which this Conference must find a solution. The answer might well be the proposed standing committee of the United Nations Conference. On the other hand, we consider that an equally feasible alternative might be a reformed and reinvigorated Commission on International Commodity Trade.

In conclusion may I repeat, that the success or failure of this Conference will depend largely on the response of the industrialized countries to the problems of the developing countries. The industrialized countries should regard this Conference as *their* Conference and not consider it as a meeting that is primarily of interest to the developing countries. If there was the necessary political will in the industrialized countries, a way could be found of making this Conference a success.



STATEMENT BY H.E. Mr. CARLOS MARTINEZ SOTOMAYOR,  
AMBASSADOR, CHAIRMAN OF THE CHILEAN DELEGATION

at the sixteenth plenary meeting, held on 2 April 1964

[Original text: Spanish]

It is indeed a great satisfaction for my country to address the plenary meeting of the United Nations Conference on Trade and Development. This Conference constitutes the culmination of a long process which has marked the history of the last two decades; a process of which the most salient features have been, on the one hand, the political emancipation of the great majority of new countries here represented, and, on the other, the fact that a vast sector of humanity has now become aware of the tragic limitations imposed by economic under-development.

I would like to take this opportunity in order to pay tribute to two personalities whose action has been of invaluable importance. The President of the Conference, Abdel Moneim Kaissouni, during the Cairo Conference in 1962, not only pledged for his country in a brilliant manner but he also expressed the aspirations of the developing world as a whole. His performance in the course of that Conference was one of the factors which made this meeting possible today. For this reason I am pleased to express to him my warmest congratulations on his election as our President. At the same time I would like to express my Government's and my own satisfaction with the active and essential part played in this Conference by Mr. Raúl Prebisch. In his capacity as Executive Secretary of the Economic Commission for Latin America, as well as in every one of his personal actions, Mr. Prebisch has been, beyond any doubt, the person who has achieved the greatest task in order to awake Latin America to the phenomenon of under-development. For us Chileans, Mr. Prebisch is the very symbol of what a genuine Latin American should be.

The historical moment during which this Conference is taking place has in fact a double significance. To begin with, the affirmation of the developing countries' personality and further, the ever-growing clarity and awareness with which they perceive the causes of their economic backwardness. This allows them for the first time to submit their case with a unity of views and, above all, with a common will, to the industrial world. A tangible demonstration of this community of aspirations and views is given by the previous speeches delivered by the representatives of both Latin American and African and Asian countries. We are firmly convinced that the unity of opinions which has been shown in this Conference each time problems of substance have been raised concerning under-development in its connexions with

foreign trade, constitutes a new fact which will have a profound influence in future international deliberations, not only in the strictly economic, but also in the political field.

Representatives will therefore understand how sympathetically the people and the Government of Chile give its moral support to the case stated here by the representatives of countries in the Afro-Asian group in defence of human rights.

There is also another factor which we must bear in mind so as to grasp in all its complexity the significance of this meeting. While the peripheral countries get together with those belonging to the economic and industrial centre in order to consider the deleterious effect on their economies of the conditions prevailing in international trade, the world is undergoing a technological and scientific revolution. This revolution allows us to conceive the possibility of a new society where all human beings could be free of misery and ignorance if the resources placed at mankind's disposal by technology were rationally utilized. The contrast between these possibilities and present reality in developing countries is indeed exasperating and absurd. The new society already in sight will require an arduous effort of adaptation for both industrial and developing countries. We are of the opinion that industrial nations would lose a great opportunity if they did not participate together with the peripheral countries in this process of adaptation and renewal, if they refused to perform with the latter the task of preparing themselves for the new society. The idea of a world in which an enormous technological and industrial potential is concentrated on a relatively small group of countries, while the rest remain in a state of backwardness, is repugnant to the conscience of our times.

It can be stated that progress in political achievements has not been coupled with similar progress in economic relations. In the political field, the San Francisco Charter and the United Nations have meant undoubtedly a juster balance in the international community. However, at that time no fundamental lines of equity were established to regulate international trade and economic relations between nations at different stages of development.

Thus, the institutions which emerged from the post-war period endeavoured to bring some order in the system of trade but soon revealed their inadequacy in face of the new economic realities. It is



precisely the basic theory prevailing during and immediately after the war, and upon which those institutions were based, that is under judgement today. Later developments have shown that the theory of economic equality among States—one of the foundations of theory in those years—was a false assumption and incompatible with justice, which ought to govern international relations.

The conviction still existed during the post-war years that the elimination of barriers against trade—provided that this elimination was effected with strict respect for the principle of reciprocity and for the most-favoured-nation clause—would in itself enable international trade to find its natural balance and to expand within normal bounds.

Today we can witness a tendency towards imbalance in international trade, and this tendency is gradually worsening. It has become obvious that trade relations governed by the principle of a uniform and strict reciprocity are ruinous to weaker nations.

From the social standpoint, living together can no longer be based on ignoring poorer peoples. The less developed nations have attained full consciousness of their rights, which stem from the principle that countries must enjoy equal opportunities in their continual struggle to achieve better standards of living for their peoples. It is necessary for us to understand clearly that social unrest in a country or in a group of nations is no longer only their problem, but that it may also have serious repercussions for world peace.

As soon as countries professing antagonistic political ideologies can avail themselves of weapons capable of eradicating every single trace of life from this world, humanity seems to have reached an era of peaceful coexistence in face of the threat to annihilate its own existence. New prospects are thus open to create patterns in the relations among nations that would replace the rule of force by the capacity of political systems to bring to the great majorities of the population the benefits of culture and progress.

Economic coexistence can no longer depend on the continuation of an international order which has concentrated economic and technological resources in the hands of a few countries. Refusal to face this fact, regardless of its unforeseeable social and political consequences, would amount to maintaining economic development in a state of stagnation by the constant limitation in the purchasing power of more than two-thirds of the world population. The dynamic and sustained development of the world economy must be based on the recognition that production capacity is increasing surprisingly and, hence, its better utilization will only be obtained in so far as the less developed countries participate in this process in a far more active way. It is, therefore, necessary to revise the principles, the standards and practices regulating economic relations among countries, with a view to the adoption of principles of justice which would duly take into account the unequal standards of competition existing

in practice between nations at different degrees of development.

Clear signs of this inequality are, among others, the differences in economic growth and incomes between the peripheral countries and highly developed countries; there is also the fact that foreign capital coming into the country under all heads amounts to less than the losses produced by the deterioration of external price relations. Furthermore, the fundamental and persistent imbalance caused by the extremely slow increase of exports in developing countries, stands in contrast with a high demand for manufactured goods. We must also point out the relative quantitative reduction in Latin America's participation to world exports. Finally, it is worth noting that, according to the report submitted by Mr. Prebisch to the Conference, interest and dividends on capital transferred to those countries, in the majority of cases, have increased far more rapidly than imports. A contradiction has thus emerged between the policy of loans and the policy of trade, which has been unable to create a flow of exports adequate to meet financial obligations as well as the cost of increasing import needs.

During the period between the end of the Second World War and the present time, both industrialized and the developing countries have made efforts to perfect the principles and institutions governing international trade. With reference to Latin America alone, we can point out certain achievements which show beyond any doubt, that we have not remained inactive, but that, on the contrary our serious concern is demonstrated by our search for new guiding principles to enable us to adjust ourselves better to the conditions of modern economic and social life. We should recall the creation of the Latin American Free Trade Association, the Central American Common Market and the Inter-American Development Bank, whose positive action in favour of Latin American countries cannot be ignored. It is only fair to point out as well, that our countries recognize the fact that underdevelopment is not only caused by flaws in the systems of international trade; there are also important factors which depend on our own internal effort. We have, for this reason, put into effect economic development plans and devoted all our efforts to achieving adequate structural changes in our agrarian, taxation, educational and administrative systems.

It should also be recognized that external factors over which peripheral countries have absolutely no control, seriously affect the economic situation of those countries to the direct detriment of their interests. This fact only underlines the absolute necessity of demanding the full understanding and the active co-operation of industrialized countries in order to transform those factors into means of progress and to prevent them acting as instruments for the preservation of underdevelopment and of an unfair system.

Among these regressive factors, mention must be made of the continuing existence in industrialized countries of restrictive and protectionist trade policies

and of agrarian policies with a definitely autarkical tendency. To this must be added the notorious deficiencies in the organization of international trade, the insufficient participation of peripheral countries in the trade in invisibles, the excessive fluctuations in the prices of primary commodities, the steady deterioration in the terms of trade and, finally, the survival of principles whose universal application is highly prejudicial to the interests of peripheral countries since they do not take into due account the different degrees of development and the lower economic potential of the latter.

The existence of this series of negative elements demonstrates that it is no longer possible merely to make minor changes in present economic and trade policies, but that the moment has come to institute, without further delay, fundamental changes which will restructure the foundations of world trade relations in depth.

Let it be clearly understood that we did not come here with the intention of requesting industrialized countries to assume the full responsibility for remedying the existing imbalance; nor are the developing countries trying to make out that the new economic order they demand should be a substitute for their own effort, which must always be the main element in their progress. What we are urgently requesting is that all should unite their efforts to produce new patterns of international co-operation which would permit a rapid economic growth of peripheral countries and would, at the same time, strengthen their capacity to import goods and services. In this manner could be attained the equilibrium indispensable to a continued dynamic process based upon the interdependence of developed and developing economies.

The task still to be performed is an enormous one and demands a considerable effort of good will and imagination. We must constantly endeavour to concentrate our attention on the fundamental problems and try to find the essential common denominators in the limited time available in a Conference of this magnitude.

Regarding the measures which must be considered in order to achieve the new economic order which we are demanding, the delegation of Chile considers it necessary to reaffirm its adherence to the principles, conclusions and recommendations set forth in the Charter of Alta Gracia. We are of the opinion that that document contains principles and formulae worthy of the most careful consideration, and we hope that those ideas will be widely welcomed by the African and Asian countries, because, as the Charter itself says, none of the claims made by Latin America are in fact exclusively for itself. The document in question faithfully reflects the opinion of the great masses. These masses are feeling day after day the increasing urgency of setting up the basis of a new world economic order.

Among the conclusions of the Economic Charter of Latin America which have been submitted to this

Conference, we attach particular importance to those designed to establish general principles concerning a new structure of international trade as an essential condition for ensuring the economic and social development of the peripheral countries. The structure referred to above should be founded upon a general and non-discriminatory preferential treatment for all developing countries and due recognition must be given, *inter alia*, to the principle that those countries shall not be subject to a reciprocity in respect of any preferences or concessions that they obtain from the industrialized countries.

We also believe that it is essential to obtain guarantees from industrial countries concerning access to their markets, on a broad and non-discriminatory basis, for both manufactured and semi-manufactured goods produced in peripheral countries; some forms of industrial complementarity should be promoted, to enable industries in developing countries to become part of the dynamic industrial process of modern nations.

We also fully subscribe to the idea that the new structure of world trade must favour the setting-up of machinery and regulations designed to stimulate trade among developing countries and among countries at different stages of economic development, and, finally, among countries with different political systems. For Chile, trade with all regions of the world and co-operation with countries with different political systems constitutes an important part of the common task of constructing a framework for international trade better adapted to present needs. We also consider that the new principles to be adopted in favour of developing countries, should be applied by both industrial countries with market economies and by industrial countries with centrally planned economies.

One of the most salient facts in this historic meeting is the unity of the developing world. From our part, we want to declare our intention of strengthening this unity, and in order to do so, we are prepared to maintain and build up further the dialogue with Africa and Asia. In fact, just as we refuse to accept the idea that certain industrialized regions should maintain a state of privilege at the price of backwardness and poverty for the developing regions, we shall also steadfastly reject the suggestion that any one peripheral region might consent to achieve prosperity at the expense of the others.

We say to industrialized countries, both those with market economies and those with centrally planned economy that they must help the developing world as a whole, inspiring with creative and staunch determination, to ensure international life reflecting the real spirit of the Charter of the United Nations.

Faced with the extreme importance of the problems we have to solve, we must proceed in a spirit of understanding and solidarity. Only thus shall we be able to build a different international community which, founded on true economic and social justice, will ensure peace for our peoples.

STATEMENT BY H.E. Mr. C. T. YANG,  
MINISTER OF ECONOMIC AFFAIRS OF THE REPUBLIC OF CHINA,  
HEAD OF THE DELEGATION

at the thirteenth plenary meeting, held on 1 April 1964

[Original text: Chinese]

On behalf of my delegation, may I congratulate the President, Vice-Presidents, Chairmen of Committees and Rapporteur on their election to their offices? My delegation also takes this opportunity to express our appreciation to the Secretary-General of the United Nations, the Secretary-General and secretariat of this Conference and the Preparatory Committee for their outstanding contributions.

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Economic and social developments vary from country to country because of different historical and economic backgrounds. The highly developed countries, small in population yet in control of a major share of world production and wealth, are the "haves". Countries beginning to develop or whose past development has been arrested are the "have-nots"; they constitute the major part of the world population, their production is limited, resulting in low incomes and low standards of living. Hence, it is necessary for the "have-nots" to develop but they do not have the required resources to do so.

What the developing countries produce are mostly primary commodities or semi-manufactures for which the annual increase of demand in the world market is restricted. The demand for such products by those with purchasing power does not go up either because the products do not meet desired quality standards or because there are better substitutes. Moreover, those with purchasing power are not increasing their demand while those with little purchasing power do not have the means to do so, hence they cannot create an effective demand. Consequently, the price of such products in the world market frequently fluctuates on a downward trend. This worsens the economic situation of the "have-not" countries. My delegation therefore recognizes the following aims towards which this Conference should work:

1. Stabilization of primary commodity markets: as 90 per cent of the exchange income of the developing countries is earned from the export of primary commodities whose terms of trade have been worsening, the stabilization of the price of primary commodities at a reasonable and remunerative level is indeed the main problem facing this Conference;

2. Removal of trade barriers and opening of new trade channels: existing trade barriers imposed by

developed countries against developing countries should be gradually removed so that there will be a rational growth of low-cost production. The developed countries not only should assist the developing countries in the latter's trade expansion, but should utilize their abundant financial resources to promote trade among developing countries. Such assistance will also serve as a stimulant to their economic activities;

3. Changing the traditional production pattern of developing countries: the production pattern should be changed from the production of a main export commodity to that of diversified products, from the traditional concept of merely producing raw materials for export to the concept of producing, in addition to exports, consumption goods for improvement of the standard of living. In this way domestic labour can be fully and effectively utilized to create developmental needs and wealth. In short, increase in production will increase employment opportunities and purchasing power, which in turn will stimulate more production. This chain reaction is necessary to achieve development;

4. Co-ordination of international assistance and self-help in developing countries: it must be recognized that international assistance and self-help are equally important. The two must be fully co-ordinated. Where such co-ordination has already achieved some good progress, there should be no slackening of international assistance, either from developed countries or international institutions; the mere maintenance of assistance at the current level may retard future progress while its decrease would result in a waste of past efforts.

These four aims can be attained only with the help of the developed. The coming of the jet age means a closer world, and the contrast between the rich and the poor becomes all the more conspicuous. Never before have nations been more dependent on one another for common security. The situation has been aggravated by trouble-makers who arouse jealousies and hatred by availing themselves of this imbalance and inequality. The resultant conflict or turmoil hampers international trade and production potential. It also deprives the human race of sustained development opportunities. Indeed, it brings fortune to none. Developing countries with low living standards, eager for progress, become an easy prey to the subversion and infiltration activities of these trouble-makers. This

is the very source of world disturbance, which we believe this Conference can help to eliminate. We, therefore, pledge our whole-hearted support to this Conference, and we will offer what wisdom and experience are at our command to ensure its success.

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I would like to report briefly on the trade and development situation of my country. My Government has implemented, in our Province of Taiwan, three consecutive four-year economic development plans during the past twelve years. After the successful land reform, farmers are now tilling their own land. The sense of ownership provides a better incentive for production. This incentive, together with improvement in production technique has raised the farmers' income and purchasing power. The close co-ordination between agriculture and industry has brought about a balanced growth in these two sectors and a significant trade expansion. Our total exports rose from US\$120 million in 1952 to US\$358 million in 1963. Between 1952 and 1963, the average annual growth rate has been 12.4 per cent. Imports also rose though at a slower rate, from US\$207 million in 1952 to US\$338 million in 1963, or at an annual growth rate of 5 per cent. The average growth rate for trade in the past twelve years is therefore over 8 per cent.

May I now turn to the composition of our trade? In recent years, as a result of diversification in production, there has been a very notable change in the composition of export items. From 1952 to 1963, the ratio of industrial exports to total exports climbed from 3.9 to 47.2 per cent, against a decline in the export of primary and processed farm products. In 1952, sugar and rice alone accounted for 77.7 per cent of total exports. By 1962, these two items dropped to 23.9 per cent. Export records of textile goods, chemical products, metals, cement and construction supplies and canned mushrooms each surpassed those of rice. In 1963, items of which the annual export value exceeded US\$2 million were 23 in number. All these reflect the gaining share of industrial products and successful export diversification. As to the change of composition of imports from 1952 to 1962, consumer goods declined while capital goods rose in percentage. The progress of industrialization in the Province of Taiwan is indicated by the increase in the import of capital goods and in the export of industrial products.

Speaking of trading areas, we have no trade relationship with countries with centrally planned economies inasmuch as such trade involves not only technical difficulties but also political considerations. In 1952, areas with a free market economy which bought more than US\$10 million from us were Japan, Malaya and Hong Kong. By 1963, the United States of America, Viet-Nam, the Federal Republic of Germany and Thailand were added to the list. In 1963, our exports reached sixty-eight areas including sixty countries, and our imports originated from fifty-five areas

including fifty-one countries. Although most of our trade is with developed countries, we expect our trade with developing countries to increase steadily.

The trade development in our Province of Taiwan in 1963 is a source of satisfaction and confidence to my Government. In that year, our exchange rate was firmly established at a unitary rate, our exports expanded by 49.8 per cent over 1962, and our exchange reserves increased by an amount sufficient for financing imports for three-and-a-half months. But, like other developing countries, there was an import surplus in our invisible trade in 1963. Even for visible trade, there had always been an import surplus prior to 1963. Our payments deficit was covered with aid from developed countries, mostly the United States. I am happy to report that after twelve years of help, my country is now less dependent on foreign aid. The form of aid that my country receives is also undergoing some changes, from grants to loans and from government-to-government basis to loans from international institutions. On the other hand, my country has entered into technical co-operation with friendly developing countries in both agricultural and industrial fields with no strings attached.

The trade policy of my Government is to induce economic development, since any long-term trade development has to be supported by economic development. This is evidenced by the annual export growth rate of 12.4 per cent during 1952 to 1963. Within the same period, annual growth rate in the gross national product at constant prices averaged 7.8 per cent. This achievement bears testimony to the fact that the strenuous efforts of the people of a developing country supported by foreign assistance can result in rapid progress.

After dealing with the economic development and trade in our Province of Taiwan, my delegation must point out the deterioration of trade on our mainland under Chinese communist occupation. The farmers' incentive to produce was entirely lost when the Peiping régime launched the "commune" system, and because of the consequent acute food shortage, that régime has to import US\$200 to 250 million worth of food each year. The large influx of refugees into Hong Kong in May 1962 is an evidence that the people are suffering from unemployment and starvation. The value of trade of the Chinese communists sharply declined from US\$4,000 million in 1959 to US\$2,200 million in 1962. Many countries are under the illusion that there is a huge consumer market on the Chinese mainland, and entertain the hope of expanding their trade with the Chinese communists. This is a gross misconception. One must realize that when we look for a trading partner, he must have adequate purchasing power and be credit-worthy. Thus, trade with the Peiping régime holds no promise of expansion. Furthermore, any supply of strategic materials to the Chinese communists will increase their aggression potential and the seller-country's own security will be threatened.

In the course of their statements, some delegates made reference to the representation of China at this Conference. China is properly represented by my delegation. The Government which my delegation has the honour to represent is the only legally constituted Government of China. The Government of the Republic of China represents the will and aspirations of the Chinese people and enjoys the support of all Chinese living at home and abroad.

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The Republic of China is a developing country. Many of the trade problems that we are confronting are identical to those of other developing countries. We feel the urgent need of foreign investment as well as international credit facilities to finance our trade. Our interest and desire are, therefore, identical to those of other developing nations. We have, therefore, given our support to the main points of the joint declaration of the seventy-five developing countries at the eighteenth session of the United Nations General Assembly. We have also supported the joint resolution regarding the present Conference adopted at the twentieth session of ECAFE held recently in Teheran. We will be very happy to share with other developing countries our experience gained in the trade and economic development of my country during the past twelve years. Many developing nations are richer in natural resources than my country, and I am sure they can develop as fast as we have done if they exert their best efforts and make good use of the aid from developed nations. My delegation has earlier pointed out that the major aims of this Conference lie in price stabilization of primary commodities, removal of trade barriers and opening of new trade channels, and changing the traditional production pattern and co-ordination of international assistance to and the self-help of developing countries. To achieve these aims, many Member States have officially or informally presented valuable suggestions, such as:

(a) The formulation of a comprehensive programme of action for the United Nations Conference on Trade and Development with the programme of action adopted by GATT as a starting point;

(b) Programme of measures and actions for the removal of obstacles (tariff and non-tariff) based on the motives of the "Kennedy round" and for expansion of market opportunities for primary commodities;

(c) Measures of stabilization of primary commodity markets in increasing volume at equitable and remunerative prices, including commodity agreements;

(d) Compensatory financing through which countries gaining from a change in terms of trade will transfer such gains to countries adversely affected by the change for use in economic development projects;

(e) Establishment of a development insurance fund, from which countries confronted with worsening terms of trade would be compensated in full or in part.

Since the beginning of this Conference, my delegation has listened attentively to all the statements made by previous speakers. We have been highly impressed by their studied comments and wisdom. The excellent report and statement of the Secretary-General, Mr. Raúl Prebisch, have indicated the problems involved and possible solutions to be reached at this Conference. My delegation firmly believes that definite conclusions will be reached on these suggestions in the various committees of this Conference.

In the light of my country's present economic condition and our past experience, I would like to present, in brief, our views on the agenda items of the five committees. First, regarding the stabilization of primary commodity markets, our experience acquired through participation in the International Sugar Conference shows that agreed quotas among production and consumption countries do not result in stabilizing the price of sugar. True, my country has benefited by the high price of sugar in 1963, but there are years when we suffered from low prices. We believe it is beneficial for countries producing certain primary commodities to participate in international agreements on such commodities. However, technically, there are areas for improvement. We shall be glad to co-operate with other countries in looking for ways and means to stabilize primary commodity markets. Secondly, my country is one of the developing nations which are able to export semi-manufactures and manufactures. We are inclined to think that import quotas imposed by developed countries on such commodities exercise adverse effects on developing countries. In line with the continuous economic progress of the world, it is hoped that the economically advanced nations will devote themselves to the higher grades or more complicated industrial products and gradually leave the markets for industrial products that are easier to manufacture to developing countries. The least the developed countries can do is to gradually eliminate their import restrictions. Thirdly, as to invisible trade, my country, like most developing countries, is having an import surplus. Though we have our own merchant fleet, it is not sufficient in itself to handle all of our trade. We firmly believe that improvement in the invisible trade of developing countries will depend on the enlightened policy of the developed nations and their appropriate assistance to the developing countries aside from the latter's own efforts. Fourthly, on the question of institutional arrangements, my delegation is of the opinion that much can be achieved by strengthening existing international organizations and co-ordinating their functions. If necessary, as the Teheran Resolution recommends, a United Nations Conference on Trade and Development may be convened once every two years to review the implementation of various decisions made. The establishment of new machinery will inevitably lead to duplication of the authority and activities of existing institutions and will not necessarily produce satisfactory results. Fifthly, with respect to the implications of regional economic groupings, my

delegation believes that regional co-operation will strengthen the economies of developing countries. We are of the opinion, however, that in extending aid to developing countries, the developed nations should follow an equitable principle and should not give too much preferential treatment to a specific region.

I believe further constructive measures will be presented to this Conference and in the course of discussion, arguments will arise. The developing countries may entertain high hopes which the developed cannot fulfil or the developed nations may wish to keep their vested interests and may not be willing to give to the developing countries what they can well afford. My delegation is of the opinion that to bring about satis-

factory results, any measure to be adopted should meet the following criteria:

- (a) Practical measures the execution of which is based on the strengthening of existing organizations;
- (b) Measures which can be co-ordinated within the framework of regional economic organizations without jeopardizing the economic interests of other regions;
- (c) Co-ordination of trade and aid programmes;
- (d) Measures which are acceptable to the major trading nations as well as to most developing countries.

With these criteria, we believe our discussions can bring about fruitful conclusions, thus fulfilling the objectives of this Conference.

**STATEMENT BY H.E. Dr. CARLOS LLERAS,  
AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY,  
HEAD OF THE COLOMBIAN DELEGATION**  
at the third plenary meeting, held on 24 March 1964

[Original text: Spanish]

*The process of world economy integration*

For the proper understanding of the meaning and aims of this Conference on Trade and Development, we have to see it within the general framework of the evolution that has taken place in the last twenty years. We are not participating now in an isolated international act, but going through another episode in the process of integration of the world economy, which having begun with the Bretton Woods agreements on the International Monetary Fund and the Bank for International Reconstruction and Development, continued in San Francisco and in London with the creation of the United Nations Economic and Social Council, and was later made up in part with a number of specialized agencies which, like the Food and Agriculture Organization of the United Nations or the older International Labour Organisation, function with regard to other sectors of economic life.

The concept of "integration" implies the idea of unifying and giving coherence to the world economy considered as a whole. Such an undertaking, of course, comes up against countless practical difficulties, political obstacles and differences arising out of the diversity of socio-economic systems. Notwithstanding, the progress already achieved is considerable; it is evident not only in the increasingly effective action of United Nations agencies and the bodies affiliated to the Organization, but also in the parallel exertions being made by various groups of countries and which are

assuming the form of partial integrations more or less complete in themselves. It is to be hoped that these will not encourage autarkical tendencies similar to those which characterized the policies of several nations in the years that followed the Great Depression, but, rather that they will support and facilitate the march towards a general integration.

It was natural to expect that the variety of socio-economic systems would restrict to very limited fields the scope of co-operation between the great blocs that came out of the Second World War. But it would not be rash to believe that there is nowadays a growing body of opinion favourable to the search for integration while respecting the kind of régime that each country has freely chosen for itself. Moreover, many new nations are blazing their own trails instead of following the strict theoretical patterns of either a centrally planned or a market economy. This multifariousness of shades and divergences and the inevitable mutual influences of separate systems are helping to create an atmosphere favourable to the advance of economic co-operation and integration without any nation or group of nations being able to try to subject that process to its own theories and characteristic structures.

*The aims of integration*

Integration is sought, of course, to increase general welfare. It arises from the conviction that it affords the best means to benefit mankind by contemporary

technical advances. But it is necessary to insist that the benefits desired must be won through a progressive diminution of prevailing inequalities, whether of old or recent origin. It was in this light that my country saw the problem when at the first session of the General Assembly of the United Nations, which met in London in 1946, it declared through its representative:

“We are beginning to progress from the isolated conception of national economies to the more realistic and just basis of a universal economy which has to be stimulated as a whole, which ought to develop harmoniously, and in which the principles of solidarity, equality and welfare can find more complete satisfaction than they have in the past.”

#### *International trade and integration*

In the sphere of international trade, as in those of money and credit, of agriculture and of labour, the initial tendency was to create a world organism as an agency of integration. Those of us who took part in the lengthy deliberations of the Havana Conference remember quite well how much effort was spent to constitute such a body and to establish the guiding principles of its activities. The Havana Charter, as is well known, never went into effect; although, according to terms previously concerted, several of the countries that participated in that conference proceeded to regulate their commercial relations by the General Agreement on Tariffs and Trade, others have abstained from entering into it. Today, sixteen years later, we can re-examine the problems of trade policy in the light of experience. According to the very nature of the present Conference, this must be done, above all, in order to see whether the existing mechanisms of world trade stimulate the development of the less advanced nations or, on the contrary, must be included as a negative factor with the causes that have given rise to a deficiency in progress. In the latter case, we must look for means of correction and improvement.

Fortunately, this study, which needs to be carried out in a spirit of frank co-operation, can now be accomplished not only in an economic atmosphere different from that which prevailed at the Havana Conference, but also in quite different political circumstances.

The General Agreement on Tariffs and Trade and the Havana Charter were discussed when many of the great Powers were just beginning to emerge from the chaos caused by the war and were concentrating on the problems of their own reconstruction. The developing countries insisted, nearly always without success, that their very special situation should be taken into account. They alleged that it was not right to apply to all the participating nations the same conceptions and rules on such matters as reciprocity, the extension of the most-favoured-nation clause and the establishment of new preferences; and they argued that it was absurd and unfair to prescribe an indiscriminate equality of treatment for unequal situations, and that, although the prosperity of the great nations was undoubtedly an indispensable condition for the prosperity of the others,

it was false to assume that the former by itself brought in its train or guaranteed the latter. Columbia, in discussing the Havana Charter, expressed its point of view in the following terms:

“An international organization such as that which it is proposed to establish must recognize in the first place the necessity that the differences existing today in living conditions amongst the various countries who are going to form part of it should progressively disappear. If, in order to obtain this, it is necessary, as we think, to authorize in the Charter certain provisions of exception for the benefit of the backward nations, then we ought to proceed to do so, and there can be no argument of any value against so logical an aspiration.”

My country still thinks that any measures designed to effect a better integration of world trade should be inspired by this principle of solidarity and by the urgent need to give a vigorous impulse to the development of the more backward countries. We still think that the process of general economic integration ought not to be translated into an increasing concentration of wealth and revenue in the hands of a few nations, but should take effect in such a way as to produce a distribution of means more satisfactory to the great majority of the world's populations. It was this conviction that impelled Colombia to act in favour of having this Conference convened, to participate in the preliminary committees, and to confer with the other nations of Latin America for the adoption of a common policy, the synthesis of which is the Declaration of Alta Gracia. We support this Declaration whole-heartedly. The text makes it unnecessary to enter into a detailed description of the concrete measures that my country would like to see established in the realm of international trade.

I have already stated that this Conference on Trade and Development is taking place not only in an economic atmosphere quite unlike that of the Havana Conference, but also in a very different political setting. There are represented here today several nations which have only recently attained independence and which, naturally, want to see it fortified through an economic development not cast in the traditional moulds of colonialism. Colombia fully understands that ambition, as the other Latin American nations, no doubt, also understand it. We have many problems in common with those new nations; and we feel certain that it will not be difficult for all the developing countries to come to a complete understanding here on solutions that will be of benefit also for all of them.

#### *A change in the prevailing conceptions*

The idea of economic integration, understood as the harmonious development of the economy of the whole world through financial and technical co-operation and the setting up, in trade relations, of rules that favour this development, is finding acceptance amongst the industrialized and wealthier nations. The fact that this



gathering has been convened is sufficient proof of this attitude. Other evidences are to be found in the modifications gradually introduced into the credit policy of international bodies, not only in the matter of rates of interest and terms of payments, but also in respect of the actual destination of the loans; in the Alliance for Progress, the Organization for Economic Co-operation and Development, the investment fund created by the European Economic Community; and, with more special reference to trade policy, in the changes discussed for the General Agreement on Tariffs and Trade. At the same time, distinguished economists, politicians and statesmen of these same countries have expressed their opinion in favour of the adoption or improvement of measures conducive to such a transformation of trade policy as to benefit the developing nations.

If we compare the solutions that are now being offered as possible with the notions fiercely defended by the developed countries only a few years ago, the change of approach will be quite evident. Nevertheless, the process of harmonious integration faces unexpected resistances and glaring contradictions, and there is still no precise, clear and concrete policy, generally accepted both by developed and under-developed countries, nor effective instruments for international action, to bring it to completion.

#### *The mission of the Conference*

The mission of the present Conference is to clarify this new policy, mark out surer paths for it, and provide it with instruments adequate for development. It is certainly a complex undertaking, though the task will be rendered less difficult thanks to the labour of the Preparatory Committee and to the abundant documentation available. Above all, the report of the Secretary-General, Mr. Raúl Prebisch, sets forth the problems under consideration with uncommon clarity and vigour.

I do not think there has been in history an instance of a meeting similar to this one. The possibilities for human progress have multiplied during the last few decades in an unprecedented way. Some countries have been able to take advantage of them and thus attain high levels of prosperity. On the other hand, two-thirds of the world's population live in various degrees of under-development, their income from abroad being affected by the trade situation of primary commodities, while their techniques are inadequate, and their capacity for saving and investment is inadequate to attain even a modest rate of growth. These people are spurred on by an irrepresible urge for speedy transformation. These contrasting situations are reflected at this Conference.

Never before have there been so many data available for an investigation of the world economy. It has now been possible to identify and measure the short-comings of systems, the clash of interests, the magnitude of contrasts. This is, beyond doubt, one of the factors

that increase the weight of responsibility of the participant nations. It has been rightly said that the only thing lacking is a definite political will that systematically applies itself to reconciling these opposing interests to correct the short-comings of the economic mechanism, and to remove through collective action the obstacles in the way of a more just distribution of international income.

Without ignoring all the technical problems that this Conference has to face, we must insist that the most important thing is, undoubtedly, the criterion that is to be applied to the solution of problems. The social and economic policies of many countries have, long since, established in domestic matters a criterion of human solidarity, the application of which has brought about systems of income redistribution and forms of investment that have made it possible to transform immense areas previously unproductive, or, to raise the standard of living of their poorer classes. Why not admit that the same principles have to be applied to the vast field of the international economy? The admission that this is necessary does, in fact, pervade such declarations as that of the United Nations on the Development Decade, as well as the resolutions that instituted the Alliance for Progress and the agreements between the European Economic Community and the African States and Madagascar which are associated with it. Of course, both in international and in home politics, the acceptance of these principles is not always unmixed with certain not altogether altruistic interests. And, of course, it has sometimes come about only on consequence of unremitting pressure or of manifestly imminent peril. But this does not diminish the importance of the fact itself in the practical sphere.

There is no doubt that many of the difficulties that the policy of co-operation for development encounters from public opinion in the great nations are due to the fact that people there have not become sufficiently used to the idea that there is no valid reason for not applying on a world-wide scale what has already been accepted on a national scale as just and necessary. The very people who, for instance, pay into their national treasury the taxes needed to grant aid to their farmers, are scandalized at the thought of agreements concerning imported primary commodities, which might bring about a rise in prices indispensable to the farmers of other and less favoured lands. And yet, everyone knows that, in the last analysis, the gap cannot go on widening indefinitely. And it is generally recognized that for most of the developing countries neither grants of credit nor other forms of financial support are a permanent remedy for a chronic deficit in the balance of trade.

#### *Agreements on primary products*

I have just mentioned one of the subjects to which this Conference will certainly give preferential attention, and which offers us an example of the glaring contradictions that can still be pointed out in the policy of international economic co-operation. For many years



now, various agencies of the United Nations, as well as other bodies, have been studying the problems that affect primary commodities. These problems are among those which the Secretary-General of the Conference has brilliantly summed up in his report. It is generally acknowledged that, in order to avoid serious disruption in the economy of those countries whose export trade very largely depends on such products, one of two courses is indispensable: either a relative stabilization of prices must be sought at levels that do not imply a grave deterioration in the terms of trade, by means of one of the systems that have been proposed and discussed exhaustively, or some kind of mechanism must be set up to assure financial compensation. But when a rise in the price of any given product—as in that of coffee just now—coincides with the international agreement's entry into effect, then the reaction and resistance of the consumer nations are immediate, and one cannot help being surprised that the prolonged study of the problem has failed, after so many years, to give the wealthier countries a clearer insight into the advisability of maintaining reasonable terms of trade so as to give an impulse to development which has, time and time again, been considered to be of the utmost urgency. This is one of the reasons why Colombia thought it necessary for this Conference to be held. Whatever the terms in which the administration of the Coffee Agreement may be technically presented, and whatever may be the interpretation given

to the recent rise in prices, a new and ample international discussion must unquestionably be entered upon as to the role that agreements on products can play in order to avoid at the least, the more serious perturbations in the rhythm of the economic development of the producer countries.

But the subject of special agreements on products is, I repeat, only one of many for which there should be some definition of international trade and development policies, definitions and an establishment of clear objectives. We confidently expect this Conference to provide these interpretations and indicate these objectives. We also hope—without, however, prematurely putting forward ideas which we shall have a chance to set forth in the appropriate committee—that adequate instruments of action will be forged to enable the programmes eventually adopted here to be efficiently carried out.

My country is taking part in this Conference with the strongest convictions about the principles which should inspire international trade policy, but, likewise, with an exact awareness of the obstacles which have been blocking or retarding the application of these principles. It is to overcome these obstacles in an atmosphere of mutual understanding and in a spirit of absolute open-mindedness propitious to the dispassionate study of the views of other peoples, that we offer our collaboration.

STATEMENT BY H.E. Mr. AIMÉ MATSIKA,  
MINISTER FOR COMMERCE, INDUSTRY AND MINES OF THE REPUBLIC  
OF THE CONGO (BRAZZAVILLE), HEAD OF THE DELEGATION

at the twenty-first plenary meeting, held on 7 April 1964

[Original text: French]

Allow me to convey to Mr. Kaissouni the warmest congratulations of the Government of my country: the Republic of Congo (Brazzaville). In offering him its congratulations, my Government is prompted by admiration for the individual qualities which have earned him his burden of world-wide confidence.

The confidence placed in him is indeed a burden, for it is through his personal knowledge and qualities that he is called upon to lead the work of this Conference to decisions that must give satisfaction to all parties, with their different initial standpoints, while the fate of the under-developed countries—the hungry, the needy—is being settled, perhaps for a long time to come. In this task, he may count on the modest support of my

Government in adding its good will to that of so many others that have come resolved to make this Conference a success.

But this support is truly modest. Our country is indeed poor among the poor. It comes here fully aware of its state. There is, however, wisdom in hearing the opinion of a poor man. Will the rich hear us?

The Congo's poverty may be illustrated by this comparison made by eminent capitalist economists: "Of every 7 francs CFA entering the Congo (Brazzaville), only 1.50 francs remain at the end of the operation." It is like a good wine leaving some dregs in the bottle to mark its former presence, while the gourmets having discussed its merits, have drunk their fill.

That is the true face of the Congo's trade, its development—in short, its economy. The Congo (Brazzaville) is thus no more than a cross-roads for profiteering; and as it is merely a cross-roads, each profit continues to follow the course on which it was set before the cross-roads.

#### *The position of the Congo (Brazzaville)*

Therefore, as far as the Congo (Brazzaville) is concerned, when we speak of trade we mean first of all building up and reorganizing a trading system that will leave as income for the Congolese nation at least 5 of the 7 francs I have just mentioned. When we speak of development, of the international division of labour, we mean first of all, as far as the Congolese nation is concerned, establishing the bases for this development on solid national foundations.

In any case, the hospitality of the under-developed countries and their willingness to accept international collaboration must not prevent their existence as national economies, or result in a lack of permanent sources of income and suitable bases of development for the under-developed countries. The situation in fact is that the Congo is poor despite its wealth, and that foreigners have established themselves there and are trading, in the name of the Congo, with the only available capital—which, in the end, follows the road of its owners' nationality.

That is a normal procedure, but it is only permissible when such non-fixed capital does not represent almost the totality of a State's investments.

The situation, which is already most precarious in the domestic markets of our under-developed countries, deteriorates when, in the international market, products are subjected indiscriminately to tariff barriers, quantitative restrictions and price fluctuations which are disastrous to the Congolese peasant producer who still uses primitive means of production, such as the hoe and the machete.

How can one expose him to competition simply for the sake of competition, seeing that he does not even earn enough to make a living, still less to improve his means of production?

The truth is that the only kind of trade which implies any liberalization for us is trade between a poor and a rich country that results in co-operation, a co-operation which essentially involves assistance in financing certain investments in the poor country, spares the poor country competition that it cannot withstand, and contributes to its development.

The liberalization of world trade and the development of the under-developed countries remain theoretical and often unattainable when envisaged solely as a necessity for business prosperity. They become a practical reality when—and only when—they mean aid to the under-developed countries.

But if such aid is to be of real value, it must be free both from world political antagonism between the

capitalist camp and the socialist camp in regard to the under-developed countries on the one hand and from the intrigues in the socialist camp and the capitalist camp concerning the under-developed countries, on the other.

It will become true aid when it reaches the frontiers of the under-developed States divested of its cold-war intrigues and clothed in absolute respect for national sovereignty; when it does not seek to deprive the recipient State of its freedom of judgement, of criticism and of choice to establish co-operative relations with other countries that accept the same conception of aid, whatever their political régime, without running the risk of an embargo on that account.

This position is fully justified, defensible and comprehensible. In certain countries such as Switzerland, many circles of interest to us (as possible investors) think likewise. In a booklet entitled "Reflections on assistance to developing countries" (*Réflexions sur l'aide aux pays en voie de développement*), published by the Swiss banks, the following passage appears:

"... It is clearly necessary, for political reasons, to uphold the principle that assistance should be granted to all developing countries. On no account must those countries be arbitrarily allocated among the assisting countries, lest a form of neo-colonialism should take root and develop..."

"... Economic conceptions in the developing countries differ considerably from our own, particularly as regards the organization of the economy, the general behaviour and attitude towards work, and as regards financial questions. It is thus problematic whether the economic methods used in Western countries could be transplanted unchanged to the developing countries, especially countries which have recently gained independence; it would in any case be unreasonable, even were it desired, to seek to impose our own free enterprise economic outlook at the present juncture.

"Another very important problem lies in the establishment of the most appropriate organizational methods for building up the economic structure. As there is a shortage of business managers, the new States will have to undertake numerous tasks, establish State enterprises and participate in co-operatives or other mixed economic bodies. That policy is particularly indicated, since such methods of organization are best suited to the tribal structure of the society and since the African idea of property differs from that of the rest of the world..."

There is a statement of position which has the support of the African countries in general and the Congo (Brazzaville) in particular. In our view, this position is an excellent one, especially as it represents the thinking of capitalist circles, for when the economic philosophy of the West is discussed, we take it to mean first of all the intentions of the capitalists who are in possession of the treasure. This position would be perfect if it received the blessing and endorsement of the Govern-

ment of the country holding it and of the industrialized countries and, still more, if it were shared unanimously by the Conference.

Our position is not purely nationalist. We at the same time protect the private or public foreign capital invested or available for investment in our country with a view to increasing its yield.

May I remind this Conference of the assembled world of one hard fact: there are countries which, perhaps for a long time to come, can think neither of capitalizing nor of socializing as does the rest of the world for the simple reason that they have nothing to capitalize and nothing to socialize. They have only one major concern, to provide their daily bread for peoples still breathless after the long struggle against domination. It is a minimum, yes, a minimum, which is sought by the majority of the countries which it has been shamefully agreed to term under-developed, in a world which is ready to reach the moon.

The moon is no longer a dream for mankind and this at a time when to eat one's fill, if not simply to eat, is still a luxury for the majority of the inhabitants of the earth. Bread is within reach; we cannot take it. The moon is far away, but it will be visited at will by tourists and photographers long before we shall have our daily bread.

It is this feeling that has led the Congo (Brazzaville) to place its hopes in this Conference, which, in its view, is the most important development in the past fifteen years, since Havana.

It is consequently our hope that there will be no need to draw up a balance-sheet or to demonstrate the causes of our under-development, which everybody recognizes: colonial domination.

This hope is founded on the fact that the former rulers and those over whom they ruled have agreed to meet again and find some way of remedying the lack of balance in the world economy and development.

This hope is mixed with confidence for our little country of less than one million inhabitants, a country which is sick, hungry and, what is worse, under-developed. Yes, confidence in the United Nations, which, through the positive results expected from this Conference, will make further progress towards the noble objectives it pursues. It is in this way that the United Nations and its specialized agencies justify their existence.

But we shall not allow ourselves any illusions. Just as Portugal, which sits here in place of the peoples in regard to whom it claims to have a mission of "high human qualities", will be astonished in fifteen years that these same peoples are under-developed, so at the present moment we see evidence of an egoism which, in the course of this Conference, will serve to justify a position of principle that might perhaps be valid in the more or less distant future but is in any case neither objective nor of current validity at the present level of development of the countries with which the Conference is concerned. We speak of the liberalization of

world trade, we speak of uniting efforts at the world level to assure the co-ordinated development of the under-developed countries. At the same time we hold out the threat of an embargo, the prospect of economic sanctions, to any country which dares to exercise its sovereignty to enjoy a freedom of trade which is often on a reduced scale only. How often on the world scale? This is a contradiction which the Conference should have the courage to condemn.

We speak today of under-development. At the same time we could also speak of over-development in the industrialized countries. Let us consider the levels of purchasing power in countries with different or similar conditions of life. We realize that an under-developed country will classify as luxury goods articles which an industrialized country, by reason of its high purchasing power, will consider to be a mere minimum. It follows not only that the under-developed country cannot purchase so much as it would like, but also that the industrialized country cannot sell so much as it would like.

This shows that discrimination in trade—at least between industrialized and under-developed countries—is inherent in the difference in levels of industrialization or development between the countries in question and is consequently a discrimination inherent in the difference in purchasing powers of their populations.

Up to a certain level in their development, this discrimination is necessary to the under-developed countries in their trade with the industrialized countries for the purpose of promoting their economic expansion. The objective of this discrimination in favour of the under-developed countries will be attained thanks to the investment aid granted by the industrialized countries, provided that the latter do not offset this discrimination with excessive customs barriers, quota systems or price fluctuations affecting the products of the developing countries.

Reciprocity, competition in our trade with the industrialized countries is excluded by the fact that our products, our wages, our prices are under-developed: our countries are under-developed.

### *Proposals*

By way of supplementing those proposals made at this Conference which are not contrary to our position, I should like to give a brief account of how we see the liberalization of world trade and the development of the under-developed countries.

Trade between industrialized countries and developing countries is free in the following conditions:

1. When an industrialized country or an organized group of industrialized countries grants one or more private or public investments, one or more short, or long-term loans to a developing country or an organized group of developing countries at least equal or superior to the quotas it proposes to export.

2. When an industrialized country or an organized group of industrialized countries accepts and guarantees by every possible means stable prices for the products of a developing country or an organized group of developing countries and provides for an increase in such prices through the conclusion of agreements between the two sets of countries which are open to review.

3. When a developing country or an organized group of developing countries consents to such trade by means of direct agreements concluded through the exercise of sovereignty or the partial transfer of sovereignty to the organized group of countries.

4. The freedom of world trade so defined is understood to involve no political pressure or conditions other than the obligations entered into by States in the exercise of their sovereignty.

5. Trade between industrialized countries is free when it amounts to no more than three-quarters of the average purchasing power of the population of the importing country and is based on reciprocal advantages.

#### *Reply to the tendentious press*

Allow me to avail myself of the right of reply to the journalists and to those who have spoken from this rostrum, ridiculing our intentions and our desires with regard to this Conference.

We have certainly not come here to ask for miracles worked for us by the rich countries with a magic wand, to acquire in a short time what the latter countries have achieved in the course of the centuries.

On the contrary, if we must say so, we could complain, accuse, despise, denounce those who brought us to our condition of under-developed countries by creating needs without giving in return an equitable measure of development for economic independence. We have, however, come here in a conciliatory mood, ready to rub off the corners. Indeed, in this world the greatest truth is that no-one, no country, can live isolated from the others, however great may be its wealth or strength, its political influence in the world. A country can be itself only when it is surrounded by friends. The evil lies in the fact that there are people who wish to make friends dishonestly, by intimidation, by unjustified economic sanctions, in short by force. So far as we are concerned, we Africans, and we Bantus in particular, our philosophy teaches us:

Firstly: "You only find your best friends in misfortune";

Secondly: "The poor man must be able to live on the product of his poverty, on what is his."

The rich, however, no longer allow the poor man to live on what belongs to him, under-valuing his products when they wish to continue to dump their own products on him at unprecedentedly high prices.

Are we to blame for having been colonized? Was it not colonialism which controlled the scale of our

economy for centuries? Is it our fault if our peasants still do not know the plough although, during the period of colonization, the peasant of the industrialized colonizing country was using it? What were centuries of progress for some were centuries of stagnation, even regression, for us. How long, I ask, did colonialism last?

So what basis is there for references to the mendicity, laziness or weakness of the under-developed countries, former colonies? Obviously they do not alarm us because, as I have already had occasion to say elsewhere, the journalists are like flies which settle only on dirt; they are all the same and, besides, it is free.

On the strength of my personal observation, I should like to draw the attention of my colleagues in the delegations of the under-developed countries to the tone of the statements by the industrialized countries at this Conference.

We, the under-developed countries, are unanimous in our case. Our will to achieve positive results is established. It is a question of the two-thirds of mankind who share only 15 per cent of the world's income and who must be helped.

The industrialized countries recognise this state of affairs, but they are trying to involve us in their ideological and regional antagonisms, which will lead only to confusion over the main objective of the Conference and the means necessary to attain it. In any case, from the standpoint of the Conference, there is no need for complacency in regard to the political régimes or philosophies which have made the industrialized countries. For us, attainment of their level of industrialization is not the desired end.

In my personal opinion, what is involved here is a national or governmental choice to be taken by each industrialized country whatever its political and social régime, whatever the regional group to which it belongs, in a single matter, that of aid to the developing countries. For I believe that each system (capitalist, socialist), in claiming to be more human than another, is aiming at the social welfare of mankind. And what is asked of these systems, without distinction, is simply to make available a proportion of the prosperity they have achieved for the benefit of that part of the world which is still seeking it.

But they are not asked to divide the famished world into zones of influence, game preserves or spheres of rivalry, in which a struggle for mutual exclusion is to be waged.

This is why we should avoid falling into a sentimentalism which would cause us to follow those countries into a position contrary to the clearly understood end which we wish to attain as the result of this world meeting.

I shall conclude by expressing once again our desire to see this Conference lead to an effective and concrete result.

STATEMENT BY H.E. MR. RODOLPHE YAV,  
MINISTER FOR FOREIGN TRADE, HEAD OF THE DELEGATION  
OF THE REPUBLIC OF THE CONGO (LEOPOLDVILLE)

at the twentieth plenary meeting, held on 6 April 1964

[Original text: French]

Allow me to associate myself with the speakers who have preceded me on this platform and congratulate Mr. Kaissouni in the name of the Government and people of the Congo, on his election as President of the United Nations Conference on Trade and Development.

I also take this opportunity of congratulating Mr. Raúl Prebisch, the Secretary-General of the Conference, and his staff on the remarkable efforts they have made to provide us with such abundant documentation, which will certainly be a most valuable aid in our work.

The United Nations Conference on Trade and Development is an event whose importance cannot be sufficiently stressed. It is, indeed, a turning point in the history of international co-operation and embodies the hopes of the developing countries.

The Congo, conscious of the part it is called upon to play in Africa and in the world, is prepared to contribute all its understanding, good will and co-operation, in order that the Conference may achieve practical results which will enable the less advanced countries to attain the goals of the United Nations Development Decade.

I do not think it necessary to stress here—many speakers having already amply done so—the disequilibrium sometimes bordering on injustice and the disappointment which have been, and still are, caused by the present trend of trade between the under-equipped countries and the industrial countries.

It is therefore acceptable, or rather desirable, that future international trade should become a more effective instrument for economic development. It should not only permit of expansion of the traditional exports of the developing countries, but also open outlets for their new products, bring a general increase in their share of world exports and improve the terms of trade.

This concept of foreign trade calls for concerted international action on the primary commodities, manufactured goods and invisible trade of our countries, and adequate financial assistance to go with it.

After this brief introduction, I should now like to state my delegation's views on the various questions before the Conference.

The Congo normally exports \$500 million worth of primary commodities, either raw, processed, or refined.

Thanks to the very wide diversification of its exports, it has been able to compensate, to some extent, for the short-term fluctuations in the prices of its products. But the persistent downward trend of primary commodity prices has finally nullified the effects of this diversification and the country is experiencing a decline in the external resources it needs for its economic development.

The blind application of the law of supply and demand is no longer acceptable; action should be taken on the question of prices and at the same time a system of compensatory financing should be developed.

As far as prices are concerned, the Congolese delegation considers that they should be stabilized at reasonably high levels, which would permit the exporting countries to acquire sufficient resources to import the goods they need for their development, while encouraging the consumption of primary commodities in the industrialized countries.

One of the best price stabilizing instruments is unquestionably the international commodity agreement. The Congo, which is a party to two of the existing agreements, is in a position to appreciate the advantages to be derived from them. Hence our greatest wish is to see these agreements extended to an increasing range of primary commodities and the greatest possible number of producer and consumer countries.

The developed countries must realize that progress with these agreements will depend mainly on their willingness to collaborate in maintaining prices at levels which are remunerative for the developing countries.

Consumption of primary commodities from the developing countries is meeting with serious problems in the developed countries. These problems lie in the increasing use of synthetic products and natural substitute products and the growing competition from developed countries in primary commodity exports.

My delegation realizes this and is justifiably concerned about it: our exports of natural rubber—to give only one example—are suffering from competition by synthetic rubber production in the industrialized countries.

This new trade phenomenon assumes its full significance and scope when we know that rubber takes second place in the agricultural exports of the Congo,

and represents a much larger proportion of the exports of other developing countries.

Hence the danger exists for all developing countries. Again, supposing that synthetic production of industrial diamonds—which represent 7 per cent of our exports—should emerge from the laboratory stage and go over to large-scale production, that would be a further blow to our exports.

We certainly appreciate the progress of technology but, as the Secretary-General of the Conference so well expressed it in his report: "That does not mean, however, that it is advisable to encourage certain types of research which should not, for the time being, enjoy any priority whatsoever . . ."

The question of natural substitute products is also of concern to us, since our exports of palm oil and cake are facing competition from an oil-seed which certain countries export at low cost in large quantities.

The same applies to products stockpiled for non-commercial reasons. A co-ordinated international policy should be adopted on the disposal of surplus strategic stocks.

The efforts of all the developing countries are aimed at bringing about rational industrialization as quickly as possible, so that they can replace certain imports and valorize their raw materials, in order to export more and more intensively processed products. The export of semi-finished and manufactured goods will bring about a considerable increase in the export earnings of the developing countries. However, the present situation in this regard is calculated to put a brake on exports. Customs duties are very high, especially for semi-manufactures, and various other barriers have been raised to hinder their entry—quotas, internal taxes, etc.

This problem calls for different approaches by the free-economy and the planned-economy countries. The former should be induced to abolish all restrictions on their imports of manufactures from the developing countries. They should grant preferential treatment to these countries without asking them to apply the principle of reciprocity, for the developing countries need to protect their incipient industries.

With regard to the planned-economy countries, the Congo is glad that its trade with them, which has been almost non-existent since it achieved independence, has now got under way and offers great possibilities for expansion. By reason of their over-all economic plans, those countries can easily budget for increased imports, not only of the traditional products of the developing countries, but also of their semi-manufactures and manufactures. Let me add that we listened with satisfaction to the representatives of those States who said that their countries had increased their imports from the developing countries and were prepared to increase them further.

We should like to see all the other planned-economy countries give firm undertakings to this effect.

At this stage, attention may usefully be drawn to the obstacles which continue to restrict trade between the developing countries themselves. Trade barriers set up by former colonial Powers to prevent competition from developing countries in the territories under their control are still in existence. Thus we are faced with the curious fact that some developing countries still import from far away, and sometimes at high prices—with all the invisible charges this involves—goods which they could buy cheap from neighbouring countries.

Another problem causing concern to the developing countries is that of invisible trade and financial assistance. The sums we have to pay out for freight and insurance and in interest and dividends on investments is enough to wipe out any profit on the sale of our goods. Moreover, service charges on the foreign debt are becoming more and more difficult to meet because the intervals between repayments are too short.

It is here that we should like to see established an international system of financial aid complementary to the purely commercial measures, which would enable the developing countries to set up their own organs for foreign debt service. Furthermore, other contributions of capital should be made either in the form of grants or in the form of long-term loans at low rates of interest. The greater part of this aid should be channelled through a suitable international organisation.

At this point I should like to add a few words regarding a system of compensatory financing. The Congolese delegation is in favour of the development insurance fund proposed by the United Nations experts. This system might make it possible to restore the balance of trade between the developed and the developing countries.

In conclusion, I should like to state my delegation's views on the kind of organization that should direct international trade in the future. It may be tempting, as some have suggested, to entrust this task to GATT. But this body, in its present form, seems to us to be inappropriate for dealing with the sort of problems now before us. The most-favoured-nation clause, which is fundamental to it, has so far operated in favour of the developed countries. It is true that GATT has recently made every effort to deal with certain aspects of the trade of the developing countries; but whatever its activities, the object of GATT remains limited, and unless far-reaching changes are made in its constitution it will not be able to deal with all the problems arising from the differences in development and in economic and social system between the participants in this Conference. We therefore believe it would be useful to set up a specialized agency to deal with international trade. Moreover, after certain changes had been made, GATT could be embodied in the new agency and used to deal with the technical aspects of customs tariffs. We have also given some consideration to the idea put forward by Mr. Prebisch that this Conference might be made a permanent organ of the United Nations; we think it reasonable that all nations

should meet from time to time to review problems of international trade.

The Congolese delegation is fully aware of the need to find satisfactory solutions without delay for the

many diverse problems arising in connexion with international trade. It is accordingly prepared to support all proposals calculated to further the aims of this Conference.

**STATEMENT BY H.E. Mr. CARLOS ENRIQUE PERALTA MENDEZ,  
MINISTER OF ECONOMY OF GUATEMALA, SPEAKING ON BEHALF  
OF COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS AND NICARAGUA  
at the sixth plenary meeting, held on 25 March 1964**

[Original text: Spanish]

It is my privilege to address this Conference as spokesman of the five countries of Central America: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. In their name, I should like to offer my warmest congratulations on the well deserved honour bestowed on the President by his election to preside over our debates.

Central America comes to this meeting united in an economic community of five countries, linked by historical, social and cultural bonds which go back to times before the achievement of our independence in 1821, and by international treaties based on the Programme of Economic Integration which dates from 1952. The purpose of this programme is to achieve the combination of five small economies into an economic unit of 450,000 square kilometres and 12,000,000 inhabitants.

At this moment our Common Market guarantees internal free trade for 95 per cent of the products of the region, both natural and manufactured, and provides for a common customs tariff, which has also been agreed to, on 95 per cent of foreign products.

The General Treaty of Central American Economic Integration provides for a further advance in this Common Market by 1966 and the establishment of a customs union by 1970.

As a result of the establishment of the wider market, trade within the Central American area increased from 8.3 million dollars in 1950 to 66 million dollars in 1963; the difference between those figures representing an average annual rate of growth of more than 25 per cent over the last eight years. In this way, inter-regional trade, which in 1950 accounted for rather less than 3 per cent of the total of Central American trade with the rest of the world, had by 1963 reached a proportion of 12 per cent and has thus partially compensated for the unfavourable situation in the foreign sector.

With a view to the formation of an economic community within a short time the Programme provides for active co-operation in other sectors in addition to the

common market. Of special importance are the projects concerning the infra-structure: a regional highway programme involving the construction of 1,632 kilometres by 1969; a regional telecommunications network; schemes for electrical interconnection and other projects. A plan for industrial development including uniform incentives for the development of industry and a regional policy of industrial development; a special regional financing organ (the Central American Bank for Economic Integration); an institute of technological study (the Central American Research Institute for Industry—ICAITI); clearing and payments machinery (the Central American Clearing Chamber) which is to lead to a monetary union; projects for specialization in agriculture and animal husbandry; programmes for vocational training and improvement; and an attempt at national programming co-ordinated at the regional level.

These achievements have been made possible because the Economic Integration Programme has, from the outset, been supported by organs which are permanently engaged in applying approved projects and supervising the effective execution of the agreements and decisions which have been entered into. Thus, the Committee on Economic Co-operation was set up within ECLA. Later, the General Treaty set up the organs of the programme: the Central American Economic Council, composed of the five Ministers of Economy; the Executive Council at a technical level and the permanent secretariat of the Treaty (SIECA).

At the end of the 1950s, the five Central American countries were suffering from the effects of a large-scale economic crisis. The prices of their main exports were falling rapidly, thereby causing an ever increasing deterioration in the terms of trade with the industrialized countries. Neither the increase in the volume of exports nor the net inflow of capital were sufficient to offset the effects of the loss of foreign currency receipts incurred during those years. Since 1958 the volume of imports has dropped, our international reserves have fallen, government fiscal receipts have diminished and



the expansion of banking credit has lost its dynamism. Public and private investment has over these years shown a descending coefficient of growth which has contributed to the stagnation of the Central American economies whilst the under-employment of physical and human resources has spread to large sectors of productive activity. Between 1957 and 1960, the gross national product scarcely rose by 2.8 per cent annually in the five countries of the region, whilst the rate of population increase was more than 3 per cent. In 1963, the outgoings of capital in the form of amortization and transfers of profits and for servicing the foreign debt absorbed almost 20 per cent of the yield of currency obtained from exports of goods and services.

In these adverse circumstances, resulting mainly from the external sector, and within the narrow scope in which international economic relations are developing at the present time, Central America has been seeking out and making efforts and sacrifices to get the best out of its development capacity.

We recognize that the responsibility for refashioning world policy on trade and development in such a way as to make possible an equitable distribution of riches falls on all countries but particularly on the highly developed countries, since to the extent to which they co-operate in improving the economic and social situation of the developing countries they will ensure their own capacity for growth. To fulfil our share of this responsibility, we are taking part in this Conference with our minds set on seeking practical solutions for the numerous problems of international trade and development, and with a will to play an active part in such measures as may be adopted to bring about and maintain in the future an adequate system of economic links between the industrialized and the developing countries. With our own experience behind us, we believe that the results of this Conference must be safeguarded by setting up a competent organization to further and watch over the execution of these measures.

Traditionally, our economies have depended on the export of a certain number of tropical agricultural products. Even though in recent years some degree of diversification in foreign trade has been achieved, and a modest stimulus given to industrialization by the Economic Integration Programme, we still depend, in the main, on agriculture and the foreign sector.

We are particularly concerned by the fate which may overtake our main export commodities since their situation seriously affects the progress of the programme and thus the levels of employment and well-being.

We are concerned that the Conference should give the closest attention to the question of commodities; and that measures should be taken to increase the prices of these products and to achieve their long-term stabilization as well as the geographical expansion of commodity trade.

The discriminatory policies pursued against tropical products—particularly through taxes on imports—which today make it difficult to buy from Latin America,

the inequality in competition caused by internal measures and the agricultural subsidies which maintain unjustifiable preferences constitute a serious obstacle to our economic development.

Central America hopes for the establishment of a new system of international economic relations based on foreign trade methods which will correct the factors responsible for stagnation in the commodity-producing countries; and for the adoption of a new conception of the principle of reciprocity and the application of the most-favoured-nation clause, so that concessions granted by industrialized countries do not lead to the less-developed countries being obliged to concede reciprocal advantages nor to such concessions as the developing countries may mutually grant each other having necessarily to be applied to more advanced nations.

Furthermore, the principle of equality of treatment for the strong and for the weak countries—which is only a transplantation to the economic sphere of political equality, as understood in its traditional sense—has served to maintain and deepen the differences which exist between the rich and the poor, whether they be countries or individuals.

With specific reference to commodities, we ask for the elimination of the tariff restrictions, whether quantitative or of any other kind, imposed today by industrialized nations on the exports of developing countries; and we hope for a non-discriminatory treatment for our tropical products in comparison with those from other geographical areas. In this last connexion, the industrialized countries might substitute positive programmes of an equivalent value, for example, in financing and technical assistance, for the commercial preferences which today exist in favour of some developing countries.

Central America likewise supports the signing of multilateral agreements for certain products as a way of organizing the traditional export markets, and will aim at the opening of new markets in which there may be real possibilities of establishing trade relationships on a basis of mutual benefit. Our delegations believe that the opening of new markets should include all countries.

The Central American countries are also interested in the export of manufactures and semi-manufactures principally those processed from tropical raw materials. This will mean that the industrialized countries should facilitate the establishment in the developing countries of industrial activities for the production of such articles by eliminating quantitative and qualitative restrictions on them and reducing import duties.

It must be emphasized that all measures which may be adopted by the industrialized countries for promoting imports of manufactures and semi-manufactures from the developing countries should be based on the new conception which must govern trade relations between countries, so that, as has been said, concessions granted by the industrialized countries are not neces-



sarily compensated by advantages to be granted by the less-developed countries. The measures previously alluded to if they are to be effective, should be accompanied by investments associated with national capital and accompanied by the provision of technical experts.

Furthermore, we are firmly convinced that the question of short or long term financing, whether for credit or compensatory purposes, must be discussed and thoroughly studied at the present meetings with the aim of securing a full revision of the ideas and the machinery imposed on the developing countries in this matter.

The conditions and methods for carrying out the increasing credit operations to meet the problems of the balance of payments should be revised to provide our countries with more favourable terms particularly in regard to interest and dates of repayment; above all with a view to reducing the inevitable burden of debt to which they have been subjected in the pursuit of their own development. Adequate systems of compensatory financing should be adopted by the industrialized countries to neutralize as far as possible the loss of revenue resulting from the unfavourable terms of trade. It will be understood that such compensations will not be subject to devaluation.

The financial difficulties of trade and development are not exhausted with the solution of the issues mentioned above which are short-term questions; the Conference should also review the financing of trade which at the present time appears to consist of a discriminatory system of purchases and sales linked to certain countries or certain conditions. The developing countries should be given greater freedom of choice and be able to adopt long-term financing methods which will make it possible for those with few exportable products to alter the structure of production with a view to diversifying their foreign trade. The Central American countries consider a re-appraisal of the systems of long-term financing for industrial development indispensable to enable them to place their export of manufactures and semi-manufactures on a sound basis and to ensure that their import capacity and ultimately their development are not jeopardized by financing methods.

As was said at the beginning, we believe this Conference should make every effort to find the financial machinery and organs most appropriate for international negotiations, especially those likely to promote multilateral trade, and also the acceleration of development in countries which have remained economically backward as a result of the traditional structure of international trade. Our delegations will make common cause and collaborate with all those who are inspired by these aims.

Central America supports the Latin American position set forth in the Charter of Alta Gracia; for it subscribed, when it was adopted, to its principles and suggestions in which our own views are presented in conjunction with those of the other Latin American countries.

The Charter of Alta Gracia is the result of a series of preparatory reunions within the scope of Economic Commission for Latin America (ECLA) and the Organization of American States (OAS) at which the Central American countries have always expressed themselves as one voice feeling that they could make a significant contribution to the common stock of ideas.

We likewise express our sympathy for the aspirations and strivings of that important sector of the developing world which is represented by the group of Afro-Asiatic countries.

Central America will be speaking in the various Committees, as on this occasion, with one voice, and all our delegations have been instructed to act together during the discussions of the Conference in a spirit of solidarity with and support for all developing countries.

In conclusion, we should like to appeal to all those meeting here to ensure that the spirit of this Conference be one of frankness, good will and a firm determination to find solutions, however difficult they may be, to international economic problems, since these offer not only the possibility of better conditions of life, material and cultural for the greater majority of humanity, but also the prospect of inaugurating an era of peace and co-operation between peoples.

**STATEMENT MADE BY H.E. Mr. ERNESTO GUEVARA SERNA,  
MINISTER FOR INDUSTRY OF CUBA, HEAD OF THE DELEGATION**

at the sixth plenary meeting, held on 25 March 1964

[Original text: Spanish]

This is the delegation of Cuba, an island country situated at the mouth of the Gulf of Mexico in the Caribbean Sea, speaking. It is addressing you under the protection of its right to come to this forum and proclaim

the truth about itself. It addresses you, first of all, as a country which is making the vast experiment of building socialism; it does so also as a country belonging to the group of Latin American nations, even though

illegal decisions have temporarily severed it from the regional Organization owing to the pressure exerted and the action taken by the United States of America. From the geographical standpoint, it is an under-developed country which addresses you, one which has suffered from colonialist and imperial exploitation and which knows from bitter experience the subjection of its markets and its entire economy or, what amounts to the same thing, the subjection of its entire governmental machinery to a foreign Power. Cuba also addresses you as a country under attack.

All these features have given our country a prominent place in the news throughout the world, in spite of its small size, its lack of economic importance and the small size of its population.

At this Conference, Cuba will express its views from the various angles which reflect its special situation in the world, but it will base its analysis on its most important and positive attribute: that of a country which is building socialism. As a Latin American and under-developed country, it will support the main demands of its sister countries, and as a country under attack it will denounce from the very outset all the underhand activities set in train by the coercive machinery of that imperialist Power, the United States of America.

We preface our statement with these words of explanation because our country considers it imperative to define exactly the scope of the Conference, its meaning and its possible importance.

We come to this meeting seventeen years after the Havana Conference, where the intention was to create a world order that suited the competitive interests of the imperialist Powers. Although Cuba was the site of that Conference, our revolutionary Government does not consider itself bound in the slightest by the role then played by a Government subordinated to imperialist interests, nor by the content or scope of the so-called Havana Charter.

At that Conference, and at the previous meeting at Bretton Woods, a number of international bodies were set up whose activities have been harmful to the interests of the dependent countries of the contemporary world. And even though the United States of America did not ratify the Havana Charter because it considered it too "daring", the various international credit and financial bodies and the General Agreement on Tariffs and Trade—the tangible outcome of those two meetings—have proved to be effective weapons for defending its interests and, what is more, weapons for attacking our countries.

These are subjects which we must deal with at length later on.

Today, the Conference agenda is broader and more realistic because it includes, among others, three of the crucial problems facing the modern world: the relations between the camp of the socialist countries and that of the developed capitalist countries; the relations between the under-developed countries and the

developed capitalist Powers; and the great problem of development for the dependent world.

The participants at this new meeting far outnumber those who met at Havana in 1947. Nevertheless, we cannot say with complete accuracy that this is the forum of the peoples of the world. The result of the strange legal interpretations which certain Powers still use with impunity is that countries of great importance in the world are missing from this meeting: for example the People's Republic of China, the sole lawful representative of the most populous nation on earth, whose seats are occupied by a delegation which falsely claims to represent that nation and which, to add to the anomaly, even enjoys the right of veto in the United Nations.

It should also be noted that delegations representing the Democratic Republic of Korea and the Democratic Republic of Viet-Nam, the genuine Governments of those nations, are absent, while representatives of the Governments of the southern parts of both those divided States are present; and to add to the absurdity of the situation, while the German Democratic Republic is unjustly excluded, the Federal Republic of Germany is attending this Conference and is given a Vice-Presidency. And while the socialist republics I mentioned are not represented here, the Government of the Union of South Africa, which violates the Charter of the United Nations by the inhuman and fascist policy of *apartheid* embodied in its national laws, and which defies the United Nations by refusing to transmit information on the territories which it holds in trust, makes bold to occupy a seat in this hall.

Because of all these anomalies, the Conference cannot be defined as the forum of the world's peoples. It is our duty to point this out and draw it to the attention of those present because, so long as this situation persists and justice remains the tool of a few powerful interests, legal interpretations will continue to be tailored to the convenience of the oppressor Powers and it will be difficult to relax the prevailing tension: a situation which entails real dangers for mankind. We also stress these facts in order to call attention to the responsibilities incumbent upon us and to the consequences that may flow from the decisions taken here. A single moment of weakness, wavering or compromise may discredit us in the eyes of history, just as we States Members of the United Nations are in a sense accomplices and, in a manner of speaking, bear on our hands the blood of Patrice Lumumba, Prime Minister of the Congolese, who was wretchedly murdered at a time when United Nations troops supposedly guaranteed the stability of his régime. What is worse, those troops had been expressly called in by the martyr, Patrice Lumumba.

Events of such gravity or of a similar nature, or which have negative implications for international relations and which jeopardize our prestige as sovereign nations, must not be allowed to happen at this Conference.

We live in a world that is deeply and antagonistically divided into groupings of nations very dissimilar in

economic, social and political outlook. In this world of contradictions, that existing between the socialist countries and the developed capitalist countries is spoken of as the fundamental contradiction of our time. The fact that the cold war, conceived by the warmongering West, has shown itself lacking in real effectiveness and in political realism, is one of the factors that have led to the convening of this Conference. But while that is the most important contradiction, it is nevertheless not the only one; there is also the contradiction between the developed capitalist countries and the world's under-developed nations; and, at this Conference on Trade and Development, the contradictions existing between these groups of nations are also of fundamental importance. In addition there is the inherent contradiction between the various developed capitalist countries, which struggle unceasingly among themselves to divide up the world and to gain a firm hold on its markets so that they may enjoy an extensive development based, unfortunately, on the hunger and exploitation of the dependent world.

These contradictions are important; they reflect the realities of the world today, and they give rise to the danger of new conflagrations which, in the atomic age, may spread throughout the world.

If, at this egalitarian Conference—where all nations can express, through their votes, the hopes of their peoples—a solution satisfactory to the majority can be reached, a unique step will have been taken in the history of the world. However, there are many forces at work to prevent this from happening. The responsibility for the decisions to be taken devolves upon the representatives of the under-developed peoples. If all the peoples who live under precarious economic conditions and who depend on foreign Powers for some vital aspects of their economy and for their economic and social structure, are capable of resisting the temptations made in cold blood although in the heat of the moment, and impose a new type of relationship here, mankind will have taken a step forward.

If, on the other hand, the groups of under-developed countries, lured by the siren song of the vested interests of the developed Powers which exploit their backwardness, contend futilely among themselves for the crumbs from the tables of the mighty of this world, and break the ranks of numerically superior forces; or if they are not capable of insisting on clear agreements, free from escape clauses open to capricious interpretations; or if they rest content with agreements that can simply be violated at will by the mighty, our efforts will have been to no avail and the lengthy deliberations at this Conference will result in nothing more than innocuous documents and files for international bureaucracy zealously to guard: tons of printed paper and kilometres of magnetic tape recording the opinions expressed by the participants. And the world will stay as it is.

Such is the nature of this Conference. It will have to deal not only with the problems involved in the domination of markets and the deterioration in the terms of

trade but also with the main cause of this state of world affairs: the subordination of the national economies of the dependent countries to other more developed countries which, through investment, hold sway over the main sectors of each economy.

It must be clearly understood, and we say it in all frankness, that the only way to solve the problems now besetting mankind is to eliminate completely the exploitation of dependent countries by developed capitalist countries, with all the consequences that implies. We have come here fully aware that what is involved is a discussion between the representatives of countries which have put an end to the exploitation of man by man, of countries which maintain such exploitation as their working philosophy, and of the majority group of the exploited countries; and we must begin our discussion by affirming the truth of these statements.

But though our convictions are so firm that no arguments can change them, we are ready to join in constructive debate in a setting of peaceful co-existence between countries with different political, economic and social systems. The difficulty lies in making sure that we all know how much we can hope to get without having to take it by force, and where to yield a privilege before it is inevitably wrung from us by force. The Conference has to proceed along this narrow, craggy pass; if we stray, we shall find ourselves on barren ground.

We announced at the beginning of this statement that Cuba would speak here also as a country under attack. The latest developments which have made our country the target of imperialist wrath and the object of every conceivable kind of repression and violation of international law, from before the time of the Bay of Pigs till now, are known to all. It was no accident that Cuba was the main scene of one of the incidents that have most gravely endangered world peace, as a result of legitimate action taken by Cuba in exercise of its right to adopt principles of its own devising for the development of its own people.

Acts of aggression by the United States against Cuba began virtually as soon as the revolution had been won. In the first stage, they took the form of direct attacks on Cuban centres of production.

Later, these acts took the form of measures aimed at paralysing the Cuban economy; about the middle of 1960 an attempt was made to deprive Cuba of the fuel needed to operate her industries, transport and power stations. Under pressure from the Department of State, the independent United States oil companies refused to sell petroleum to Cuba or to provide Cuba with tankers to ship it in. Shortly afterwards, efforts were made to deprive Cuba of the foreign exchange needed for its external trade; a cut of 700,000 short tons in the Cuban sugar quota in the United States was made by the then President Eisenhower on 6 July 1960, and the quota was abolished altogether on 31 March 1961, a few days after the announcement

of the Alliance for Progress and a few days before Bay of Pigs. In an endeavour to paralyse Cuban industry by cutting off its supplies of raw materials and spare machine-parts, the United States Department of Commerce issued on 19 October 1960 an order prohibiting the shipment of a large number of products to our island. This ban on trade with Cuba was progressively intensified until on 3 February 1962 the late President Kennedy placed an embargo on all United States trade with Cuba.

After all these acts of aggression had failed, the United States went on to subject our country to economic blockade with the object of stopping trade between other countries and our own. Firstly, on 24 January 1962, the United States Treasury Department announced a ban on the importation into the United States of any article made wholly or partly from products of Cuban origin, even if it was manufactured in another country. A further step, equivalent to setting up a virtual economic blockade, was taken on 6 February 1963 when the White House issued a *communiqué* announcing that goods bought with United States Government funds would not be shipped in vessels flying the flag of foreign countries which had traded with Cuba after 1 January of that year. This was the beginning of the blacklist, which now includes over 150 ships belonging to countries that have not yielded to the illegal United States blockade. A further measure to obstruct Cuba's trade was taken on 8 July 1963, when the United States Treasury Department froze all Cuban property in United States territory and prohibited the transfer of dollars to or from Cuba, together with any other kind of dollar transaction carried out through third countries. Obsessed with the desire to attack us, the United States specifically excluded our country from the supposed benefits of the Trade Expansion Act. Acts of aggression have continued during the current year. On 18 February 1964, the United States announced the suspension of its aid to the United Kingdom, France and Yugoslavia because these countries were still trading with Cuba. Dean Rusk, the Secretary of State, said that there could be no improvement in relations with Communist China while that country incited and supported acts of aggression in South East Asia, or in those with Cuba while it represented a threat to the western hemisphere. That threat, he went on, could be ended to Washington's satisfaction only with the overthrow of the Castro régime by the Cuban people; they regarded that régime as temporary.

Cuba summons the delegation of the United States Government to say whether the actions foreshadowed by this statement and others like it, and the incidents we have described are or are not at odds with co-existence in the world today, and whether, in the opinion of that delegation, the successive acts of economic aggression committed against our island and against other countries which trade with us are legitimate. I ask whether that attitude is or is not

at odds with the principle of the Organization that brings us together—that of practising tolerance between States—and with the obligation laid by that Organization on countries which have ratified its Charter to settle their disputes by peaceful means. I ask whether that attitude is or is not at odds with the spirit of this meeting in favour of abandoning all forms of discrimination and removing the barriers between countries with different social systems and at different stages of development. And I ask this Conference to pass judgement on the explanation, if the United States delegation ventures to make one. We, for our part, maintain the only position we have ever taken in the matter: we are ready to join in discussions provided that no prior conditions are imposed.

The period which has elapsed since the Havana Charter was signed has been marked by events of undeniable importance in the field of trade and economic development. In the first place, we have to note the expansion of the socialist camp and the collapse of the colonial system. Many countries, covering an area of more than 30 million square kilometres and with one-third of the world's population, have chosen as their system of development the construction of the communist society and, as their working philosophy, Marxism-Leninism. Others, without directly embracing the Marxist-Leninist philosophy, have stated their intention of laying the foundations on which to build socialism. Europe, Asia and now Africa and America are continents shaken by the new ideas abroad in the world.

The countries in the socialist camp have developed uninterruptedly at rates of growth much faster than those of the capitalist countries in spite of having started out, as a general rule, from fairly low levels of development and of having had to withstand wars of extermination and rigorous blockades.

In contrast with the rapid rate of growth of the countries in the socialist camp and the development taking place, albeit much more slowly, in the majority of the capitalist countries, is the unquestionable fact that a large proportion of the so-called under-developed countries are in total stagnation and that in some of them the rate of economic growth is lower than that of population increase.

These characteristics are not fortuitous; they correspond strictly to the nature of the developed capitalist system in full expansion, which transfers to the dependent countries the most abusive and barefaced forms of exploitation.

Since the end of the last century, this aggressive expansionist trend has been manifested in countless attacks on various countries in the more backward continents. Today, however, it mainly takes the form of control exercised by the developed Powers over the production of and trade in raw materials in the dependent countries. In general, it is shown by the dependence of a given country on a single primary commodity which sells only in a specific market in quantities restricted to the needs of that market.

The inflow of capital from the developed countries is the essential condition for the establishment of economic dependence. This inflow takes various forms: loans granted on onerous terms; investments which place a given country in the power of the investors; almost total technological subordination of the dependent country on the developed country; control of a country's foreign trade by the big international monopolies; and in extreme cases, the use of force as an economic power in support of the other forms of exploitation.

Sometimes this inflow takes very subtle forms, such as the use of international financial credit and other types of organizations. The International Monetary Fund, the International Bank for Reconstruction and Development, GATT and, on the American continent, the Inter-American Development Bank are examples of international organizations placed at the service of the great capitalist colonialist Powers—essentially at the service of United States imperialism. These organizations make their way into domestic economic policy, foreign trade policy and domestic and external financial relations of all kinds.

The International Monetary Fund is the watchdog of the dollar in the capitalist camp; the International Bank for Reconstruction and Development is the instrument for the infiltration of United States capital into the under-developed world, and the Inter-American Development Bank performs the same sorry function on the American continent. All these organizations are governed by rules and principles which are represented as safeguards of equity and reciprocity in international economic relations, whereas in reality they are merely fetishes masking the subtlest kinds of instruments for the perpetuation of backwardness and exploitation. The International Monetary Fund, which is supposed to watch over the stability of exchange rates and the liberalization of international payments, merely denies the under-developed countries even the slightest means of defence against the competition and penetration of foreign monopolies.

While launching so-called austerity programmes and opposing the forms of payment necessary for the expansion of trade between countries faced with a balance-of-payments crisis and suffering from severe discriminatory measures in international trade, it strives desperately to save the dollar from its precarious situation, without going to the heart of the structural problems which afflict the international monetary system and which impede a more rapid expansion of world trade.

GATT, for its part, by establishing equal treatment and reciprocal concessions between developed and under-developed countries, helps to maintain the *status quo* and serves the interests of the former group of countries, and its machinery fails to provide the necessary means for the elimination of agricultural protectionism, subsidies, tariffs and other obstacles to the expansion of exports from the dependent countries, for

all that it now has its so-called "Programme of Action" and, by a rather suspicious coincidence, the "Kennedy round" is just about to begin.

In order to strengthen imperialist domination, the establishment of preference areas has been adopted as a means of exploitation and neo-colonial control. We can speak in full knowledge of this, for we ourselves have suffered the effects of Cuban-United States preference agreements which shackled our trade and placed it at the disposal of the United States monopolies.

There is no better way to show what those preferences meant for Cuba than to quote the views of Sumner Welles, the United States ambassador, on the Reciprocal Trade Agreement which was negotiated in 1933 and signed in 1934: "... the Cuban Government in turn would grant us a practical monopoly of the Cuban market for American imports, the sole reservation being that in view of the fact that Great Britain was Cuba's chief customer for that portion of sugar exports which did not go to the United States the Cuban Government may desire to concede certain advantages to a limited category of imports from Great Britain.

"... Finally, the negotiation at this time of a reciprocal trade Agreement with Cuba along the lines above indicated, will not only revivify Cuba but will give us practical control of a market we have been steadily losing for the past ten years not only for our manufactured products but for our agricultural exports as well as notably in such categories as wheat, animal fats, meat products, rice and potatoes" [telegram from Ambassador Welles to the Secretary of State of the United States, sent on 13 May 1933 at 6 p.m. and reproduced on pages 289 and 290 of Volume V (1933) of the official publication *Foreign Relations of the United States*].

The results of the so-called Reciprocal Trade Agreement confirmed the view of Ambassador Welles.

Cuba had to hawk its main product, sugar, all over the world in order to obtain foreign currency with which to achieve a balance of payments with the United States, and the special tariffs which were imposed prevented producers in European countries, as well as our own national producers, from competing with those of the United States.

It is necessary only to quote a few figures to prove that it was Cuba's function to seek foreign currency all over the world for the United States. During the period 1948-1957, Cuba had a persistently unfavourable balance of trade with the United States, totalling 382.7 million pesos, whereas its trade balance with the rest of the world was consistently favourable, totalling 1,274.6 million pesos. The balance of payments for the period 1948-1958 tells the story even more eloquently: Cuba had a positive balance of 543.9 million pesos in its trade with countries other than the United States, but lost this to its rich neighbour with which it had a negative balance of 952.1 million pesos, with the result that its foreign currency reserves were reduced by 408.2 million pesos.

The so-called Alliance for Progress is another clear demonstration of the fraudulent methods used by the United States to maintain false hopes among nations while exploitation grows worse.

When Fidel Castro, our Prime Minister, indicated at Buenos Aires in 1959 that a minimum of \$3,000 million a year of additional external income was needed to finance a rate of development which would really reduce the enormous gap separating Latin America from the developed countries, many thought that the figure was exaggerated. At Punta del Este, however, \$2,000 million a year was promised. Today, it is recognized that merely to offset the loss caused by the deterioration in the terms of trade in 1961 (the last year for which figures are available), 30 per cent a year more than the hypothetical amount promised will be required. The paradoxical situation now is that, while the loans are either not forthcoming or are made for projects which contribute little or nothing to the industrial development of the region, increased amounts of foreign currency are being transferred to the industrialized countries. This means that the wealth required by the labour of peoples who live for the most part in conditions of backwardness, hunger and poverty is enjoyed in United States imperialist circles. In 1961, for instance, according to the figures given by the Economic Commission for Latin America, there was an outflow of \$1,735 million from Latin America, in the form of interest on foreign investments and similar payments, and of \$1,456 million in payments on foreign short-term and long-term loans. If we add to this the indirect loss of purchasing power of exports (or deterioration in the terms of trade), which amounted to \$2,660 million in 1961, and \$400 million for the flight of capital, we arrive at a total of \$6,200 million, or more than three "Alliances for Progress" a year. Thus, assuming that the situation has not deteriorated further in 1964, the Latin American countries participating in the Alliance for Progress will lose directly or indirectly, during the three months of this Conference, almost \$1,600 million of the wealth created by the labour of their peoples. On the other hand, of the \$2,000 million pledged for the entire year, barely half can be expected, on an optimistic estimate, to be forthcoming.

Latin America's experience of the real results of this type of "aid", which is represented as the surest and most effective means of increasing external income, better than the direct method—that of increasing the volume and value of exports, and modifying their structure—has been a sad one. For this very reason it may serve as a lesson for other regions and for the under-developed world in general. At present our region is virtually at a standstill so far as growth is concerned; it is also afflicted by inflation and unemployment, is caught up in the vicious circle of foreign indebtedness and is racked with tensions which are sometimes discharged by armed conflict.

Cuba has drawn attention to these facts as they emerged, and has predicted the outcome, specifying that it rejected any solution other than those inspired

by its example and enjoying its moral support; and events have proved it to be right. The Second Declaration of Havana is proving its historical validity.

These phenomena, which we have analysed in relation to Latin America but which are valid for the whole of the dependent world, have the effect of enabling the developed Powers to maintain trade conditions that lead to a deterioration in the terms of trade between the dependent countries and the developed countries.

This aspect—one of the more obvious ones, which the capitalist propaganda machinery has been unable to conceal—is another of the factors that have led to the convening of this Conference.

The deterioration in the terms of trade is quite simple in its practical effect: the under-developed countries must export raw materials and primary commodities in order to import the same amount of industrial goods. The problem is particularly serious in the case of the machinery and equipment which are essential to agricultural and industrial development.

We submit a short tabulation\* indicating, in physical terms, the amount of primary commodities needed to import a 30-39 h.p. tractor in the years 1955 and 1962. These figures are given merely to illustrate the problem we are considering. Obviously, there are some primary commodities for which prices have not fallen and may indeed have risen somewhat during the same period, and there may be some machinery and equipment which has not risen in relative cost as substantially as that in our example. What we give here is the general trend.

We have taken several representative countries as producers of the raw materials or primary commodities mentioned. This does not mean, however, that they are the only producers of the item or that they produce nothing else.

Many under-developed countries, on analysing their troubles, arrive at what seems a logical conclusion. They say that the deterioration in the terms of trade is an objective fact, is the underlying cause of most of their problems, and is attributable to the fall in the prices of the raw materials which they export and the rise in the prices of the manufactures which they import—I refer here to world market prices. If, however, they trade with the socialist countries at the prices prevailing in those markets, they benefit from the state of affairs there because they are generally exporters of manufactures and importers of raw materials. In all honesty, we have to recognize that this is the case, but in equal honesty we must recognize that the socialist countries did not cause the present situation—they absorb barely 10 per cent of the under-developed countries' primary commodity exports to the rest of the world—and that for historical reasons, they have been compelled to trade under the conditions prevailing in the world market which is the outcome of imperialist

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\* Shown at the end of this statement.

domination over the internal economy and external markets of the dependent countries. This is not the basis on which the socialist countries organize their long-term trade with the under-developed countries. There are many examples to bear this out, including, in particular, Cuba. When our social organization changed and our relations with the socialist camp attained a new level of mutual trust, we did not cease to be under-developed, but we established a new type of relationship with the countries in that camp. The most striking example of this new relationship are the sugar price agreements we have concluded with the Soviet Union, under which that sister Power has undertaken to purchase increasing amounts of our main product at fair and stable prices which have already been agreed up to the year 1970.

Furthermore, we must not forget that there are under-developed countries in a variety of circumstances and that they maintain a variety of policies towards the socialist camp. There are some, like Cuba, which have chosen the path of socialism; there are some which are developing in a more or less capitalist manner and are beginning to produce manufactures for export; there are some which have neo-colonial ties; there are some which have a virtually feudal structure; and there are others which, unfortunately, do not participate in conferences of this type because the developed countries have not granted the independence to which their peoples aspire. Such is the case of British Guiana, Puerto Rico and other countries in Latin America, Africa and Asia. Except in the first of these groups, foreign capital has made its way into these countries in one way or another, and the demands that are today being directed to the socialist countries should be placed on the correct footing of negotiation. In some cases this means negotiation as between under-developed and developed country; almost always, however, it means negotiation as between one country subject to discrimination and another in the same case. On many occasions, these same countries demand unilateral preferential treatment from all the developed countries without exception, i.e., including in this category the socialist countries. They place all kinds of obstacles in the way of direct trading with these States. There is a danger that they may seek to trade through national subsidiaries of the imperialist Powers—thus giving the latter the chance of spectacular profits—by claiming that a given country is under-developed and therefore entitled to unilateral preferences.

If we do not want to wreck this Conference, we must abide strictly by principles. We who speak for under-developed countries must stress we have right on our side; in our case, as a socialist country, we can also speak of the discrimination that is practised against us, not only by some developed capitalist countries but also by under-developed countries which, consciously or otherwise, are serving the interests of the monopolist capital that has taken over basic control of their economy.

We do not regard the existing terms of world trade as fair, but this is not the only injustice that exists. There is direct exploitation of some countries by others; there is discrimination among countries by reason of differences in economic structure; and, as we already pointed out, there is the invasion of foreign capital to the point where it controls a country's economy for its own ends. To be logical, when we address requests to the developed socialist countries we should also specify what we are going to do to end discrimination and at what rate the most obvious and dangerous forms of imperialist penetration.

We all know about the trade discrimination practised by the imperialist metropolitan countries against the socialist countries with the object of hampering their development. At times, it has been tantamount to a real blockade, such as the almost absolute blockade maintained by United States imperialism against the German Democratic Republic, the People's Republic of China, the Democratic Republic of Korea, the Democratic Republic of Viet-Nam and the Republic of Cuba. Everyone knows that that policy has failed, and that other Powers which originally followed the lead of the United States have gradually parted company from it in order to secure their own profits. The failure of this policy is by now only too obvious.

Trade discrimination has also been practised against dependent and socialist countries, the ultimate object being to ensure that the monopolies do not lose their sphere of exploitation and at the same time to strengthen the blockade of the socialist camp. This policy, too, is failing and the question arises whether there is any point in remaining bound to foreign interests which history has condemned or whether the time has come to break through all the obstacles to trade and expand markets in the socialist area.

The various forms of discrimination which hamper trade, and which make it easier for the imperialists to manipulate a range of primary commodities and a number of countries producing those commodities, are still being maintained. In the atomic era, it is simply absurd to classify such products as copper and other minerals as strategic materials and to obstruct trade in them; yet this policy has been maintained, and is maintained to this day. There is also talk of so-called incompatibilities between State monopoly of foreign trade and the forms of trading adopted by the capitalist countries, and on that pretext discriminatory relations, quotas, etc., are established—manoeuvres in which GATT has played a dominant role under the official guise of combating unfair trade practices. Discrimination against State trading not only serves as a weapon against the socialist countries but is also designed to prevent the under-developed countries from adopting any of the most urgent measures needed to strengthen their negotiating position on the international market and to counteract the operations of the monopolies.

The suspension of economic aid by international agencies to countries adopting the socialist system of



government is a further variation on the same theme. For the International Monetary Fund, to attack bilateral payments agreements with socialist countries and impose on its weaker members a policy of opposition to this type of relations between peoples has been a common practice in recent years.

As we have already pointed out, all these discriminatory measures imposed by imperialism have the dual object of blockading the socialist camp and strengthening the exploitation of the under-developed countries.

It is incontrovertible that present-day prices are unfair; it is equally true that those prices are conditioned by monopolist limitation of markets and by the establishment of political relationships that make free competition a term of one-sided application; free competition for the monopolies; a free fox among free chickens. Quite apart from the agreements that may emanate from this Conference, the opening up of the large and growing markets of the socialist camp would help to raise raw material prices. The world is hungry but lacks the money to buy food; and paradoxically, in the under-developed world, in the world of the hungry, possible ways of expanding food production are discouraged in order to keep prices up—i.e., in order to be able to eat. This is the inexorable law of the philosophy of plunder, which must cease to be the rule in relations between peoples.

Furthermore, it would be feasible for some under-developed countries to export manufactured goods to the socialist countries and even for long-term agreements to be concluded so as to enable some nations to make better use of their natural wealth and specialize in certain branches of industry that would enable them to participate in world trade as manufacturing countries. All this can be supplemented by the provision of long-term credits for the development of the industries, or branches of industry, we are considering; it must always be borne in mind, however, that certain measures in respect of relations between socialist countries and under-developed countries cannot be taken unilaterally.

It is a strange paradox that, while the United Nations is forecasting in its reports adverse trends in the foreign trade of the under-developed countries, and while Mr. Prebisch, the Secretary-General of the Conference, is stressing the dangers that will arise if this state of affairs persists, there is still talk of the feasibility—and in some cases, such as that of the so-called strategic materials, the necessity—of discriminating against certain States because they belong to the socialist countries' camp.

All these anomalies are possible because of the incontrovertible fact that, at the present stage of human history, the under-developed countries are the battleground of economic systems that belong to different historical eras. In some of these countries, feudalism still exists; in others a nascent, still weak *bourgeoisie* has to stand the dual pressure of imperialist interests and of its own proletariat, who are fighting for a fairer distribution of income. In the face of this dilemma, the

*bourgeoisie* in some countries has maintained its independence or adopted some forms of joint action with the proletariat, while elsewhere it has made common cause with imperialism; it has become its appendage, its agent, and has imparted the same character to the Governments representing it.

We must sound a warning that this type of dependence, skilfully used, may endanger the possibility of solid progress at the Conference; but we must also point out that such advantages as these Governments may gain today, as the price of disunity, will be repaid with interest tomorrow, when in addition to facing the hostility of their own peoples, they will have to stand up alone to the monopolist offensive for which the only law is maximum profit.

We have made a brief analysis of the causes and results of the contradictions between the socialist camp and the imperialist camp and between the camp of the exploited and that of the exploiting countries; here are two clear and present dangers to the peace of the world. It must also be pointed out, however, that the growing boom in some capitalist countries, and their inevitable expansion in search of new markets, have led to changes in the balance of forces among them and set up stresses that will need careful attention if world peace is to be preserved. It should not be forgotten that the last two world conflagrations were sparked off by clashes between developed Powers that found force to be the only way out. On every hand we observe a series of phenomena which demonstrate the growing acuteness of this struggle.

This situation may involve real dangers to world peace in time to come, but it is exceedingly dangerous to the smooth progress of this Conference meeting here today. There is a clear distribution of spheres of influence between the United States and other developed capitalist Powers, embracing the backward continents and, in some cases, Europe as well. If these influences grow so strong as to turn the exploited countries into a field of battle waged for the benefit of the imperialist Powers, the Conference will have failed.

Cuba considers that, as is pointed out in the joint statement of the under-developed countries, the trade problems of our countries are well known and what is needed is that clear principles should be adopted and practical action taken to usher in a new era for the world. We also consider that the statement of principles submitted by the USSR and other socialist countries forms the right basis on which to start discussion, and we endorse it fully. Our country also supports the measures formulated at the meeting of experts at Brasilia, which would give coherent effect to the principles we advocate, and which we shall go on to expound.

Cuba wishes to make one point clear at the outset: we are not begging for aid. We are demanding justice; but not a justice subject to the fallacious interpretations we have so often seen prevail at international meetings;



a justice which, perhaps, the peoples cannot define in legal terms but the desire for which is deeply rooted in spirits oppressed by generations of exploitation.

Cuba affirms that this Conference must produce a definition of international trade as an appropriate tool for the speedier economic development of the under-developed peoples and of those subjected to discrimination, and that this definition must make for the elimination of all forms of discrimination and all differences, even those emanating from allegedly equal treatment. Treatment must be equitable, and equity, in this context, is not equality; equity is the inequality needed to enable the exploited peoples to attain an acceptable level of living. Our task here is to lay a foundation on which a new international division of labour can be instituted by making full use of all a country's natural resources and by raising the degree of processing of those resources until the most complex forms of manufacture can be undertaken.

In addition, the new division of labour must be approached by restoring to the under-developed countries the traditional export markets that have been snatched from them by artificial measures for the protection and encouragement of production in the developed countries; and the under-developed countries must be given a fair share of future increases in consumption.

The Conference will have to recommend specific methods of regulating the use of primary commodity surpluses so as to prevent their conversion into a form of subsidy for the exports of developed countries to the detriment of the traditional exports of the under-developed countries, or their use as an instrument for the injection of foreign capital into an under-developed country.

It is inconceivable that the under-developed countries, which are sustaining the vast losses inflicted by the deterioration in the terms of trade and which, through the steady drain of interest payments, have richly repaid the imperialist Powers for the value of their investments, should have to bear the growing burden of indebtedness and repayment, while more rightful demands go unheeded. The Cuban delegation proposes that, until such time as the prices for the under-developed countries' exports reach a level which will reimburse them for the losses sustained over the past decade, all payments of dividends, interest and amortization should be suspended.

It must be made crystal clear that foreign capital investment dominating any country's economy, the deterioration in terms of trade, the control of one country's markets by another, discriminatory relations, and the use of force as an instrument of persuasion, are a danger to world trade and world peace.

This Conference must also establish in plain terms the right of all peoples to unrestricted freedom of trade, and the obligation on all States signatories of the agreement emanating from the Conference to refrain from restraining trade in any manner, direct or indirect.

The right of all countries freely to arrange the shipment of their goods by sea or air and to move them freely throughout the world without let or hindrance will be clearly laid down.

The application of economic measures, or the incitement to apply economic measures, used by a State to infringe the sovereign freedom of another State and to obtain from it advantages of any nature whatsoever, or to bring about the collapse of its economy, must be condemned.

In order to achieve the foregoing, the principle of self-determination embodied in the Charter of the United Nations must be fully implemented and the right of States to dispose of their own resources, to adopt the form of political and economic organization that suits them best, and to choose their own lines of development and specialization in economic activity, without incurring reprisals of any kind whatsoever, must be reaffirmed.

The Conference must adopt measures for the establishment of financial, credit and tariff bodies, with rules based on absolute equality and on justice and equity, to take the place of the existing bodies, which are out of date from the functional point of view and reprehensible from the standpoint of specific aims.

In order to guarantee to a people the entire disposal of its resources, it is necessary to condemn the existence of foreign bases, the presence—temporary or otherwise—of foreign troops in a country without its consent, and the maintenance of the colonial régime by a few developed capitalist Powers.

For all these purposes, the Conference must reach agreement and lay a firm foundation for the establishment of an international trade organization, to be governed by the principle of the equality and universality of its members, and to possess sufficient authority to take decisions binding on all signatory States, abolishing the practice of barring such forums to countries which have won their liberation since the establishment of the United Nations and with social systems which are not to the liking of some of the mighty ones of this world.

Only the establishment of an organization of the type mentioned, to take the place of existing bodies that are mere props for the *status quo* and for discrimination, and not compromise formulae which merely enable us to talk ourselves to a standstill about what we already know, will guarantee compliance with new rules of international relations and the attainment of the desired economic security.

At all relevant points, exact time-limits must be laid down for the completion of the measures decided upon.

These are the most important points which the Cuban delegation wished to bring to the attention of the Conference. It should be pointed out that many of the ideas which are now gaining currency through being expressed by international bodies, by the precise analysis of the present situation of the developing countries submitted by Mr. Prebisch, the Secretary-General

of the Conference, and many of the measures approved by other States—trading with socialist countries, obtaining credits from them, the need of basic social reforms for economic development, etc.—have been formulated and put into practice by Cuba during the revolutionary Government's five years in office, and have exposed it to unjust censure and to acts of economic and military aggression approved by some of the countries which now endorse those ideas.

Suffice it to recall the criticism and censure aimed at Cuba for having established trade relations and co-operation with countries outside our hemisphere, and its *de facto* exclusion, to this day, from the Latin American regional group which meets under the auspices of the Charter of Alta Gracia, namely the Organization of American States, from which Cuba is barred.

We have dealt with the basic points concerning foreign trade, the need for changes in the foreign policy of the developed countries in their relations with the under-developed countries, and the need to reconstruct all international credit, financial and similar bodies; but it must be emphasized that these measures are not sufficient to guarantee economic development, and that other measures—which Cuba, an under-developed country, has put into practice—are needed as well. As a minimum, exchange control must be established, prohibiting remittances of funds abroad or restricting them to an appreciable degree; there must be State control of foreign trade, and land reform; all natural resources must be returned to the nation; and technical education must be encouraged, together with other measures of internal reorganization which are essential to a faster rate of development.

Out of respect for the wishes of the Governments represented here, Cuba has not included among the irreducible minimum measures the taking over by the State of all the means of production, but it considers that this measure would contribute to a more efficient and swifter solution to the serious problems under discussion.

And the imperialists? Will they sit with arms folded? No!

The system they practise is the cause of the evils from which we are suffering, but they will try to obscure the facts with twisted statements, of which they are masters. They will try to compromise the Conference and sow disunity in the camp of the exploited countries by offering them crumbs.

They will try everything in an endeavour to keep in being the old international bodies which serve their ends so well, and will offer reforms but not basic reforms. They will seek a way to lead the Conference into a blind alley, so that it will be suspended or adjourned; they will try to rob it of importance by comparison with other meetings convened by themselves, or to see that it ends without achieving any tangible results.

They will not accept a new international trade organization; they will threaten to boycott it, and will probably do so.

They will try to show that the existing international division of labour is beneficial to all, and will refer to industrialization as a dangerous and excessive ambition.

Lastly, they will allege that the blame for under-development rests with the under-developed.

To this last we can reply that to a certain extent they are right, and that they will be all the more so if we show ourselves incapable of banding together, in wholehearted determination, so as to present a united front of victims of discrimination and exploitation.

The questions we wish to ask this assembly are these: shall we be able to carry out the task history has laid on us? Will the developed capitalist countries have the political acumen to accede to the minimum demands?

If the measures here indicated cannot be adopted by this Conference and all that emerges once again is a hybrid document crammed with vague statements and escape clauses; and unless, at the very least, the economic and political barriers to trade among all regions of the world and to international co-operation are removed, the under-developed countries will continue to face increasingly difficult economic situations and world tension may mount dangerously. A world conflagration may be sparked off at any moment by the ambition of some imperialist country to destroy the socialist countries' camp, or, in the not too distant future, by insolvable contradictions between the capitalist countries. In addition, moreover, the feeling of revolt will grow stronger every day among the peoples subjected to various degrees of exploitation, and they will take up arms to gain by force the rights which reasoning alone has not won them.

This is happening today among the peoples of so-called Portuguese Guinea and Angola, who are fighting to free themselves from the colonial yoke, and with the people of South Viet-Nam who, weapons in hand, stand ready to shake off the yoke of imperialism and its puppets.

Let it be known that Cuba supports and applauds those peoples who, having exhausted all possibilities of a peaceful solution, have called a halt to exploitation, and that their magnificent showing has won our militant solidarity. Having stated the essential points on which our analysis of the present situation is based, having put forward the recommendations we consider pertinent to this Conference and our views on what the future holds if no progress is made in trade relations between countries—an appropriate means of reducing tension and contributing to development—we wish to place on record our hope that the constructive discussion we spoke of will take place. The aim of our efforts is to bring about such a discussion, from which everyone will gain and to rally the under-developed countries of the world to unity, so as to present a cohesive front. We place our hopes also in the success of this Conference, and we unite them in friendship to those of the poor of this world and to those of countries in the socialist camp, putting all our meagre powers to work for its success.

QUANTITY OF PRIMARY COMMODITIES NEEDED TO PURCHASE A 30-39 h.p. TRACTOR  
(Sources: *FAO Production Yearbook*; Financial Statistics)

Commodity and share in national exports	Country	Quantity needed (in metric tons)		Increase	
		1955	1962	(metric tons)	(percentage)
Cocoa . . . . . 67 per cent	Ghana	3.06	7.14	4.08	133
Coconut oil . . . . . 35 per cent	Philippines	11.21	13.63	2.42	21
Coffee . . . . . 46 per cent	Brazil	2.38	4.79	2.41	101
Copper . . . . . 58 per cent	Rhodesia	4.23	5.45	1.22	28
Cotton (Karnak) . . . . . 71 per cent	United Arab Republic	2.11	3.41	1.30	61
Petroleum . . . . . 92 per cent	Venezuela	938*	1 118*	180*	19
Rice . . . . . 71 per cent	Burma	26.35	32.57	6.22	23
Rubber . . . . . 66 per cent	Malaysia	3.27	5.55	2.28	70
Tea . . . . . 60 per cent	Ceylon	1.89	2.93	1.04	55
Tobacco . . . . . 26 per cent	Turkey	1.77	2.90	1.13	63
Wool . . . . . 55 per cent	Uruguay	1.94	2.52	0.58	30

\* Barrels

STATEMENT BY H.E. Mr. A. ARAOUZOS,  
MINISTER OF COMMERCE AND INDUSTRY OF CYPRUS,  
HEAD OF THE DELEGATION

at the eighth plenary meeting, held on 26 March 1964

[Original text: English]

In the first place I wish to associate myself with previous speakers in congratulating Mr. Kaissouni most heartily on his election as President of this Conference. We have no doubt that through his guidance and wise counsel, the proceedings of this Conference will prove fruitful and constructive.

My Government has welcomed the resolution of the General Assembly and the Economic and Social Council convening this Conference, in the conviction that the United Nations Organization has a very important role to play in the expansion of international trade and the economic development of its member States and particularly of those whose economies are still in the early stages of development.

Cyprus has strong reasons to be grateful for the valuable help it has recently received from the United Nations in an entirely different field and I take this opportunity to express my Government's deep appreciation to this Organization.

The problems before the Conference are highly complicated and it will be idle to pretend that their solution is easy. However, their complexity should not deter us from making every possible effort during this Conference to arrive at sound conclusions which will doubtless open up new vistas in international relations and understanding between nations.

Basically, we have gathered here in order to consider measures designed to accelerate the economic development of poorer nations. This problem has been recognized as a joint responsibility of the economically advanced as well as of the less developed countries. The age of economic isolation is long past and this Conference, in itself, is clear proof of the importance which all nations attach to international trade and also evidence of the recognition that the low living standards prevailing in developing countries are a matter of grave concern to the industrialized countries as well.

The message to be put across during this Conference to the developed countries is that this recognition must be translated into deeds.

Addressing myself to these countries, I would urge them to share their prosperity with poorer nations by opening their frontiers, and affording greater access to the exports of less-developed countries. Aid alone cannot bring about the economic progress and social advancement which less developed countries are striving hard to achieve. These countries need free and stable markets for their commodities so that their export earnings may keep pace with their increasing import requirements and their balance of payments may become healthier. It is imperative that prices of primary commodities which have been subject to sharp fluctuations (and Cyprus has had its full share of fluctuations in the prices of its mineral exports) should be stable and sufficiently profitable in the same way as industrial products enjoy remunerative prices. It is to be hoped that the Conference will be able to agree on measures to stabilize the prices of primary commodities so as to maintain the export earnings of the countries concerned at a satisfactory level.

The expansion of exports of the less-developed countries is also in the interests of the developed countries. Increased export earnings will be used by the developing countries to make purchases from industrialized countries. It is common knowledge that the basic reason why less-developed countries very often have to impose restrictions on their imports is their inability to earn sufficient foreign exchange from their exports of primary commodities in order to pay for their imports. This point was fully recognized at the last GATT Ministerial Meeting.

Representatives of less-developed countries have assembled here in the knowledge that their hopes for future economic growth can only be fulfilled by active co-operation from industrialized countries which by their attitude during this Conference, can contribute to a substantial improvement in the living standards of the less fortunate peoples of the world. The malady afflicting poorer nations has been diagnosed; their

problems are well known and have been analysed in a very lucid manner in the report of Mr. Prebisch, to whom we all owe a debt of gratitude for his untiring efforts and the endless trouble he must have gone to in order to organize this Conference.

Judging from the statements made by previous distinguished speakers, representatives of developing and developed countries alike, there seems to be a great measure of unanimity in the diagnosis of the problems before us. What is now required is to prescribe a remedy which will bring hope to millions of people living in poverty and ignorance. It is a tremendous responsibility and at the same time a great opportunity.

Delegates have doubtless come to this Conference with clear ideas as to the problems involved and their possible solution.

I should like to hope, however, that adequate attention will be given during the deliberations of this Conference to special problems of small countries such as my own. One such problem is the dependence of their exports on existing preferential arrangements, and the serious repercussions on the economies of the countries concerned if these arrangements were to be disturbed.

Lastly may I say a few words on the question of new institutional arrangements that may be necessary in order to tackle more effectively world trade problems. While I would not wish to belittle the role which existing organizations, and notably GATT, have played in the expansion of international trade, it seems that the idea of an organization under the auspices of the United Nations is increasingly gaining acceptance among the developing countries of the world including my own country.

We have a tremendous task before us and the extent to which we succeed in contributing to the solution of international trade problems will determine the kind of world in which we want to live in the future. For I do not think that the questions we shall be discussing during this conference are unconnected with the cause of world peace. I sincerely hope that we succeed in this effort.

**STATEMENT BY H.E. Mr. F. HAMOUZ,  
MINISTER FOR FOREIGN TRADE OF THE CZECHOSLOVAK SOCIALIST  
REPUBLIC, HEAD OF THE CZECHOSLOVAK DELEGATION**

at the eleventh plenary meeting, held on 31 March 1964

[Original text: Russian]

The delegation of the Czechoslovak Socialist Republic welcomes this Conference which should render—and there are many prerequisites for it—an important con-

tribution to the solution of complicated problems of the present international trade and economic development.

The nature and the magnitude of these problems are such that it would not be reasonable to expect them to be solved by spontaneous development.

Allow me, Mr. President, to express my satisfaction at the wise and unanimous election by this assembly which entrusted you to be in the Chair at these history-making deliberations. We associate your name with many important international events, such as the Cairo Conference, which my colleagues have already several times recalled in this hall and which, undoubtedly, marked an important milestone on the laborious way leading to the convocation of this Conference.

May I now thank the Secretary-General, Mr. Raúl Prebisch, for his excellent analytical work and constructive efforts in preparing the Conference. Mr. Prebisch's report contains many valuable ideas, it stimulates useful consideration and will surely influence all future international economic actions.

The very fact that our Conference has brought together highly authoritative representatives of more than 120 countries reflects in itself the improved international situation and the favourable political climate. At the same time, it provides a possibility for a successful solution of the problems on its agenda. However, in this connexion, we cannot but express regret that our far-reaching deliberations are not attended by all countries of the world. I have particularly in mind the absence of the German Democratic Republic, a country with a great economic potential and extensive external economic relations which would undoubtedly contribute in a positive way to our reaching the objectives that the present Conference put before itself. It is unnatural that instead of legitimate representatives of the People's Republic of China, this Conference is attended by Chiang Kai-shek's clique not representing the people of China. It is also deplorable that the representatives of the Democratic People's Republic of Korea and of the Democratic Republic of Viet-Nam have not been invited.

As I have already mentioned, our Conference meets under improving international conditions. Nations and Governments are becoming increasingly aware that peaceful coexistence on a world-wide scale is the only viable perspective. It is even more important because one of the main features of the post-war economic development manifesting itself in extraordinary intensity is the trend towards the internationalization of economic life. However, we cannot fail to see that this objective trend, progressive in its nature, is bound to materialize in complicated international relations and conditions.

Therefore, its realization assumes various and often contradictory forms. We are of the opinion that the internationalization of economy should be brought about by such means as to encourage and expand international economic relations on a world-wide scale. This would make it possible to utilize fully all material and human resources for the development of the world economy and to raise continuously the standard of living of the whole of mankind; moreover, it might be

instrumental in offsetting the deep disparity manifested in the lagging behind of the economy and the living standards of developing countries.

Therefore, it is in the common interest that this Conference should, in a purposeful and realistic manner create conditions and prerequisites for a harmonious development of the world economy as a whole. This implies a number of highly practical and concrete aspects.

I shall mention those which we consider to be the most important ones, namely:

1. It is necessary speedily to normalize world economic relations in order to eliminate the remnants of anomalous economic relations, of the cold war and colonialism, to eliminate economic and non-economic barriers to world trade which lead to an unnatural—and I do not hesitate to say, deformed—development of world economy and of the economies of various countries;

2. To reach these objectives, it is indispensable to create such pre-conditions as to bring trade between the socialist and the capitalist countries to a level which would be more adequate to economic potentialities. It should be realized that these trade relations have been degraded both in volume and structure, and may we also say that we are not responsible for that;

3. Proceeding from our own experiences, i.e., the experiences of a country which, after long and difficult struggles, has attained full political, social and economic independence, we fully support—not only by words, but also by deeds—the solution of the problems faced by newly independent States, which are far from occupying a just position in the rational world division of labour and are even pushed further to the periphery of world trade. This fact has a negative impact on the creation of conditions for the economic development and progress which the United Nations Charter rightly considers a prerequisite for the strengthening of peaceful relations among nations.

Any solution of the above-mentioned problems of the present world must be based on joint efforts aimed at improving international relations. Only such an atmosphere may open new avenues and resources to accelerate the economic development of all countries.

However, these joint efforts to improve international economic relations necessitate a general agreement on the principles by which all countries would be guided. Therefore we believe that the draft "Principles of international trade relations and trade policies" submitted by the delegations of the Soviet Union, Poland and Czechoslovakia\* may serve as a basis for constructive discussions.

In this connexion, the Conference should take into account the vast resources which are wasted unproductively in armaments instead of being channelled to the implementation of great and urgent tasks for which the

\* See Vol. VI.

means are scarce in the world, namely the promotion of the economic growth of developing countries.

However, the creation of a favourable atmosphere for a further improvement of international relations requires at the same time: that the process of removal of primitive barriers to economic and trade relations be not accompanied by the creation of new more sophisticated artificial obstacles; that out-lived forms of discrimination do not reappear for non-economic motives. The head of the delegation of Cuba, Minister Guevara, adduced more than one example of such practices.

All this stands in the way of establishing an atmosphere of mutual confidence and certainty without which a full development of trade relations is unthinkable.

Without trying to generalize here for all socialist countries, I wish to offer for consideration some of our experience, the experience of a small, economically advanced country which maintains wide external economic relations.

Co-operating intensively and unselfishly with the other socialist countries, Czechoslovakia substantially increased its economic and especially industrial potential through hard, dedicated and enthusiastic work of our people. By the past development of its economic relations, my country rendered its contribution to the development of international trade and to the assistance to developing countries during the process of their economic construction. Czechoslovak foreign trade increased more than 2.5 times from 1953 to 1963. Within the same period our trade with the economically advanced Western countries increased more than three times and trade with the developing countries more than four times. The share of developing countries in the Czechoslovak trade with non-socialist countries has increased, and amounted to about 40 per cent in recent years. Our imports from developing countries are growing in many important items, e.g., the imports of natural rubber and cotton in the above-mentioned period trebled, the imports of coffee, cocoa, oilseeds and hides more than doubled. There are prerequisites for keeping this favourable trend also in the future which is attested by the 16 per cent increase recorded in our trade with developing countries in 1963.

It has also become evident that the advanced Czechoslovak economy may effectively help in the so much-needed industrialization of developing countries, especially by its exports of engineering products. This is true particularly in respect of countries which have created good conditions for enlarging the market for Czechoslovak goods. In recent years, the share of Czechoslovak deliveries of machinery and equipment in over-all exports to developing countries has reached almost 60 per cent. In total, Czechoslovakia has delivered about 250 complete industrial units to developing countries. Czechoslovak deliveries include equipment for various industries and often help substantially to increase productive capacity in a number of countries. Czechoslovakia is participating

in building four large engineering plants in India, of which the most important one is an engineering metallurgical plant. It is the first plant of this type not only in India but in the whole of Asia and it will fully cover the needs in heavy forgings and castings of Indian industry. With Czechoslovakia's assistance, India is constructing a plant for the production of heavy machine-tools and the institute for machine-tools designing in Bangalore. Czechoslovakia has delivered equipment for a series of power stations in Brazil—in Bariri, Ibitimaga, Cachoeira, Dourada, etc. and for other plants. In the past, the Czechoslovak Republic supplied African countries mostly with consumer goods. In recent years, however, it has been supplying complete industrial plants and equipment. Czechoslovakia delivered to the United Arab Republic a number of plants, such as cement-mills, sugar-mills, power stations, ceramics and fireclay factories, shoe-making factories, rubber plants, a non-ferrous metallurgical plant and many other engineering projects. In Ghana, Czechoslovakia will supply a sugar-mill, a tyre-factory, two shoemaking plants whose capacity will cover the entire consumption of footwear in that country, a tannery, a factory for the production of aluminium cutlery, etc. The deliveries of Czechoslovak equipment are facilitated by advantageous credit conditions, while payment arrangements make it possible for the developing country in question to reimburse in goods which it exports.

Czechoslovakia has concluded nineteen long-term trade agreements, eighteen agreements on economic co-operation and twenty agreements on scientific and technical co-operation with developing countries. About 700 Czechoslovak experts and advisers are active every year in developing countries, besides technicians working in connexion with the Czechoslovak deliveries of machinery. Several thousands of students and several hundreds of trainees from developing countries are studying in Czechoslovakia.

This attests to the fact that the short-sighted policy of discrimination and embargo, even though carried out in a latent modified form, is an unrealistic policy which cannot stand in our way to reach our economic objectives. However, I do not mean by that that such a policy may not cause economic difficulties and may not lead to ineffective use of material means and labour on both sides.

Therefore, proceeding from this very experience, we strive for the normalization of world trade. We are ready to proceed to more progressive forms of the world division of labour. I have particularly in mind specialization and co-operation in manufacturing industries, which can be accomplished irrespective of the social systems of the participating countries. But this, I repeat, calls for a full measure of mutual confidence and a guarantee of certainty, stability and long-term perspectives of such relations.

The material which has been submitted to the participants in this Conference clearly points out the marked social and economic disparity of the present

world, which is manifested in the inadequate growth of economy of developing countries. Such a development cannot be just passively looked on; it does not correspond to the productive capabilities of the present world economy and deprives wide areas of the world of the benefits of modern science and industrial technology. In our view, the following are the basic needs of developing countries, namely:

1. To ensure growing export earnings to foster their economic development;
2. To bring about a gradual change in their position in the international division of labour;
3. To create a legal, organizational and procedural basis within which the demands of developing countries would have a proper place and might be effectively put forward.

If the Conference is to attain its objectives, i.e., the acceleration of economic development, its deliberations cannot be limited to the sphere of trade only, but must penetrate more deeply into the present international economic structure.

It should be noted in this connexion that the attainment of the aims with which our Conference has been charged must be linked with the completion of the process of decolonization and the final elimination of the heritage of colonialism. Solid guarantees must be provided that all measures adopted and gradually implemented be not turned into monopolistic profits flowing back to the metropolises. All those measures should be utilized to the benefit of the economies of developing countries and for the purpose of raising the living standard of their peoples. This concerns both measures to enhance exports and measures for price stabilization. We regard it as a justified demand of developing countries that the Conference should not limit itself to eliminating some trade barriers, but that it should focus on positive political and economic measures, either in the form of international collective action or through national economic policies of individual countries, in order to create conditions for a steady increase of exports of developing countries and thus also for their economic advance.

I am convinced that the socialist countries can apply more efficient methods in this respect than the market economy countries, methods corresponding to the specific nature of the socialist system. Colonial forces bear the full measure of responsibility for historical deformations which caused the present vicious circle of poverty from which a way out must be found. We support the opinion of developing countries that the market economy countries cannot settle the whole problem by asserting that they do not place obstacles to any imports from any country. They, too, have available a series of well-devised instruments for an active economic policy and should make full use of them in the solution of problems before us.

In our view, in the national economic policies there exist reserves enabling every industrial country to pay due regard to the interests of the developing countries

while utilizing its specific conditions and possibilities. Such a positive policy should take into account these objectives:

1. Every country should ensure a growth of effective demand for imports of products from the developing countries by appropriate measures conducive to a constant rise in its production and domestic consumption;
2. In meeting this demand, every country should ensure a growing share in world exports to countries whose participation in international trade has been inadequately suppressed by the past development;
3. The industrial countries should increase the share of processed raw materials, semi-manufactures and manufactures in their imports from developing countries;
4. Conditions should be created which would allow developing countries to increase their imports of industrial equipment for the sake of their accelerated economic development and to ensure their maximum utilization through effective technical assistance.

As I have already mentioned, our own economic interests prompt us further to specialize our production, to intensify our participation in the world division of labour, and to take advantage of trade in order to speed up economic growth in general. We are ready to carry out, in our country, adequate structural changes in this direction.

Thus we aim at such a pattern of the Czechoslovak economy which would take fully into account the world division of labour and intensive development of foreign trade. This economic policy will bring about a growth of effective demand for imported goods which is, after all, a decisive criterion in which our trading partners are interested. Trade policy is not an isolated field in our economic system; it is a part of the over-all economic policy. This makes it possible for us to take the necessary measures directly in the sphere of production and has a lasting effect. Such is the way in which we will grant our trading partners a share in the growth of our own market and thus effectively contribute to the common fund of measures aiming at achieving collective economic security and consequently to the strengthening of a peaceful atmosphere throughout the world.

As to the international commodity trade, the report of the Secretary-General gives a good idea of its complexity. It is obvious that there is no panacea for its stabilization and that all means must be combined to reach the optimum effect.

We will contribute to these efforts particularly through our economic policy, creating growing markets for primary commodities and foodstuffs. Our plans pay already due regard to the efforts of developing countries gradually to raise the degree of processing of their raw materials. Where suitable conditions exist, we shall assist these countries by deliveries of equipment and by means of technical assistance so that the products meet both their and our requirements. In



order to contribute an element of stability, so highly desirable in international trade, we are willing to fix the prospects of our imports in long-term agreements or contracts with any country or group of countries which, on their part, will create favourable conditions for that. In this connexion, we are not unwilling to agree on stabilized prices—which is, after all, evident from some of the agreements in force. We likewise support multi-lateral arrangements aiming at regulating international commodity markets. In the course of the Conference, we shall broaden our participation in these arrangements by acceding to the International Coffee Agreement. Together with the increase of imports of some traditional raw materials and foodstuffs, the Czechoslovak economy will deliberately create conditions for imports of manufactures and semi-manufactures. In principle, we accept the idea of preferential treatment of exports of these products from developing countries and we shall adopt measures, conforming to our system, in order to obtain the results which are intended to be obtained by preferences.

We have full understanding for the important sphere of issues connected with invisible trade which represents great potential resources for developing countries. In particular, we shall seek further possibilities of expanding the use of shipping facilities of developing countries.

In expanding such economic co-operation, it must, of course, be borne in mind that measures on our part depend to a great extent on the general normalization of international relations. The scope of positive measures on our part is likewise closely linked with the conditions and possibilities which will be created for our exports.

May I now acquaint the Conference with our considerations about the future prospects of economic co-operation of Czechoslovakia with developing countries and the ways in which we wish to assist the Conference to reach its objectives.

Czechoslovakia wishes to make full use of the possibilities of its planned economy so as to increase substantially its present consumption towards 1970 and thus to provide the advantage of steady outlets—specifically to double the imports from developing countries of raw materials and foodstuffs, particularly of coffee, cocoa, oleaginous raw materials, fish and canned fish and to treble the imports of tropical fruits.

The above-mentioned substantial increase of our present consumption is naturally based on the corresponding steady increase of our national income and on a considerably high rate of growth of our economy, particularly industry. Given the limited scope of our own raw material resources, such a development will call for substantially higher imports. According to estimates by our economists, imports of phosphates and agricultural commodities should be increased to about double the present volume, the imports of natural rubber by about two thirds and the imports of metals and ores by at least one third. It is anticipated that such growth of imports will also be covered mainly

from developing countries. I think it desirable to create conditions for the purchase of raw materials in a higher degree of processing and we are ready to negotiate suitable forms of economic co-operation which would facilitate such development.

As I have already stated, one of the consequences of the industrialization of developing countries necessarily is the increase of exports of new, non-traditional manufactures and semi-manufactures. I referred to the development of our economy towards specialization and I am convinced that this process provides room for growing imports of manufactures and semi-manufactures from developing countries. It is obvious that this is a process which will take some time. In providing room for imports of this or that commodity from developing countries, we shall at the same time strive for the efficiency of our own economy. We do not close the door even to the possibility of taking necessary steps in our domestic industry.

This certainly is a higher degree of economic co-operation, where the past methods of negotiations may prove not to be sufficient. We believe, therefore, that consultations on these issues might be useful from time to time, and might enable us to confront our intentions with the possibilities offered by international economic co-operation. A good road in this direction has been indicated, e.g., in our economic co-operation with India, in the framework of which technical working groups have been established to study specific possibilities of such close economic co-operation in some selected industrial branches.

With your permission, I should like to deal in brief with the institutional aspects of problems facing the Conference. It is a logical demand that the Conference should establish a machinery which would look after the implementation of its recommendations, programmes of action or other conclusions that it may possibly reach. In this respect, the proposal submitted jointly by the delegations of the Soviet Union, Poland and Czechoslovakia may be fully utilized. That machinery would also ensure a systematic co-operation of all countries aimed at attaining the objectives set and would make it possible to follow their economic and trade policies from this angle. The existing institutions could hardly assume such tasks. They much too strongly reflect the philosophy of Western industrial countries and do not ensure that the requirements of development will not only be stated, but that an appropriate organizational and procedural machinery will also be set up, or to put it briefly, that they will be the subject of operative activities. The Conference could hardly attain its objective if all its conclusions were directed into the traditional channels with only a slight additional emphasis on the needs of developing countries.

A new universal international trade organization should be based on new principles of international economic relations which would reflect the new situation in the world, the existence and equality of countries having different systems and new criteria of trade



policy. These principles would justify the requirements of economic development and corresponding economic policies. This is the meaning of the proposal to accept the principles of international trade relations and trade policies. We by no means regard this proposal as final and closed to amendments. The proposal submitted by Brazil for the adoption of principles governing collective economic security stems from similar considerations and may be used for a realistic synthesis. Adoption of such principles will provide the necessary basis for the needed political and legal status especially for developing countries and will enhance their position in enforcing their interests. In this respect we believe that the new universal international trade organization might become an active tool for the acceleration of the objective development.

Our Conference should lay foundations for the outlines of this new organization, incorporating the prin-

ciples of economic relations, the regulation of relations with the already existing organizations and adequate procedures which would facilitate the implementation of conclusions arrived at by this Conference. Life itself will show where more detailed rules and arrangements are necessary and there is nothing to prevent this organization giving answers to such requirements in its future activities.

May I conclude by associating myself with those representatives who have emphasized in their statements that this Conference should not simply be a display of unsettled international economic problems. It should be a starting point from which purposeful activities will evolve and make international co-operation in the field of trade an effective instrument of economic development and social progress, which is undoubtedly a substantial condition for maintaining and strengthening peaceful relations among nations.

**STATEMENT BY H.E. Mr. LOUIS IGNACIO-PINTO,  
AMBASSADOR, PERMANENT REPRESENTATIVE OF DAHOMEY  
TO THE UNITED NATIONS, HEAD OF THE DELEGATION  
at the fifteenth plenary meeting, held on 2 April 1964**

[Original text: French]

It is with great pleasure that I take my turn in expressing to Mr. Kaissouni, on behalf of both my Government and myself, our warmest congratulations on his election by acclamation as President of this Conference.

We regard it not only as a tribute to his personal attainments as an eminent economist, but as a sign of the times, in which the under-developed countries are recognized as having their place in the comity of free and independent nations; we therefore feel entitled to expect that, under his guidance, our discussions will be conducted methodically and skilfully towards the achievement of the fruitful results which we so earnestly desire, and for the greater benefit of us all.

Everything that there is to say about the purpose and point of this Conference has already been said, so that there is no need for me to make a long speech merely in order to repeat what those who have preceded me on this rostrum have already so well expressed.

Hence, as I am anxious to avoid the charge of long-windedness, I shall confine myself to stating my Government's position on the matter very briefly.

My country is particularly gratified to see that the items on the agenda of this Conference, until recently of concern to a few specialists only, are problems now recognized by the whole world as a matter of urgency,

and that is why Dahomey, along with many other tropical countries, trusts earnestly that the present Conference will go beyond good intentions to the practical stage of just solutions.

The most pressing problem in our countries is that we live only from the income provided by exporting a few products only. With the earnings from these, we have to balance our trade, pay for our imports, meet the interest on loans, provide for the economic development of our States, draw up our economic and social programmes and support the peasant masses which represent 90 per cent of our population.

These few key commodities are in many cases the same: coffee, cocoa, bananas, rubber, timber and oil-bearing plants, cotton and spices, all commodities which are economically in the doldrums. Some of them, such as coffee, spices and cocoa, are reserved for importing countries with a high standard of living; others, such as bananas, have to meet competition from Mediterranean fruits; tropical woods have to compete with timber from Northern Europe; cotton and rubber with synthetic products. Some, such as bananas, are highly perishable; others, such as cocoa, are difficult to store; while others again, like coffee, suffer from chronic over-production.

All these products are an essential part of our exports. As regards Dahomey in particular, oilseeds represent 75 per cent of its exports.

All the tropical countries, in whatever part of the world they are situated, are equally dependent on the same products. But there is more to it than that. In many cases, one single product accounts for the bulk of exports, for instance groundnuts in the case of Senegal, Mali and Niger. In other words, what happens in regard to these products, or to one of them alone, conditions the whole economic life upon which the social and political development of our tropical African States depends.

If we consider the behaviour of these commodities in the international market over the last ten years, we find that, apart from certain periods marked by major international political crises, such as the war in Korea or the recovery of 1963, prices have steadily fallen. Thus, to quote only a few significant figures, cocoa fell by 16 per cent in 1960 and by 30 per cent in 1961; palm oil and oilseeds fell by 3 per cent in 1960 and by 14 per cent in 1961. Recovery did not begin until 1963, and even then it was rather uncertain: nothing guaranteed it would continue.

This instability in the prices for our commodities has led us to establish support machinery and to resort to means of counteracting the effects of price fluctuations by way of stabilization funds, support funds, or marketing boards. In Dahomey we have set up a support fund for export commodities.

Another powerful factor, our membership in the franc area, has also helped to mitigate the disastrous consequences of price fluctuation, since France subsidized our production to a considerable extent and I am very happy to express here our gratitude for its kind and valuable support. But now we have entered a new period of adaptation to world prices since our association with the European Economic Community, which bears some part of the burden hitherto borne by France alone.

It is none the less a fact that we are compelled to stand helplessly by while the value of our exports falls and increased production cannot make up for it; and our peasants find it hard to understand why their incomes decrease the more they produce. How can we, in these circumstances, encourage them to improve quality and increase production?

The result of this situation is that the share of the raw material-producing countries in the world market fell from 38 per cent in 1948 to 31 per cent in 1959, and that the position has been growing more serious ever since. During this time, the price of imported goods has steadily risen and the terms of trade have continued to deteriorate to the advantage of the developed countries alone, to such an extent that at the last meeting of the International Monetary Fund, a Colombian delegate stated as follows:

"In 1954, we had to pay 19 bags of coffee for an automobile; in 1962, it takes 32 bags to buy an automobile.

In 1954, we bought a jeep with 14 bags; today, it costs 39."

The consequences of this drop in prices, and these price fluctuations, are disquieting for the tropical countries; they may be summed up in the following questions:

Why should we work harder to earn less? This is the question put by our peasants, and productivity and quality both suffer as a result.

How can the economic output of the country be planned, ask the government leaders, when our earnings never correspond to the amount estimated?

How can we achieve economic independence when the effect of foreign financial assistance is wiped out by the slightest falling-off in export products, which brings about a drop in earnings greater than the amount of foreign aid?

Why should foreign and national private capital be invested in our agriculture, when, owing to these circumstances, no long-term operational budget can be prepared?

We are, alas, helpless in the face of all these questions. Our hope of finding appropriate answers to them must lie in the solidarity and co-operation which there must be between the tropical farmers and those in the advanced countries who use their products, a solidarity and co-operation which should bring about the stabilization of primary commodity prices in the best interests of the users themselves.

In short:

1. The peasants in the tropical countries cannot become worth-while customers for the industries of the developed countries unless their *per capita* income increases;
2. The stabilization of prices for tropical primary commodities will help to curb inflation in the industrial countries, because in periods of full employment the amount of money available tends to raise prices;
3. The mass of the consumers in the developing countries would benefit from stabilized prices; at the present time a drop in prices does not affect them. The drop in prices affecting the tropical producers is offset in the importing countries by trading margins and taxation.
4. Finally, the advanced countries should examine their consciences seriously. Is it normal, moral that the rich countries should spend less and less in order to consume more and more? In the topsy-turvy world we live in, that is precisely the grotesque result we have achieved after so many years of progress in other domains. This is discouraging, not to say heart-breaking.

What is the solution? I shall not go into details as to the attempts already made in Africa, such as the marketing boards in Ghana and Nigeria, the price stabilization funds in the franc area and the Congolese reserve funds, or the international methods of long-

term or multilateral contracts, general recourse to future markets and the building up of buffer stocks. In the face of these technical problems, two main trends become apparent:

On the one hand, there are the advocates of world trade who are against regional or group agreements of any kind and demand complete agreement with a view to a world system of free trade;

On the other, there are also the empiricists who think that there is no one perfect solution and seek immediate stabilization on the basis of the existing system.

Dahomey, like some other French-speaking States, would appear to have made its choice between these two trends, since it has entered into association with the Europe of the Six. Moreover, as the law of supply and demand has not hitherto succeeded in filling the gap between the developing countries and the industrialized countries, but has rather opened it wider, we feel that transfers should be made from the rich to the poor countries, and that measures appropriate to the conditions of political development in our countries should be taken. We are in favour of the extension of measures similar to those used within the Common Market, particularly as regards the system of levies on imports of agricultural products.

The excellent report of Mr. Raúl Prebisch, our eminent Secretary-General to whose fine work I would like to pay a tribute, made a great impression on us for the steps it envisages: the earmarking of a given percentage of the national income of the industrialized countries for assistance to the developing countries, and the raising of prices for the commodities produced by our countries to equal the world prices for the consumer in the industrialized countries. Our peasants would still receive the same prices as at present, but the difference between the two prices would be paid into a fund for assisting the developing countries. To us, that would be a kind of second Marshall Plan which could lift us out of the rut of under-development, just as the first Marshall Plan enabled Europe to emerge from the chaos and destitution of the Second World War and to recover its economic equilibrium.

It is therefore finally with a great deal of optimism, but without exaggerated hopes, that Dahomey is participating in this Conference, and expresses the fervent hope that from the shapeless clay of a world in the process of being remade, breaking deliberately and definitely with an obsolete past when man was exploited by man, we shall be able patiently to carve the features of a new humanity, free from hunger, envy and fear, aspiring henceforth only to works of peace.

**STATEMENT BY H.E. Mr. PER HÆKKERUP,  
FOREIGN MINISTER OF DENMARK, HEAD OF THE DELEGATION  
at the twelfth plenary meeting, held on 31 March 1964**

[Original text: English]

Let me begin by extending to Mr. Kaissouni my sincere congratulations on his election as President of this historic Conference. I am especially pleased to do so because we know he is an outstanding expert in matters of international economic co-operation. At the same time, he represents an old country with a rich cultural heritage and a young country standing in the midst of dynamic development. His election augurs well for the outcome of our Conference.

Economic development is the great challenge of our time. It is a common task requiring the best efforts of all of us, requiring, as stated by my French colleague, a grand alliance of reason and generosity, of brains and hearts, with a view to developing a harmonious and integrated world.

The problems of economic development are manifold. Education in order to ensure the fullest and most diversified use of the human and material

resources is, in our view, fundamental. Education and enlightenment were in my country the basis and the prerequisite first of the development of our agriculture, then of the creation of our industry. So by tradition we already attach the highest importance to technical and educational assistance to the developing world.

Capital formation must go hand in hand with education, and this requires a financial contribution from the developed countries.

Now, in order that utilization of all resources can develop freely and fully, we need a free and steadily growing circulation of goods and services throughout the world; this means trade.

Without trade there can be no full development, and without full development no firmly consolidated peace.

Our Conference is called upon to discuss the role of trade in economic development. It is without any

doubt the most significant event in the context of the United Nations Development Decade. This lays upon us a heavy responsibility. We must not fail, for the issues at stake are fundamental. We must not fail, for failure would be a serious blow to the United Nations itself and to international co-operation.

The Secretary-General has given us a most brilliant survey of the problems facing us. We thank him for his devoted work. We equally thank his able collaborators, the regional commissions, the specialized agencies, the secretariat of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) and other organs who have contributed to the comprehensive infra-structure of facts underlying the report of the Secretary-General.

I shall not discuss here all the problems dealt with in the report. But I would like to deal briefly with some aspects which we consider of special importance. It is obvious that the most urgent immediate problem for developing countries is the improvement of their terms of trade. Furthermore, we know that primary products are by far the most important source of income for those countries.

For certain commodities, international agreements can be a valuable help in stabilizing prices for raw materials at a remunerative and equitable level. My country is fully prepared to participate in negotiating such agreements.

But we believe that the possibilities of reaching results by these means are limited. For many primary products a rise in price would lead to a lowering of consumption, in some cases because of the production of substitutes. Also the problem of a surplus production might arise. Therefore, measures would be needed which would lead to an increase in the demand for these products. In our view, an important contribution towards this goal would be the removal of duties and internal taxes imposed on such products, as foreseen in the GATT Programme of Action.

But export of primary products alone will not solve the long-term problem of development. The President will know that during many years the export earnings of my country depended on agricultural production which ran into similar difficulties as those encountered by developing areas in the export of primary products. These difficulties increased because of protectionist practices widely applied in this field and the pressure on world market prices following therefrom.

We still find it necessary to achieve orderly conditions in trade in agricultural products, and we think this would also help developing countries. But we nevertheless remain convinced that continuing further development in our industrialization is a prerequisite for a satisfactory economic growth in our country.

This leads me to the question: What can we do in order to foster the process of industrialization of the developing world? I think it is of crucial

importance that developed countries should be ready to give access to their markets for industrial products from developing countries, as the industrialization of those countries proceeds. The implementation of the GATT Action Programme would be an important step in this direction. I understand that the Contracting Parties are engaged in a revision of the GATT rules to enable the will of industrial countries to adopt trade policies to support developing countries in their striving towards economic development to be expressed in binding obligations.

I have no doubt that such a revision will materially assist developing countries in their efforts. It goes without saying that developed countries with centrally-planned economies should undertake corresponding obligations.

Now, the question arises, whether we can make special arrangements favouring the export of developing countries in order to stimulate their export of manufactured goods during the initial stages of industrialization.

This is an extremely difficult question because it would imply a deviation from the most-favoured-nation principle on which international trade is based. Such a deviation could only be considered if there were very weighty reasons in its favour. In view of the urgency of the issue before us, my Government would, however, be ready to examine the possibility and advisability of arrangements of this nature. Such arrangements should, as far as possible, mean that the industrial countries would allow duty-free import of manufactured and semi-manufactured goods from developing countries, within certain limits to be defined. The possibility of introducing such arrangements would, in our view, depend on the results of the continued efforts to reduce existing duties among the Contracting Parties to GATT, and they must in no way constitute an obstacle to those efforts.

The arrangements would have to be extended to all developing countries so that discrimination among developing countries be avoided in accordance with the most-favoured-nation idea.

They would have to cover a broad field of goods, preferably all manufactured goods, in order to avoid *de facto* discrimination and in order to prevent industrial development being concentrated upon a few products.

They would have to be accepted by all industrialized countries as a manifestation of their common responsibility to the developing world. This would also diminish the risk of market disruption. Finally, they would have to be temporary and to be dismantled concurrently with the growth in exports from the beneficiary countries. Those countries which are most retarded in development would thus benefit for the longest time from the arrangements. It should be borne in mind that the idea behind such schemes is to create a starter and stimulator of industrial development.

Summing up, we think that general arrangements, with the participation of all industrial countries and as far as possible all industrial products, would constitute the least possible deviation from the international principle of most-favoured-nation treatment laid down in the GATT. At the national level, such general arrangements should be more easily acceptable politically by industrialized countries.

In so far as financing constitutes a bottleneck to the desired expansion of trade, we are ready to consider an extension of the means available in our international financial machinery. A possible extension of United Nations capital aid should in our view be channelled through the Special Fund. The present statutes of the Special Fund have been formulated in such a way

as to allow for this possibility. Instead of wasting scarce resources in establishing new institutional machinery, they could be used effectively by the Special Fund to further economic development.

As for the institutional question, we feel that if we can reach agreement on the policies to be pursued, we shall also be able to create the adequate institutional framework. This should be based on already existing institutions, especially GATT, and not lead to the establishment of a new world trade organization.

Those were the few general remarks I wanted to make at the opening stage of the Conference. My delegation will devote its most sincere efforts of constructive co-operation to the debates of the next few weeks, in a spirit of human solidarity.

STATEMENT BY H.E. Mr. LUIS AQUILES MEJIA,  
SECRETARY OF STATE FOR FOREIGN AFFAIRS,  
HEAD OF THE DELEGATION OF THE DOMINICAN REPUBLIC  
at the twentieth plenary meeting, held on 6 April 1964

[Original text: Spanish]

The Dominican Republic is attending this Conference in the firm hope that we shall achieve satisfactory solutions to the present situation of world trade, the tendency of which is to accentuate to an increasing degree the economic inequalities between the industrialized and the developing countries.

The absolute power of destruction now available to mankind in a divided world, with great wealth on the one hand and continuing poverty on the other, is a source of danger to international peace.

The Dominican Republic desires to reiterate in this world forum its firm adherence to the purposes and principles set forth in the Alta Gracia Charter, and to express the hope that this Conference will be able to translate them into reality. My country hopes that the adoption of those principles as a standard of conduct will produce that structural change in world trade which is indispensable to the orderly acceleration of development in our countries.

There can be no denying that we are leaving behind us the period in which nations could consider their economies in isolation. Progress is being made towards the world-wide integration of economies, and this progress must obey the principle that every people has the right to economic welfare.

Wealth must no longer be concentrated in the hands of a few nations of the world.

In the developing countries, there is an immense gap between their aspirations and their economic and social realities. This gap is to a large extent due to the many adverse factors shaping international trade in our times. The international trade of the world's poorer countries is at present the most effective tool for narrowing and eventually closing this gap.

Hence it is obvious that any serious formulation of the problems involved in our economic and social development will inevitably have to be situated, considered and settled in relation to international trade.

The inevitable consequence of these facts is that there is an urgent need to re-examine our trade relations with the highly industrialized countries as a preliminary to action for the orderly promotion of continuous and accelerated economic development in our countries.

In establishing the terms of reference which should guide our dialogue with the countries of the world, we cannot omit to mention our anxieties concerning the participation of the developing countries in world trade as a whole in the period 1960-1962. This participation fell by about one-quarter. During the same period, the participation of the industrialized countries rose to more than 70 per cent of the world total.

The exports of the under-developed countries to the industrialized countries represented about 71.4 per

cent in 1962. In the case of the Dominican Republic, however, this proportion was much greater, and reached 92 per cent. This was due to the fact that the major part of Dominican exports consists of agricultural raw materials, cane sugar alone representing more than 50 per cent.

These simple data sufficiently illustrate the structure of Dominican foreign trade, and its importance in accelerating the progress of our country's internal economy. If we add that, in the period 1953-1962 for instance, the unitary price index of our exports fell by approximately 41 per cent, it will be clear how deeply we are concerned to find at this Conference ways of guaranteeing a minimum of stability to the international trade of our peoples.

Thus, we need not only guarantees and new approaches with regard to the trade in raw materials, but we consider that any study of the problem must include an appreciation of the possibilities of industrial processing and marketing of those products.

We are certainly committed to a process of industrialization, as a necessity arising from our own historic evolution and development. Industrialization is a necessary stage in any economic development. We cannot and shall not deprive ourselves of the increased wealth which can be earned by this process, or of the fruitful social and political results inherent in it.

At present, the only finished industrial product exported by the Dominican Republic is cement, with a certain amount of semi-processed cocoa. These exports account for no more than 2.6 per cent of our total earnings. But we have decided, despite our national limitations, to put into effect a plan for the establishment of industrial centres which will not only produce substitutes for imported manufactures but also process our own raw materials, most of which are agricultural, for export.

Nevertheless, in order to achieve our industrialization objectives, we shall have to ask the industrialized countries to take fresh measures to facilitate the access of our products to their markets.

Our country can see only one way of correcting this situation, and that is to deal with both aspects of the problem. On the one hand, steps must be taken to remove the obstacles which have restricted the demand for our manufactured products in the large consumer areas. These obstacles have taken the traditional form of high protective tariffs, quantitative restrictions, heavy duties, subsidies and other measures used by the industrialized countries to protect their national products.

The other side of the problem, the question of supply, calls for action on our own initiative and responsibility, such as foreign market research and the improvement of production techniques. In this connexion, there can be no doubt that the most important of such measures would be the establishment of regional common markets. We sincerely believe that all these things can be brought within the realm of possibility, if, as the

representative of Bolivia said, "there is the political will to do so."

Hence it is obvious that the decisions which we hope will be taken by the United Nations Conference on Trade and Development, will require organs to put them into effect, if they are not, like so many before them, to remain a dead letter.

There seems to be some unanimity of opinion among the delegations present at this Conference with regard to the substance of the matter, but a certain hesitation is apparent as regards the procedure to be followed in putting into force such decisions as the Conference may adopt.

There is one school of thought which favours the establishment of entirely new machinery for the task: such machinery, it is hoped, would be free from the defects that have hitherto been largely responsible for the distortions from which the trade of the developing countries has suffered.

There is another school of thought which advocates the use of existing international agencies, such as the General Agreement on Tariffs and Trade (GATT), while admitting the possibility of introducing some changes to make those agencies capable of fulfilling the ideals which we small countries would like to see translated into effective rules.

In principle, the Dominican Republic adheres to the second school of thought. There are many reasons for this. One of them is that while we want to cut the Gordian knot which at present is strangling the economic development of our countries, we also want to preserve a machine which has already proved its usefulness, and avoid discarding legal instruments which the Dominican Republic considers as a very valuable protection against the actual and potential threats arising from the existence of economic blocks of developed countries.

Nevertheless it is obvious that if GATT is to be converted into an effective instrument for the development of world trade, in the manner and to the extent for which we under-developed countries are hoping, it will need to be substantially remodelled.

It would for instance be interesting to test GATT's capacity to assimilate the new idea of reciprocity as understood by us developing countries, and not as set forth in that instrument in its traditional form based on the legal equality of States, which is inoperative precisely because of the economic inequalities between them.

We sincerely hope that the existing organizations, including GATT, will prove really capable of fulfilling our objectives, and on that understanding the Dominican Republic would suggest that that possibility should be put to the test.

But I must point out that if it becomes clear that there is no sincere intention of carrying out this remodelling and making it really effective, we shall have no choice but to join the school of thought which advocates abolishing those organizations and establishing new ones.

We realize, however, that the problems affecting the economic development of our nations not only require that there should be regulations for the control of trade, but that, in the light of the urgent short-term needs of our countries, effective international financing measures should be taken both for development and in connexion with existing trade problems.

In this connexion, we applaud the efforts which are being made by certain international organizations though of course we consider them insignificant in relation to the magnitude of the problems to be solved.

Nevertheless, I should like to draw the attention of representatives to a fact which is the very crux of the problem, namely that financing is necessary simply because our countries do not have sufficient domestic savings. The consequence is that we must assume collective and individual responsibility for avoiding by all the means in our power the draining of capital from our economies.

This draining of capital is not only due to the so-called "flight of capital". It also occurs, sometimes to a serious extent, as the result of the corruption of certain unscrupulous persons holding high positions in the Governments of our countries, who pillage our national wealth and transfer it permanently abroad.

The Dominican Republic has first-hand experience of situations of this kind, and we regret to say that we have been powerless to recover large amounts of capital which have been unlawfully abstracted from our country, precisely because international practice in this respect favours unpatriotic crimes of this kind. We hope that this Conference will take measures to remedy this situation.

The Dominican Republic wishes this Conference every success and hopes that it will find means whereby our countries can attain just social and economic standards, under a system which will guarantee the exercise of human rights.

STATEMENT BY H.E. Mr. ENRIQUE AMADOR MÁRQUEZ,  
MINISTER FOR TRADE AND BANKING,  
HEAD OF THE DELEGATION OF ECUADOR  
at the tenth plenary meeting, held on 30 March 1964

[Original text: Spanish]

It is a great honour for me to speak for Ecuador in this Conference, which is of such tremendous importance for my country and for all the countries of the world.

Poverty and want have ceased to be problems confined to the countries which suffer them, and the growing disparities between the living standards of peoples can no longer be accepted as unavoidable facts. On the contrary, it is now recognized that there are facts for which all countries have a joint responsibility, and particularly those countries which, as a result of historical circumstances and to some extent, of past trends in their international trade, have reached more advanced stages of development.

It is a well-known fact that the rate of economic growth of the developing countries is far from a satisfactory rate and, in the particular case of Latin America, the weakness has been especially serious. This situation has been strongly affected by the unfavourable trend of foreign trade which, far from giving any impetus to the Latin American economies, has been a retarding factor in their development.

The slow rate of growth of exports and the deterioration in the terms of trade have limited purchasing

power abroad, while at the same time the need for imports has increased as a result of these countries' own development, thus accentuating imbalances and creating pressures which are difficult to hold in check.

The problem now arises under conditions that are still more acute and unfavourable, for the lack of dynamism in foreign trade, which I have already mentioned, has led, in many of the Latin American countries, to an inflationary process and increasing indebtedness abroad. This indebtedness is having a serious effect on the balance of payments of these countries, obliging them to make a complete reappraisal of the problem and to seek the effective and lasting solution offered by more active international trade within a new framework.

This new dynamic trend in international trade is, in my opinion, the only valid formula for the orderly development of the poor nations. But such an objective also calls for a great reorganization of existing commercial systems, by means of measures to be adopted unilaterally by the developing countries and, above all, through multilateral co-operation of the industrialized countries with the developing countries.

In the majority of cases these measures will not, in practice, follow from a unilateral decision by the developing countries, since they depend mainly on concerted action with full participation of the industrialized countries. Of course, this does not mean that the latter should bear all the responsibility for the efforts to be made by the developing countries, for this task is also the concern of those countries themselves; its fulfilment calls for decisions to introduce the internal structural reforms necessary to improve the living conditions of the population, efforts to formulate planned policies of economic and social development and action to integrate regional economies which is already showing useful progress. The efficacy of this progress is, however, being seriously impaired by the obstacles still raised by the present structure of foreign trade. Unless these obstacles are overcome, the best endeavours will remain sterile and legitimate hopes of improvement, which cannot be put off indefinitely, will be frustrated.

In Ecuador, for instance, under the General Plan for Economic and Social Development officially adopted by the Government, exports will continue to be the sector giving the main dynamic impetus and it is on them that execution of the projects scheduled for the period 1964 to 1973 will directly depend. Taking only the primary commodities or traditional exports of the country, Ecuador requires a regular annual increase in sales of 5 per cent for bananas, 3.4 per cent for cocoa and 2.5 per cent for coffee.

Problems of this kind represent the background to the drama of the developing countries. To fulfil the external conditions necessary for the success of the Latin American countries' own efforts means nothing less than establishing a new international order of truly universal scope. The new order I am advocating would provide a powerful stimulus for rapid growth of the economies of the developing countries, making it possible to remedy the deficiencies of the present structure, which in recent decades has mainly served the interests and problems of the highly industrialized countries.

This statement of mine means that following the process of reconstruction the world structure of trade could no longer be based on rigid concepts automatically applied. Nor could trade be based on inequality between countries, with the object of maintaining and further increasing it; on the contrary, it would have to be based on principles of solidarity and co-operation aimed at eliminating inequality and establishing an international system capable of meeting the needs of the less developed countries.

The flexibility indispensable to the new order of world trade, for which we must lay the foundation at this Conference, will have to be based on a set of general rules, some of which relate to the nature and scope of the system and others to the special relations that will have to be established between the developed and the developing countries.

One of the first points to be stressed is that if a system meeting historical requirements is to be successfully established, it will be essential to eliminate completely the discriminatory preferences which some industrialized countries and groups of countries have adopted in certain geographical areas; for these have long been obstructing the expansion of trade, particularly that of the Latin American countries, and have been a decisive factor in their constantly decreasing participation in world trade. This is not a new or recent development for Latin America; on the contrary, it is one of the fundamental principles which this part of the world has been advocating for a long time, particularly since the Havana Conference. Furthermore, I wish to make it clear that the elimination of preferences need not be to the disadvantage of the countries concerned, just as there is no justification for saying that the co-operation extended by the developed countries would be detrimental to the economic and commercial interests of Latin America.

The general points made in the previous part of my statement may be summarized under the following basic issues which are of concern to my own country and to the Latin American bloc in general:

1. The developing countries cannot be held to strict application of reciprocity in respect of concessions and preferences granted them by the developed countries.

2. The developed countries should guarantee the poorer nations access to their markets on a non-discriminatory basis. Present systems of preferential and discriminatory access which are considered essential for maintaining the export earnings of some developing countries, should be continued temporarily, financial compensation being granted to the other developing countries.

3. The developed countries should grant preferences to the developing countries, without extending them to the industrialized countries.

4. The developing countries could grant each other preferences without extending them to the developed countries. These preferences would be granted without prejudice to the rights and duties arising out of the establishment of regional groups of developing countries.

5. In view of the inequalities in growth of the developing countries, provision should be made for preferential treatment adapted to the special characteristics of the less-developed countries. This treatment should be based on the granting to such countries of special advantages which would not constitute trade discrimination between developing countries.

6. If Latin America, as a regional group, does not obtain satisfaction on the proposals it will present at this Conference to the effect that the industrialized countries should open their frontiers to trade in its primary commodities and manufactured and semi-manufactured goods, it will have to plan its development inwards on the basis of self-sufficiency, closing its markets to trade with other regional groups.



Since Ecuador is mainly an exporter of tropical products, I must make a special reference to the measures which my Government considers necessary for liberalizing trade in these products.

Ecuador considers that the high internal taxation which the industrialized countries usually impose on the consumption of primary tropical products severely restricts the expansion of demand and deprives the developing countries of valuable opportunities of increasing their exports.

The customs duties which the developed countries impose on imports of these tropical products should be abolished as soon as possible. An end should likewise be made of all kinds of discrimination against tropical products exported from Latin America. The abolition of duties and discrimination should also be extended to goods manufactured from tropical raw materials.

The customs duties and internal taxation imposed by industrialized countries on end products containing a

high percentage of tropical raw materials exported by developing countries should be reduced to a level that does not hinder expansion of the industry concerned in the country of origin and will help to increase demand in the importing country.

I consider that a detailed study should be made by experts as soon as possible on the reasons why the cost of processing and marketing certain tropical products exported from Latin America is so high in some industrialized countries, with a view to suggesting measures for avoiding additional charges regarded as excessive.

I also plead for the support of the developing countries in concluding appropriate agreements on tropical products, provided that the main objective of such agreements is to promote increased trade for the developing countries, and that such agreements are calculated to raise the levels of prices paid for our products.

STATEMENT BY H.E. LIJ ENDALKACHEW MAKONNEN,  
MINISTER OF COMMERCE AND INDUSTRY,  
HEAD OF THE ETHIOPIAN DELEGATION

at the twelfth plenary meeting, held on 31 March 1964

[Original text: English]

I should like first of all to associate myself and my delegation with the congratulations and best wishes that have been addressed to Mr. Kaissouni on the occasion of his election to the high office of President of this Conference.

May I also seize this opportunity to congratulate him on the happy news announced recently in the press regarding his elevation to the high post of Deputy Premier in his own Government? Those who have known and worked with him, as I have had the privilege to do, will be proud to testify that he fully deserves the confidence and trust that has been placed in him by his own Government and by the international community at large.

We feel sure that under his wise and far-sighted guidance this Conference can live up to our common expectations.

The convening of this Conference would not have met with so much success had it not been for the devoted effort of the Secretary-General of the United Nations, and I wish to express through the President, my Government's grateful appreciation to the Secretary-General, U Thant, for the timely and useful opportunity provided by this Conference.

This Conference marks the beginning of a new and positive role for the United Nations, and also enables the world body to play in economic life the part that it has so usefully played in the political life of nations since the end of the Second World War.

Moreover, this Conference represents an impressive mobilization of the world's economic brain power.

No Conference has been so well organized and so well attended as has been our own, and none has roused as much interest and enthusiasm in all parts of the globe.

Our meeting here in this world Conference is in itself an outstanding testimony to the fact that the human family and the United Nations have both reached a stage of sufficient maturity and collective responsibility to respond in a positive manner to the pressing demands of our times.

The Ethiopian delegation feels proud and privileged to take part in this constructive endeavour of the human community and will spare no effort in its modest, but full-hearted, contributions towards the success of our meeting.

The purpose of my policy statement is to try and assist in the creation of a favourable atmosphere for

our work and in the obtaining of clear directives which will enable our experts and advisers to help us produce a programme of action that is both concrete and practical.

What we all have first to realize is that whatever we are able to achieve at the end of this Geneva meeting can be no more than a new start—the beginning of the end of a new trade and economic order that we desire to establish in this Development Decade.

The idea of a final act of the Conference must not, therefore, be taken too literally lest we create the false impression that our problems would disappear upon the conclusion of our work at this meeting.

The economic problems facing us in this new age are problems which are deep-rooted. They find their roots in our history and in the history of our past relationships.

Some of these problems may conceivably find short-term solutions. But there are others which demand time for adjustment and gradual settlement.

The main thing is properly to recognize and categorize the problems and to provide for them well-timed solutions which will ensure lasting remedies while taking into full account the realities of existing situations.

This is one of the primary tasks of this Conference and one which will enable it to proceed efficiently during the next weeks.

A great deal has been written about this world Conference and various people have interpreted its objectives in different ways.

Some have regarded it as a sharp confrontation between developed and developing countries and have ventured to suggest that this was going to be the occasion for the different regions to fight it out among themselves.

Others may have felt that this would be another of those numerous economic seminars where a lot of academic discussion takes place but where participants meet and part without achieving any tangible results.

We should not attach too much importance to what other people say about our Conference. What is far more important is that we ourselves should know clearly what has brought us here before we proceed to the examination of specific problems as outlined in our agenda.

It is, perhaps, equally important that we should start by answering the question as to what we have not come here to do.

We have not come here to engage in any bitter argument and controversial confrontations, neither are we here for the sake of any recriminations as to who did what and why.

Let us by all means look back to the past, for the past is a reservoir of experience that will assist us to move wisely forward into the future and to avoid the repetition of mistakes.

But if we have to look back to learn, we have to look forward to move confidently ahead into a future of greater co-operation and interdependence.

If there is any one common sentiment that has brought us all here to Geneva, it is the feeling, which we all hold to be incontestable, that we live in a new world of co-operation and of interdependence.

We all realize that the economic and trade relations of our time have to undergo the same process of change and development that has taken place in all fields of human relations, both national and international.

There was a time when it was thought best to leave human relations to the free interplay of natural forces, and when it was argued that life was an inevitable struggle—a free-for-all in which only the fittest fought and survived. This concept of life has been, as we all know, completely abandoned, and today we have the national state and the international organization to protect, harmonize and guide the destinies of peoples and nations.

This is the great revolution that has taken place in human and international relations, and this present United Nations Conference on Trade and Development is but part of that same revolution.

When looked at from this angle, the reasons for this Conference become clear and understandable.

This Conference of ours has been called in order to draw up nothing short of a new international commercial code which will take into full account the realities and peculiarities of the modern era and which will provide adequate satisfaction to the genuine aspirations for the development and progress of all peoples.

In other words, just as in our political relations we have by common accord established a system of collective security so, too, in our economic relations we must establish a world order which will ensure the maximum of economic security and progress based on an orderly interflow of trade and aid as well as on the principles of common benefit and mutual respect.

This, then, is the challenge that this Conference has to face, and it is in this spirit that we all have to approach the trade and development problems facing our modern world.

Having said so much about the background of our meeting and about the spirit that should animate our deliberations, I now pass on to the task of giving a short summary of my Government's views on, and attitudes towards, some of the items that we consider to be of particular importance to us and to the other developing countries of the world.

My brief summary will follow the general lines of the able and comprehensive report that our Secretary-General, Mr. Raúl Prebisch, has prepared for the Conference.

We are all indebted to Mr. Prebisch for putting so much of his heart and mind into the preparation of our meeting and we wholeheartedly join other delegations in expressing grateful appreciation for a task well done.

I shall, with the President's permission, make a summary of my delegation's views on four matters which fall under the general headings of:

- (a) Trade relations between developed and developing countries;
- (b) The importance of aid in the framework of trade;
- (c) The role of foreign investment in economic development; and
- (d) International trade institutions.

I shall make my summary as brief and as simple as I possibly can, and will not go into any detailed analysis. My delegation will have occasion to amplify our views at committee stages of our work.

(a) *Trade relations between developed and developing countries*

The problem in the trade relations between developed and developing countries boils down to the well-known fact that the developing countries are not earning enough from their exports in order to be able to pay for their necessary imports of industrial goods needed so urgently for their programmes of economic development.

To put it more bluntly the developing countries have been selling cheap and buying dear, and this has impeded the urgent implementation of their programmes of economic development and social welfare.

The main reason for this imbalance in the external trade of developing countries has been the triple effect of falling prices of primary commodities, rising prices of industrial goods combined with the policy of import substitution pursued by some industrial countries.

Moreover, a number of developed countries have further helped to aggravate the situation by imposing a relatively high rate of duty and other charges on imports of certain primary commodities, and these policies have in turn led to a decrease in the demand and consumption of these goods in the markets of industrial regions.

These are well-known facts which have been verified by all the reports and studies that have been made in the preparatory stages of the Conference, and I need not take up any time in order to justify them by further facts and figures.

The problems are clear and self-evident, and what is needed is to agree upon steps which will help counteract the dangerous trend that is at present characteristic of the external trade of developing countries.

The solution to these problems can only be found in a rational organization of markets and a reasonable division of labour.

The world market for primary commodities must be organized in such a way as to ensure reasonably stable prices—prices which are not so excessive as to be prohibitive, but which must be high enough

to compare favourably with the prevailing prices of industrial goods.

There is no reason why such prices should be static or permanently fixed. What is important is that they should have an adjusted relationship with the prices of goods needed for development and industrialization.

We cannot possibly hope to obtain these favourable conditions in what is generally known as a free market, and it is for this very reason that we are obliged to ask for a reorganization of world markets in favour of the developing countries.

As regards the different measures of price stabilization, my delegation agrees by and large with the proposals advanced by the Secretary-General of the Conference in the report that he has submitted.

We believe that commodity agreements can be a useful means to this end, provided that due account is taken of the problems and peculiarities of different regions, and provided also that sufficient time is given for diversification and adjustment. Otherwise, the restrictive aspects of commodity agreements can be disastrous for economies that are dependent on the production of a single or few major items.

The measures proposed for supporting the developing countries in overcoming the difficulties in their balance of trade and payments are also most desirable. Such measures of export financing should not be of a permanent character, but should rather be instituted on a short-term basis with a view to helping the developing countries fill temporary gaps in their external trade and in their balance-of-payments difficulties.

Parallel with these measures of price stabilization and support, positive steps must be taken by developed countries to remove all direct and indirect obstacles and barriers to imports from developing countries.

The developed countries must also co-operate with developing countries in order to increase the demand for primary commodities in the markets of the developed regions. Moreover, the developed countries must, in all fairness to their developing sister nations, and in view of their responsibilities in this age of interdependence, discourage as far as possible—even in cases where the need is not so obvious and imperative—the substitution of artificial materials for natural products.

These are steps that have to be taken in a co-ordinated manner, and the programme of action of this Conference must deal with them in this comprehensive way if it is to tackle effectively the problems relating to the dangerous trade gap of our time.

In asking for free access to the markets of the industrial regions, and for preferential treatment in trade relations with those regions, the developing countries must likewise be prepared to ensure for the industrial countries a fuller participation in their own markets which, in many cases, have vast potentials of demand for both capital and manufactured goods

going often far beyond the limited capacities of their nascent industries.

As the representative of the United States of America reminded us the other day, the prosperity and full employment of developed regions is a prerequisite to their ability to give to the developing regions economic aid and technical assistance, and surely there are enough resources in the world for everybody's genuine needs in respect of development and progress, if only we produce a world development programme in which all nations can fully participate.

The co-operation and interdependence that we envisage in this Conference should not, therefore, be regarded as a one-sided process.

The development of the developing regions is as much to the advantage of developed countries, since such development calls for greater interflow of trade and investment from which all regions can derive benefit.

It is, therefore, only right, not only on grounds of their collective responsibility to each other, but on the equally important ground of mutually economic interest, that the developed nations should aid their developing partners, and we for our part are confident that this Conference can succeed in obtaining measures which will open up the doors of greater trade relations in all directions—East and West, North and South.

For it is obvious that no consideration of international trade relations would be complete if it did not take into full account the relative significance of East-West trade.

The scope and potential of international trade has been given a new impetus because of the emergence of the dynamic economies of the world's socialist States.

These countries have, through their centrally-planned economic effort, managed in many cases to achieve in a relatively short time a degree of industrial development and self-sufficiency which has gained for them a new and vital role in their trade and economic relations with the developed and developing regions of the rest of the world.

No international trade and development programme can, therefore, be sound and realistic unless it can find ways to accommodate these countries of the centrally-planned regions, and they for their part will have to adjust their external trade policies and practices in order to contribute to, and benefit from, the new international programme for trade and development.

*(b) The importance of aid in the framework of trade*

The steps that I have outlined above are by no means enough by themselves to help close the economic gap and to redress the imbalance in external trade, and this brings me to the question of international aid, which is the second item of my brief summary.

In the case of developing countries, trade has to be sustained by economic aid and investment if it is to give the desired results.

My delegation does not subscribe to the idea usually expressed in the now-famous phrase "Trade, not aid".

This, in our view, is a misleading concept when applied to the present economic situation of the developing countries.

It is, of course, true that aid is only a means and not an end in itself.

The philosophy of international aid must always be that one is helped to help oneself.

We have, it is true, learnt from experience that aid by itself cannot produce tangible results if what is received in aid has to be given back in payments for imports bought under unfavourable terms of trade.

But this does in no way disqualify international aid as a vital instrument in economic development. It only goes to show that trade and aid have to go always hand in hand if they are to obtain the maximum benefits.

In this respect, my delegation agrees fully with the approach suggested by the French Government in the bold and imaginative memorandum submitted by them to the Conference.

I may, perhaps, be allowed to seize the opportunity of my present intervention to express to our colleagues of the French delegation our thanks and appreciation for the constructive initiative that they have taken in making the far-sighted proposals contained in their memorandum.

The comparison made in that memorandum between the present situation of the developing countries and that of Western Europe after the war is, in our view, a correct and meaningful comparison despite obvious differences in the respective backgrounds of the two situations.

In both cases, the challenge is one of economic revival. In neither case would it have been possible to envisage economic growth without aid and special treatment, at any rate in the initial stages, and until such time as the countries concerned are able to stand on their own feet.

Let us not, therefore, minimize the important role that international aid and technical assistance can play in the development of the developing regions, and particularly in such vital fields as the training of personnel, the conducting of surveys as well as in making available the technical "know-how" that is so essential to the successful launching of development projects.

We are fully aware of the useful role that economic aid has played in our development in recent years, and we are most grateful to all countries and international organizations that have made such aid available to us.

What we ask is that such aid be maintained and, as far as possible, intensified so that it continues to become one of the instruments of development in the vital and initial stages of economic take-off.

When considered in this light the phrase "trade, not aid" is seen to be clearly inapplicable in the situation of developing countries.

What the developing countries need to have in their relations with the developing regions is a policy of "aid within the framework of favourable trade".

An intensified and effective aid programme coupled with favourable terms and conditions of trade would go a long way to redress the imbalance in external trade and would, therefore, enable the developing countries to catch up with the march of economic progress.

(c) *The role of foreign investment in economic development*

There is one aspect of trade which I would like to review briefly as the third main item of my policy statement.

This is the important question of foreign investment and the role that it can play in the economic development of the developing regions.

Trade and aid can go a long way to help the developing countries obtain capital and technical "know-how", but cannot in themselves suffice to meet the ever-growing requirements of the developing regions in this respect.

Many developing countries have realized the important role that foreign investment can play in their development programmes. Some countries have, as has my own, passed special legislation to encourage investment and have likewise entered into bilateral agreements of investment guarantee with individual developed countries.

These steps, though good in themselves, have not always proved sufficient to attract foreign capital and to encourage the flow of the extra earnings of the developed regions into the development programmes of developing countries.

Greater mutual effort is required in this respect. The developing countries must assist in the effort to transfer to developing regions part of the national revenue and extra earnings which are often accumulated in the industrial regions, and the developing regions must, for their part, create the atmosphere and must give the necessary incentive for such transfer of capital to take place.

The trouble about foreign investment is that it suffers from a psychological hang-over from a disturbed colonial past and from a kind of persecution complex that has resulted in the spreading of mutual fear and suspicion as between the investor and the recipient.

The investor is often afraid of arbitrary action on the part of the country in which he invests, while the country concerned may often be apprehensive of tendencies towards neo-colonialism and economic interference.

If, therefore, it is a primary objective of this Conference to encourage the interflow of trade and investment as between developed and developing regions, then one way of achieving this objective would be the institution of some instrument of international investment guarantee which would provide better reciprocal assurances of security and will help create an

atmosphere of mutual confidence so essential for international investment.

My delegation believes that such a system of international investment guarantee will help to stimulate and increase the flow of capital from the industrial to the developing regions, and will, therefore, help to attract the capital surplus of developed regions to participate in programmes of development in developing regions.

We believe this to be of the utmost importance and my delegation will be only too glad to further clarify and amplify our thoughts on this matter should the proposal come up for detailed discussion at the appropriate committee stage of our deliberations.

An examination of international investment possibilities cannot avoid arousing some comment on the investment potential that is inherent in a successful programme of world disarmament.

This Conference on Trade and Development has every reason to hope that the Meeting on Disarmament which, by coincidence, is being held in the very premises of this same historic building, will soon obtain some fruitful results.

As one of the representatives of the non-aligned world, my country has had the privilege, if perhaps sometimes painful duty, to participate in the work of the Disarmament Conference.

It is, I can assure you, not at all an enviable position to be a member of a Disarmament Conference in which the last word rests with those who possess the armaments.

In spite of the time-consuming nature of the work, and in spite also of continued disappointments, we and other representatives of the non-aligned regions have felt that we cannot possibly abandon our efforts in a matter so vital to the future of world peace.

It will not be out of place to ask this Conference to appeal to the great Powers, on whom the final answer depends, to come out of the perpetual deadlock in which the Conference has so far found itself, and to agree on some compromise on this grave and dangerous issue, so that the resources tied up in destructive projects of armaments may be released for the more productive purposes of world development and prosperity.

(d) *International trade institutions*

The last item that I wish to review briefly with your kind permission is the question of international trade institutions and of regional economic organizations.

We feel strongly that the existing international trade agreements and institutions need to be reformed and overhauled in order to bring them up to date and made effective.

The international trade arrangements of today were made at a time when the world political and economic situation was different from what it is today, and when problems of development did not have such a high priority in international public opinion.

Thus, arrangements such as the General Agreement on Tariffs and Trade (GATT) tend rather to follow the conventions of the age in which they were conceived, and do not give enough emphasis to the problems of development and of under-development.

This makes it imperative for this Conference to review the state of international trade institutions with a view to take positive steps which will enable us to possess efficient and dynamic institutions capable of co-ordinating the growing international trade activities of our time.

We believe, therefore, that the organization of GATT should be reformed and revised and that it should become the main instrument of international trade policy as it will be outlined by the present Conference.

The kind of set-up that we envisage for future international trade is one which would be composed of a reformed GATT answerable to this Conference and to the Economic and Social Council of the United Nations and working in close collaboration with the regional international economic organizations.

We cannot see how else an international trade agreement can hope to play an effective role unless it exists under the umbrella of this Conference and the effective and co-ordinating patronage of the United Nations.

My delegation also feels that this Conference can carefully devote part of its time to the study of the relationships between regional economic groupings.

There are already a number of regions that have regional organizations both of their own and of the United Nations.

This can lead to unnecessary duplication and waste of effort unless the activities of the different organizations can be carefully co-ordinated.

The necessity and advantages of regional organizations are clear and obvious. The regional and sub-regional approach to development is particularly suitable in developing regions where communications are difficult, and where the state of infrastructural development is in its early stages making markets small and inaccessible.

While thus the advantages of regional development cannot at all be disputed, we have to be careful lest the regional organizations we create become inward-looking closed clubs. This would be both unfortunate and dangerous for general world development.

We believe that there must always be the maximum possible of trade and economic collaboration between countries within given regions, and between the regions themselves. That is what we mean by trade in all directions, and we believe that it is the responsibility of this Conference and of the United Nations to provide the necessary guidance and co-ordination in this respect.

This present Conference on Trade and Development constitutes both a golden opportunity and a unique challenge.

It is an opportunity to undo past wrongs, and it is also a challenge to face the new realities of the Development Decade.

The appeal of the developing world represents the tremendous voice of over two-thirds of mankind. This is an appeal that the developed world cannot afford to ignore.

It is a simple appeal based on reason and justice and asks for no more than that the record of past human relations must be put straight.

We are entitled to ask for a New Deal in international trade relations in order to be able to redress the unfavourable conditions in which our countries find themselves in this age of development and progress.

Needless to point out that the present world trade situation is not of our own making.

The developing regions of today had no effective voice in international relations when the old pattern of trade was established, and when the steps were taken that have led to the present imbalance and disparity in world trade. Hence the strong justification for our appeal.

Secondly, we have to point out to the developed countries that in helping us to help ourselves the developed nations do no more than repay the debt which they have owed us in respect of their own early development.

For was it not, by and large, the wealth of the developing regions that helped to create the present economic progress and prosperity of the nations that are today classed as developed?

Thirdly, we appeal to the developed nations on the grounds of mutual care and responsibility that we owe to each other as members of the community of nations.

We owe it to ourselves in this age of technical progress and scientific advancement to create an international society in which the elementary needs of all peoples and of all nations can be satisfied.

In this age, when exploitation has given way to co-operation, and when domination has been replaced by interdependence, a new opportunity arises for all nations, developed and developing alike, to mobilize the world's resources for the common good of all, thereby removing the tensions that will always be characteristic of a world one-third of which is rich, while the other two-thirds are poverty-stricken and deprived of the elementary necessities of life.

This, in short, is the formidable challenge that we have to face and overcome in this historic Conference on Trade and Development.

STATEMENT BY H.E. Mr. KURT SCHMÜCKER,  
FEDERAL MINISTER OF ECONOMY, HEAD OF THE DELEGATION  
OF THE FEDERAL REPUBLIC OF GERMANY

at the eighth plenary meeting, held on 26 March 1964

[Original text: English]

I regard it as a special honour, as German Minister of Economy, to explain to this gathering the views of the Government of the Federal Republic of Germany on the important matters which are to be discussed at this Conference. There can be no doubt that all countries represented here attach to this meeting unusually great significance for the future of the world economy. Never before has it happened that more than one hundred countries of most varied economic and social attainments have been willing, through international co-operation and on a basis of equality, to try to solve the burning problems facing the developing nations. To my Government this is indeed a good omen.

We are living in an age of brisk technological and scientific progress. The delegates of the industrialized nations gathered here are aware of the problems caused by this development in their own countries. Much greater, however, are the economic worries and social tensions of the emerging nations. Recent history has taught us that solutions cannot be sought in isolation: we have moved closer together.

Changing circumstances require an all-round adjustment. This does not apply merely to economic or technical aspects; what we need is the solidarity of all countries of good will and the readiness of all developed nations to assist the developing ones in the building up of their economies.

Trade and development are the central subjects for discussion in the weeks to come. We are all aware of the importance which an expansion of trade between developing and industrialized countries has for the peaceful living-together of all peoples. We also know the difficulties involved in building up the economies of the emerging nations. We should therefore realize that the problems which we are here to discuss will continue to demand our attention for a long time beyond the duration of this Conference.

I have been most impressed by the wealth of material which the United Nations Secretariat so painstakingly compiled under the guidance of Mr. Prebisch, the Secretary-General of this Conference. I should like to express my appreciation of the work done. I think I speak on behalf of all of us when I refer especially to the circumspection and care with which the basic report was written that Mr. Prebisch submitted to us at the beginning of the Conference. In tackling the

work before us we should, in my opinion, be guided by this spirit:

1. We must clearly recognize as the maxim of our time the need for comprehensive international co-operation, i.e., between industrialized and developing countries as well as between the countries of each group among themselves. No nation nor any group of nations will be able on its own to meet the economic needs of its population. Moreover, we must not allow economic relations between peoples to develop arbitrarily or fortuitously. My Government is firmly convinced that it requires efforts by all the countries participating in this Conference to help improve the well-being of all by making use of available scientific, technical and economic resources.

2. Such international co-operation imposes special responsibilities on the industrial countries. They must take care that their economies will grow undisturbed and—as far as possible—free from setbacks, thereby maintaining the possibility for their large markets to provide an assured and increasing demand for the products of the developing countries. But I should like to point out that this responsibility works two ways, a statement which I shall explain immediately.

3. The developing countries know that any outside help cannot be more than a spark to their own efforts. Aid is to be given for the purpose of helping countries to help themselves. As Mr. Prebisch clearly stated, all aid given by the advanced countries will remain insufficient if the developing countries themselves do not join in with their own efforts. In our view, the economic development of the young countries will largely depend on the encouragement of free enterprise in these countries. With your permission, I should like to say very frankly: from this follows the necessity for the developing countries to create an attractive investment climate. The industrialized countries, too, must encourage their entrepreneurs by tax reliefs and other incentives to participate actively in the development of the young nations by investing capital and making technical "know-how" available. The efforts undertaken by the developing countries must be accompanied by a variety of measures of the advanced countries designed to expand trade and to grant financial and technical assistance.

4. What is needed is trade *and* aid. The Federal Republic of Germany has consistently pursued this



objective. Year after year we have abolished one trade barrier after another, except for a small remainder. We have reduced tariffs not only in relation to our trade partners within the framework of GATT but to all countries of the world with whom we have agreed on most-favoured-nation treatment or to whom we *de facto* grant such treatment. Thus, German imports increased year by year simultaneously with the share of German imports in world imports. In 1950, they had amounted only to \$2,750 million or 4.6 per cent of world imports, but had increased in 1963 to \$13,100 million or 9.4 per cent of world imports. Thus we have become the second largest world trading nation. In judging these data you should bear in mind that the Federal Republic of Germany comprises a territory of only about 250,000 square kilometres and has a population of roughly 57 million. I have, however, no intention of boring you with figures. As you know, the Federal Republic of Germany has for many years been carrying also considerable financial burdens in order to contribute to the economic development of the emerging nations by means of capital aid and technical assistance. In past and present, the German people has experienced what it means to struggle for national independence. It is our intention to prove through our aid to the developing countries that to us Germans the sovereignty of peoples does not mean an empty formula. The open-minded and outward-looking attitude which we will display also in future is demonstrated by the fact that the Federal Republic procures its imports from all countries of the world. Whatever country may wish to have trade relations with the Federal Republic of Germany, we are prepared to keep our market open and to strengthen trade and traffic.

After having made these general remarks of a fundamental nature I should like to comment on a number of especially important problems.

1. For the time being, primary exports represent the major part of the developing countries' over-all exports. The proceeds derived from such exports are therefore decisive factors in the economic development of these countries. Any long-term organization of this development depends on whether the greatest possible stability and growing exports may be counted upon. Hence, we should give careful consideration to all proposals submitted to this Conference as to whether they are likely to enhance the stabilization of international commodity markets.

I do hope you will agree with me when I say that it would be useless to look for a panacea which might be a cure in all cases. The German Government regards it as more appropriate to take into account the particular conditions pertaining in each commodity market. Judging each instance on its merits will be the only way to work out economically sensible solutions to the different problems.

But even if we were to succeed in accomplishing this task we must not lose sight of the objective of—in the long run—removing the dependence of some countries on the production of one primary product and of diver-

sifying production in most of the developing countries. This requires a long-term development which will, in many cases, exceed the individual country's capabilities. Like the Western industrialized countries, the Federal Republic has, in co-ordination with the developing countries, oriented a substantial part of its financial and technical aid to the promotion of the industrialization process in these countries. In this way or by greater diversification of their primary products it will be easier for these countries to free themselves of their dependence on the exportation of only one or a few primary products.

2. This leads me to another major subject for discussion at this Conference, i.e. as regards promoting the marketing of semi-finished and finished manufactures produced by the developing countries. I should like to state at the very outset that the Federal Republic of Germany wholeheartedly endorses the idea that the developing countries be given appropriate outlets for their semi-finished and finished manufactures. This is not mere theory but practised economic policy. The developing countries know that our market is open to the major part of their exports of semi-finished and finished manufactures. This possibility is being utilized. In recent years, the share of German imports of semi-finished and finished manufactures from the developing countries has increased considerably. While over-all exports of semi-finished and finished manufactures from the developing countries of the world increased only by an annual 4 per cent, taking the average of the years 1955 to 1961, these countries were able during the same period to sell annually 17 per cent more on the German market. We regard this appreciable development as a consequence of our economic policy, which is directed at achieving a growing exchange of goods beneficial to the trade partners concerned.

We shall not deviate from this practice. It is true, in the field of semi-finished and finished manufactures there are a number of sectors where special international conditions of competition prevail. On account of these conditions it has so far not been possible to abolish completely all restrictions on the importation of certain products. However, the Federal Government has not established insurmountable barriers to imports of these sensitive products. On the contrary, since some time ago it has taken steps designed to facilitate the adjustment process of the industrial sectors affected.

For the purpose of providing an additional impulse to the developing countries' exports of semi-finished and finished manufactures it will be useful to consider the granting of decreasing preferences beyond the general reduction of tariffs which we expect from the "Kennedy round" of negotiations. As a member country of EEC, the Federal Republic of Germany supports the granting of preferences in trade between the developing countries themselves as well as for trade between developing and industrialized countries. In doing so we hope that in addition to the aforementioned tariff reductions this will be another contribution to-



wards overcoming the difficulties which the developing countries face in opening new outlets. This Conference should succeed in working out principles for an economically sensible solution to the question of preferences.

3. Let me also say a few words on the subject of future institutional arrangements. Without wishing to anticipate the discussion of this item on our agenda, it would in my opinion seem to be appropriate at this juncture to state clearly that the existing organizations undoubtedly deserve great praise for what they have done to expand and facilitate general world trade. They should therefore continue to function in this field. Wherever appropriate, they might be adjusted so as to take into account more effectively the special needs of the developing countries. I have noticed with particular satisfaction that the Contracting Parties of GATT—during their conference which has just come to an end—have thoroughly discussed the expansion of

the legal and institutional framework for an increased promotion of the trade of developing countries. I hope that our Conference, too, will contribute to further stimulate GATT activities. We should also take care that within the framework of the United Nations there will be continued opportunity for an exhaustive discussion of all trade problems facing the developing countries. As a result of these discussions, principles should be worked out to guide the activities of the various organizations.

This Conference is at the beginning of its work. I am certain that it will spark a new impulse to an intensification of international co-operation in the interest of the developing countries. Let us tackle the work before us with the firm intention that each member of this Conference endeavours to ensure that we do not disappoint the justified expectations of the peoples of the world.

STATEMENT BY H.E. Mr. OLAVI MATTILA,  
MINISTER FOR TRADE AND INDUSTRY,  
HEAD OF THE DELEGATION OF FINLAND

at the seventh plenary meeting, held on 26 March 1964

[Original text: English]

May I be allowed, in taking now the floor, to associate myself with previous speakers and to extend to the President the warm congratulations of the Finnish Delegation on his unanimous election?

The convening of this Conference implies the recognition of two facts: firstly, that economic growth in the developing countries is essentially dependent upon the rapid and unhampered expansion in international trade; and secondly, that the development of international trade in the 1950s has not been altogether satisfactory, particularly in meeting the steadily growing needs of the developing countries.

After careful preparations, we will now tackle some of the most urgent problems of our time. We enter into these discussions provided with comprehensive and detailed documentation for which I would like to express our appreciation. The preparatory work carried out deserves our admiration, and it helps us to approach the problems before us in the spirit of co-operation and understanding.

The convening of the United Nations Conference on Trade and Development is also an indication of a spirit of solidarity among nations and a will to make common efforts in order to solve the great economic problems of our time, so that we shall be able to fight

want, ignorance and human bitterness arising from the unequal distribution of incomes. In Finland, it has been generally accepted that, in the long run, the redistribution of incomes, prompted by social considerations, is by no means in conflict with an economic policy aiming at rapid economic growth. Such measures have in fact created demand for increased production. This we should bear in mind when looking for a way towards a trade policy oriented to worldwide economic development. However, at the same time we ought to aim at a structure of production, which would guarantee the quickest possible economic growth in the world economy, and especially in the developing countries.

Our target is now to study carefully all possibilities to improve the economic situation of the developing countries by expansion of trade. We can fully share, on the basis of our own experience, the opinion that the expansion of foreign trade is essential for economic growth.

The relatively recent date of Finland's industrial take-off helps us to understand the difficulties which beset the developing nations of today. In our country, too, the impulses towards economic growth stem largely from export incomes. The increase in demand

in industrialized countries has stimulated economic growth in my country, and it still constitutes a prerequisite for sustained growth. In the 1950s the fairly satisfactory growth rate of exports was ascribable to the comparatively high income elasticity of our main export products, as well as to the gradual abolition of trade restrictions. In combination with the elimination of trade restrictions, certain bilateral long-term trade agreements have, in my country, played an important role in generating more trade and have thereby had a stimulating impact on economic growth.

In the documents produced by the experts of the United Nations for this Conference, the risks and uncertainties inherent in one-sided development of the economy and of exports are excellently elucidated. In my country, these uncertainties are primarily felt as disturbances in the balance of payments, occasioned by sudden fluctuations in the foreign demand and in international prices. We have seen how a mere deceleration of the pace of growth in the major industrialized centres may bring about a serious set-back in a one-sided economy.

As the major source of earnings of the developing countries is based on the exports of primary commodities, I hope that at this Conference such solutions to the problems related to primary products can be found which would improve the position of producer countries. But we also fully realize that the short-term variations in export incomes derived from primary commodities, as well as the sluggish rate of growth in their demand, are not the only constraints on the economic growth of the developing countries.

Although during the next few years the less developed countries will still be obtaining the major part of their foreign exchange receipts from exports of primary commodities, we know that in the long-run the solution of the balance-of-payments problems of the developing countries is ultimately dependent on a considerable expansion and diversification of their exports. In the initial stages of development, there seems to be great potentialities for developing countries to expand their exports especially in the field of semi-manufactures.

A country where the industrialization process has started relatively recently is a late-comer on the world markets, and it encounters naturally enormous problems in endeavouring to find outlets for its products. One of the most important problems, but also one of the most difficult ones, therefore, is that of improving the marketing conditions for exports of manufactures from the developing countries. When efforts are made to increase and diversify exports, the bottleneck is by no means always the lack of technical "know-how"—even on the assumption that the supply of capital is adequate—but rather the lack of "know-how" in the search for markets in the industrially advanced countries. I believe, however, that some of the problems concerning marketing, and especially marketing advisory services, could be solved in a foreseeable future with the assistance of the industrialized countries.

Policies aiming at facilitating the efforts of the developing countries in all these fields presuppose an active support of public opinion. In this respect, I think that this Conference will prove to be of great importance. I am convinced that many of the ideas, concepts and proposals which will be presented during this Conference will indicate the lines for further studies and action and thereby pave the way for an accelerated growth of the export trade of the developing countries and of international trade in general.

When we are dealing with the problems of "a new international division of labour", we have to find out how and in what direction the pattern of the entire economic structure in developing countries should be shaped. Each country has then to estimate its real possibilities how to contribute to the positive solution of the world's economic problems. Therefore, it would be desirable to take into consideration the stage of development of each individual country, when we are dealing with trade and development policies.

In a small country, the so-called "inward-looking industrialization" would have the well-known unfavourable effects on the industrial structure and efficiency of the economy, and therefore Finland has been trying to pursue a liberal and outward-looking trade policy on a non-discriminatory basis. This principle finds its expression in our tariff policy. Thus, for instance, non-edible primary commodities are duty-free or liable only to low duties. Similarly, as a result of import liberalization, there are practically speaking no quantitative restrictions applied to the majority of industrial commodities imported from the developing countries. In this connexion, my delegation wishes to express its appreciation of the efforts of all those international organizations which have facilitated the expansion of international trade, and I do hope that my country can, as a result of the forthcoming "Kennedy round" of trade negotiations further reduce the remaining barriers to imports from the developing countries.

In recent years, we have tried to promote the expansion of trade with the developing countries. In doing this, we have of course tried to follow the recommendations made within the GATT, and we are ready to seek ways and means to increase our trade with these countries. Also, at the present moment, certain proposals conducive to facilitating our trade with developing countries are under consideration in the Parliament.

The complex task we have in front of us during the next weeks is a challenging one. My Government for its part is ready to consider all constructive proposals in a positive spirit. I hope that the Conference will yield fruitful results by which we can alleviate the problems besetting the less developed countries by drawing the countries of different parts of the world together in a joint venture which will lessen tensions, further the mutual understanding, and open wider ways for peaceful co-operation between nations.

STATEMENT BY H.E. MR. VALÉRY GISCARD D'ESTAING,  
MINISTER FOR FINANCE AND ECONOMIC AFFAIRS OF FRANCE,  
HEAD OF THE DELEGATION

at the fourth plenary meeting, held on 24 March 1964

[Original text: French]

The aim of this Conference—or rather what is at stake here—is the fulfilment of a great hope. This has already been said, and I repeat it because this is what France believes.

Just as we have learned within our own countries that there is no true political liberty without economic and social emancipation, so too the independence of the developing countries presupposes steady economic progress if it is to grow strong and flourish.

Economic development is the basis of freedom and independence. France shares in this opinion. It is prepared, as far as its means allow, to contribute to the efforts that will be made here for this purpose.

Two conditions are required to make the success of our work if not certain, at any rate possible. The first is that we approach this debate without prejudice, without preconceived theories, and without allowing particular and immediate interests to endanger and obscure its broad purpose. We, for our part, shall abide by this. The second condition is that we must not imagine that some magic formula exists, an Open Sesame, which by itself will enable anyone to cross the threshold of development. If that were the case, you would be spared many speeches, and mine for a start! But such a supposition would amount to ignoring the infinite diversity of situations existing in the world and shying away from the manifold tasks to be accomplished.

The problem of trade, to which we are devoting our attention, constitutes one aspect of the problem of development and, in my view, one that is inseparable from the rest. Financial aid and technological effort on the part of the advanced countries will continue to be necessary for a long time. We must try, however, to prevent these efforts from being thwarted, as is now the case, by the unfavourable development of the terms of trade.

The studies carried out by the United Nations have stressed the widening gap between the expenditure and the earnings of the developing countries. I do not think it useful here to measure what is in fact a deficit. We must rather prevent its appearance. In this connexion, a sound knowledge of its precise and fundamental causes is probably more useful than a projection into the future of present-day statistical data. The only feature of these evaluations that I would emphasize at present is the fact that they put

figures, at it were, to the poorer countries' need and desire for economic independence. If it is true that the imbalance in the external resources of these countries is a serious obstacle to their growth, I would simply recall what everyone here already knows—namely, that the initial impulse and subsequent growth of economies are the culmination of international co-operation combined with the systematic efforts of the nations concerned.

It is only by the combination of these two contributions to development—that of the poorer countries and that of the richer countries (which is why I regard this world Conference as really a conference of all countries and not only of a particular group of countries)—that the measures to be taken by us to promote trade for the one group will bear fruit. Otherwise, the hope placed in this Conference on Trade and Development is likely to prove to have been a mirage.

We would be inclined to say, as others have said, that the commercial policy we laid down as long ago as 1945, which sought to re-establish the unity of the world market by the honest application of rules of a market economy, proved disappointing to the less industrialized countries.

The restrictions on freedom of trade and the violent fluctuations of demand and prices for commodities and foodstuffs have been serious obstacles to the regular development of the economies of the new countries. This observation is still true today in spite of the considerable progress achieved in the liberalization of trade since the end of the Second World War.

Customs duties have been lowered and quotas fairly generally abolished, so that on the whole the unity of the world market has been restored as far as the industrialized countries are concerned, and international trade in dollar terms has increased five-fold between 1938 and 1962.

All countries have benefited more or less from this trend. Nevertheless, we touch here upon a decisive point: the new countries have benefited less than the others, not because their trade continues to be hampered by certain restrictions, but because, to take a real and profitable part in the expansion of international trade, it is necessary first to produce the goods for which demand is expanding.

For what is demand expanding? By comparison with 1928, trade in manufactured goods has increased two-and-a-half times, that is to say by 250 per cent; trade in primary products, excluding petroleum, has increased by only 30 per cent; each year the increase in the former (manufactured goods) is three times as great as that of the second group (primary products) and the same is true of prices. United Nations statistics compiled in 1962 show the following trends in the average price index numbers between 1950-52 and 1959-61, that is to say, taking a three-year average: for agricultural products, the index in 1950-52 was 306; in 1959-61 it had fallen to 247; for non-ferrous metals, the index was 231 in 1950-52; it fell to 217 in 1959-61.

On the other hand, for manufactured goods, the price index was 191 in 1950-52, and rose to 212 in 1959-61, notwithstanding the more rapid growth of productivity in manufactured goods in relation to commodities during the interval.

It is therefore quite clear, as a practical conclusion, that just as it is necessary to eliminate the remaining obstacles to trade, it would be wrong for the new countries to expect from that alone the dynamism and progress which they need and desire. The experience of the last twenty years, as confirmed by Mr. Prebisch's analysis, is sufficient proof, if proof were needed, of this assertion.

The reason for this is that exports are only the consequence, not the starting point, of industrialization, which requires a sufficiently big domestic market.

For these reasons, it would seem to me to be overdoing things—and you would undoubtedly find it naïve—to set absolute priorities as between the foreign trade and the domestic progress of the developing countries. The two must go hand in hand, simultaneously, but the prerequisites for the initial impetus and the progress of new economies are in my opinion to be found in the existence of a will to progress inside a geographic framework adapted to this progress.

The need to unify and expand markets is an important factor in development which has accompanied all the decisive phases of economic evolution since the world began. To give some examples, let me mention my own country, France, in the eighteenth century, Germany in the nineteenth century, Europe in the twentieth century. Each time there has been a response to this need for expansion, new paths have been opened up to progress. The same applies in our times to the less developed countries, or at least to those of them—and they are the most numerous—the size and population of which still offer too restricted a field for the present possibilities of technical progress.

Regional economic groupings constitute the modern form of market expansion, and the experience of those which have been created, in Africa, in Central America or in Latin America, seems to me conclusive. They

encourage trade, stimulate production, avoid sterile competition and costly duplication of effort. They make for better utilization of local savings and external capital; and the economies in imports they bring about is far greater, in the early stages, than the uncertain profits of difficult exportation to distant markets.

It must be admitted that groupings of this kind cannot be formed without the consent, or indeed without the support, of the industrialized countries, which must unreservedly agree to discrimination against their own exports for the benefit of these integrated zones. France is certainly ready to consider, in international trade, the new rules which the creation of economic groupings would imply, but it is really for the countries concerned to take the initiative for these groupings, endeavouring to overcome this or that aspect of local particularism and to solve the quite considerable difficulties arising from the integration of economies which have long existed side by side but distinct and separate.

I believe there is a large measure of agreement on these points. There remains the practical problem of determining how to direct the work of our Conference in such a way that the structures and machinery of international trade may be effectively improved.

What is France's position in this respect? The description of the ills afflicting the trade of the developing countries is more easily accepted unanimously than a definition of how to remedy them. The French Government does not propose, either here or elsewhere, to produce infallible formulae or to urge doctrinaire views. This is essentially the attitude which led us to transmit to the Secretariat of this Conference a memorandum, already handed to you, which endeavours to clarify certain aspects of the problem.

We do, however, propose the following guidelines, comprising five points which can be summarized in two formulae: for primary products, freedom of trade but organization of markets; for manufactured products, development of trade within a system of fair competition.

France stands primarily by the principles of free trade, not only between industrial countries but also for the benefit of the developing countries. This liberalization is one of the objectives of the French Government today. But we believe that the disappearance of obstacles to trade would not of itself provide a remedy either for market imbalance or for instability or insufficiency in the terms of trade. It is through organization of world markets that prices and outlets could be guaranteed, conditions of production and trade regularized, and fluctuations in exchange rates reduced.

In the absence of such agreements, we may well continue to deplore, without producing a remedy, the absurd situation so frequently described in regard to temperate zone food products, where the exporter subsidizes the importer even though the latter is rich or politically hostile. In this respect, you are aware of

our proposals to raise world prices to the level of the prices actually in force in the rich countries and by means of this revaluation to finance the supply of food products to countries which need them.

Certain tropical products are already the subject of international agreements. We propose that new international agreements be reached, in particular for industrial raw materials. Agreements applying within a regional framework could be extended to the world market as a whole. Price levels for these products should as far as possible be stabilized and reassessed.

To say that we would like the price of tropical products to be fixed at a higher level than the present does not imply that we believe the price to have been unduly forced down. This is in fact not the case. It simply means that we wish in this way to increase the export receipts of the producing countries. The only practical method—I maintain that there is no other—is to increase the price of these commodities, since they are themselves consumer products and therefore the development of their sale is subject to physical limitations which are not easily extended. The French Government has not been satisfied merely to put forward suggestions of a general character in this matter. A little more than two years ago, it proposed that the agreements on coffee and cocoa should include a price maintenance mechanism. There would seem at first sight to be nothing to prevent such an agreement being reached for other major tropical products of a nutritional nature.

Recent rises in prices on the main world markets should not encourage us to do nothing. On the contrary, it confirms our opinion that a reassessment was possible since it actually took place and could be borne by the importing countries. What was refused in the interests of organization was accepted through mere force of circumstance.

It is nevertheless true to say that such measures could have effects contrary to the results intended if consumption were to fall by substitution of one product for another. This is a valid and serious objection, though it need not hold us up. We propose that the committee on commodities should draw up a list of tropical foodstuffs and industrial raw materials for which a rise in price would neither involve a reduction in consumption nor lead to substitution calculated to offset the profit earned. We propose that the policy of revalorization of this kind of commodity should be confined to products which could be protected against such effects.

Although the developing countries have hitherto been exporting primary commodities almost exclusively, they have set their hopes on the expansion of trade in manufactured goods, and rightly so.

I should like at this point to make a distinction according to the degree of processing or finish of such products.

(a) In the case of semi-finished products and products with little processing, the claims of the producing countries seem to me to be well-founded on

two counts. First of all, it is only right and proper that the owners of raw materials should themselves valorize their wealth as far as possible by processing their minerals and conditioning their food produce. It is not fair that importing countries should impose excessive protective tariffs on the initial processing of commodities, as is sometimes the case. In this case, the practical solution is a simple technical solution: it consists in reducing certain excessively high tariffs.

(b) The matter is different in the case of manufactured goods, on the other hand, for we have this difficulty. So long as general conditions of production are not yet approaching the level achieved in the advanced countries, it is true to say that the less developed countries are not in a position to compete normally, and consequently to develop their exports.

A very large majority of them suffer simultaneously from the handicap of technical backwardness and the inadequate financial means or commercial networks. Some products, on the other hand, benefit from exceptional advantages in some countries, which sooner or later inevitably leads to a defensive attitude on the part of the importing countries, as we have seen.

That anomaly can only be eliminated by a systematic effort for the organization of progress.

We believe that the developed countries or regions such as the European Community, to which we belong, the European Free Trade Association, the United States of America, Japan and the industrialized countries of the East could agree to a regular increase, say a fixed percentage, of their imports of manufactured goods from regions such as Latin America, South-East Asia or Africa. In our opinion, our committee on manufactured products might be given instructions to study this question and no doubt we could make good use of the suggestions which were put forward so admirably by Mr. Brasseur this morning.

These are the positive guidelines which we are proposing.

France is fully aware of the need for a massive and concerted effort to put an end to the division of the world into areas of prosperity and poverty. Devoting, as it does, a significant proportion of its resources and energy to aid for development in all its forms, it does not fear comparison with other countries and will be only too happy to co-operate. The French Government has been sympathetic to requests for a revision of the rules of international trade and for a re-examination of the institutions concerned. The force, persistence, and widespread nature of such requests reveal a state of affairs to which one cannot shut one's eyes.

Consequently, in conclusion I would refer to the final observations in our memorandum. The problem with which the political necessity of progressively liquidating the regions of economic under-development confronts the modern world is so vast and complex that no single isolated measure could solve it. A whole range of measures must be brought to bear more or less simultaneously in order to achieve rapid and positive results.

The real task of this Conference, if it is to live up to the hopes which have been placed in it, is first to draw up a descriptive and comprehensive list of all measures capable of solving the problem of under-development.

Then, once their immediate and long-term global effects have been assessed, it should select from that list a series of coherent complementary measures.

This is the contribution of common sense and sound thinking to the movement of solidarity and generosity which—if we leave aside all tactical manoeuvring—constitutes the mainspring of this Conference.

We shall, I am sure, succeed little by little in forging the necessary alliance between generosity and reason, if we get rid of the two evil geniuses of the human spirit: dogmatism and improvisation.

**STATEMENT BY H.E. Mr. ANDRÉ GUSTAVE ANGUILE,  
MINISTER OF ECONOMIC AFFAIRS AND FINANCE  
OF THE REPUBLIC OF GABON, HEAD OF THE DELEGATION**

at the twelfth plenary meeting, held on 31 March 1964

[Original text: French]

First of all, I should like to associate myself with previous speakers in extending to the President the congratulations of the delegation of Gabon on his election to the high office of President of this World Conference on Trade and Development, the great importance of which is universally recognized. We also congratulate the Vice-Presidents who will, I am sure, provide him with valuable assistance and support in the performance of his heavy task.

Lastly, may I be permitted to pay a tribute to the Secretary-General of the Conference and to his colleagues for the dynamic and competent contribution which they have made to the preparation of this great international meeting, which should, at the very least, bring about a decisive strengthening in economic and financial co-operation among unequally developed countries?

In a recent communication, dated 20 January 1964, the Secretary-General of the United Nations recalled that the Economic and Social Council had "invited" States intending to participate in the Conference to give earnest consideration, before the beginning of the Conference, to proposals for concrete and practical international action, and to explore all practical means for their implementation so as to make it possible to reach at the Conference basic agreement on measures constituting a new international trade and development policy.

I should like to recall first of all that my country has already defined its position with regard to the various items on the Conference's agenda in a document issued in July 1963 by the Secretariat (E/CONF.46/PC/42). Our position has not changed substantially, but other countries have made a constructive contribution to our work and proposed solutions on which we believe that it would be useful to make our views known.

When one comes to think of it, all economically under-developed countries are pursuing, in one way or another, the same objective: the "taking-off" of their economies, which would bring about the impatiently awaited rise in standards of living.

We feel that in the long run and parallel with efforts made at the domestic level—which are often quite substantial and greater than is imagined or stated—this objective can be reached through the simultaneous execution on the international plane of three series of measures, namely:

the stimulation of trade in agricultural and mineral primary commodities in order to obtain both a better price and an expansion of markets;

the parallel development of international financial assistance, account being taken of the fact that reimbursement of assistance made in the form of loans is, in the last analysis, only possible if trade provides the necessary surplus;

the promotion of industrialization, and its degressive protection and the opening of markets to the manufactured products of developing countries.

At this point, I should like to state, as precisely and briefly as possible, my country's position with regard to these measures, and to make a few remarks concerning the spirit in which we think our deliberations should be conducted, if we do not wish this Conference, from which concrete results are rightly expected, to confine itself to adopting resolutions and recommendations, the only practical effect of which would be to fill up the records of the United Nations and the columns of the economic press.

At the GATT Ministerial Meeting on 21 May 1963, some of the Ministers, representing both industrialized and developing countries, clearly stated that, while

liberal proposals relating solely to measures for the elimination of obstacles to the trade in tropical products might satisfy the GATT representatives with their natural preference for free trade, they were not likely to promote an appreciable increase in the export earnings of the developing countries.

If concepts in favour of international free trade were to be reaffirmed by this Conference, and the unfavourable position of the developing countries was not taken into account, it seems doubtful to me whether the present distortions, recognized and deplored by all of the countries represented here, could be corrected.

Hence this Conference's first task should be to direct international action towards a determined effort to organize international trade, in order to give the primary producing countries the benefit of increasing exports at remunerative, equitable and stable prices.

As the primary objective in this field is an increase in foreign exchange earnings, which are the product of volume multiplied by price, it would seem to be immaterial, at first sight, whether this objective is attained by increasing the quantities exported or by increasing the price.

However, as is well known, the elasticity of primary products consumption is in doubt, and there is no evidence at all that the elimination of tariff and quota obstacles, particularly domestic taxes applicable in certain industrialized countries, would automatically lead to a material increase in consumption. The work done by GATT and FAO brings out the complexity of the problem and demonstrates, *inter alia*, that if customs duties and taxes were completely eliminated in twelve European countries, coffee and cocoa consumption would increase from 8 to 11 per cent by 1970. Even so it is not certain that this predictable increase in consumption would be due to the elimination of obstacles to trade rather than to a rise in the standard of living or an increase in population. Moreover, total customs and fiscal disarmament would not be sufficient, if it were not accompanied by a market organization regulating the crucial problem of prices between producers and consumers, since, in accordance with the law of supply and demand, competition would grow up very rapidly between developing countries in respect of similar products, and consequently the prices of the export products concerned would continue to deteriorate. On the other hand, a careful revalorization of prices, so as to correct their unfavourable trends as a whole, including long-term trends, would have an immediate effect on the level of export earnings, particularly if the percentage of increase was set at a satisfactory level. The difficulty is a continuing one, and the extent to which it is desirable and possible to manipulate prices is still a matter of discussion. In our opinion, that is the major problem which our Conference has to solve, and such seems to be the intention of the members of the Economic Commission for Africa, which (in resolution No. 79 adopted at that body's fifth session) expressed the hope that "... a principle of price parity in world trade should be formally adopted

along the same lines as the price support programmes which many of the industrialized countries have in their domestic economies".

If this principle is accepted, it seems necessary to fix for each product a reference price plus a premium over the world price, and to evolve a method by which this premium could be collected in the industrialized countries and passed on to the Governments of the under-developed countries producing primary products for export.

We support the recent proposal that the reference price for tropical products should be based on the world price, plus the percentage by which the world prices of temperate zone products must be raised in order to bring them into line with the average price actually paid to producers in the highly industrialized countries.

The same applies with regard to the proposed method of imposing import taxes or levies in developed countries, at a rate corresponding to the difference between the world price and the reference price set by international agreement; the proceeds would be passed on, in one form or another, to the Governments of countries exporting tropical products.

We should also like to see a system of the same kind introduced for the benefit of the mining industries which in some countries are the principal exporters. At the twenty-first session of GATT, a few weeks ago, the representative of the Republic of Gabon had occasion to point out that merely as the result of work being started on a large manganese deposit, the world price of that ore had suddenly fallen sharply, thus reducing by 25 per cent the proceeds anticipated from this export item. For such commodities a reference price could also be fixed by adding to the world price a percentage corresponding, for example, to the difference, or part of the difference, between the average wage of the unskilled worker employed in mines in the under-developed and the industrialized countries respectively. We have, in any event, noted with satisfaction that the report of the second session of the Preparatory Committee of the Conference mentions the need for "elaborating international agreements for certain mineral ores like iron and manganese".

We are of course aware of the objections likely to be raised against the systems of price revalorization which we propose, and in particular the obvious one relating to the interests of users and consumers of imported products who would be adversely affected by any "artificial" price increase. We do not think this objection is valid since, if we consider the matter carefully and recognize the obligation of the highly developed countries to provide aid which their leaders have often accepted and proclaimed, all that remains is to decide whether it is preferable for nationals of such countries to fulfil that obligation as consumers paying remunerative prices or as taxpayers shouldering the financial burden of increased aid. By way of example we may mention the cyclical increase in coffee prices since autumn 1963, which seems to have been readily



accepted, without any decrease in consumption, by those very people who objected a short time ago to the adoption of a system of price revalorization of similar magnitude by international agreement.

We fully realize that in this delicate and controversial matter a real effort must be made to inform the public in the industrialized countries of the difficult and often dramatic economic position of the under-developed countries. Is it likely that opinion would react unfavourably to this urgent need for aid if it knew, for instance, that the hourly wage of an unskilled worker in "black" Africa was still only about 33 francs CFA or 12 US cents? The situation in the under-developed countries is so serious and contains so many explosive elements that it is becoming urgent for the more advanced countries to bring their policies and actions into line with their statements which are generally sympathetic to the under-equipped countries.

The time has now come to leave behind the broadly descriptive stage and attempt an objective understanding of the problems of under-development. This Conference should endeavour to work out a set of international rules which will enable world trade to become a real factor in the economic and social development of the under-equipped countries.

All the problems we have to solve in this Conference have fundamentally the same cause, namely the lack of international solidarity, and there is only one cure, namely greater solidarity.

We are convinced that in the matter of solidarity a very large majority of public opinion in the industrialized countries is prepared to accept its consequences if the leaders of those countries, who are in possession of exceptional means of information, are willing to inform their peoples of the precariousness of their own future if nothing is done to facilitate the struggle for life of the less-developed peoples, who are greatly in the majority.

In the same connexion we should like to emphasize that this international solidarity which we advocate should continue to be manifested in the shape of international financial aid. Trade must of course replace aid, but only in the distant future; for a long time to come, exports will be insufficient to enable the Governments concerned to participate, with their own resources and in any appreciable and sustained manner, in development operations aimed at setting their countries on the road to progress. Meanwhile, far from refusing aid, we must extend its methods and spirit to trade relations and thus supplement the advantages derived from financial assistance.

In this connexion, we have noted that a Committee of the Conference will be making a special study of the problems of financing for an expansion of international trade. We should like that Committee to study closely:

1. The possibility of devoting a percentage of armament expenditure to economic aid to developing countries,

2. The extension of loan activities as soon as possible by certain international financial organizations.

3. The possibility for donor or lender countries to grant preferential treatment by way of encouragement to their own nationals in a position to invest in developing countries.

4. The establishment of an international guarantee fund for private investments in the developing countries.

5. The advantages of making an over-all study of the operations provided for in our development programmes and of simplifying the procedures required by certain international bodies.

If any further justification is required for the proposals we are submitting to the Conference with regard to the organization of international trade and the encouragement and protection of young industries in developing countries, it can be found in the enormous deficit produced by invisible trade to the detriment of the developing countries.

At its second session, the Preparatory Committee of the Conference noted the "significant size of the deficit on invisible account of most developing countries". For our own part, we have noted that as far as the Republic of Gabon is concerned, the deficit in its balance of services for 1961 increased to 6,285 million francs CFA, while the surplus of its foreign trade balance for the same year was only 2,576 million francs CFA. Moreover this large deficit in the balance of services in no way represents the whole cost borne by the national economy in respect of various services and in particular foreign freight charges. For example, one ton of timber which contributes on an average only 2,200 francs in duties and taxes to the national budget at present pays an average freight rate of 120 French francs or 6,000 francs CFA for maritime freight from Gabon to Europe. Since Gabon exported more than 900,000 tons of timber in 1963, a total of some 5,500 million francs CFA was paid by Gabon timber exporters to foreign shipping companies. To calculate the total burden imposed on the Gabon economy, it is necessary to add the sums paid for other exports such as mining and processed products, and for shipping, insurance and brokerage charges. Admittedly, this is not a case of a structural deficit, and it should be possible by the establishment of national or multi-national shipping companies, the introduction of certain reforms in company law, the mobilization of the savings of insurance companies and other measures to make good, at least partially, this deficit. But the organization on a continental or sub-regional level of methods and machinery capable of reducing and eliminating this deficit must of course be difficult and costly unless we receive the disinterested co-operation of more advanced nations. Hence it seems to us logical and right that the considerable advantages derived by those countries from their dealings with less-developed countries, owing to their more mature organization and the magnitude of the material and financial resources



at their disposal, should to some extent be repaid by the granting of financial aid.

This clearly shows that the formula "Trade, not aid" does not quite correspond to our way of thinking. While we admit that it represents a logical and necessary evolution, we believe that trade and financial aid are complementary, and in the present state of our economies and of the traditional trading system we cannot abandon this aid and rely solely on trade. Aid should assist us particularly to promote the industrialization which will transform our countries and without which there can be no real solution for the problem of under-development. Financing problems apart, the industrialization of developing countries is bound to have its effects on the trade policy both of our own countries and of the industrialized countries.

Astonishment is sometimes expressed that industries established in under-developed countries experience great difficulty in producing on an economic basis merchandise similar to that imported from industrialized countries. But the reasons for this are self-evident—namely, the importation of materials and machinery from industrialized countries at high prices, backward techniques, the lack of scientific research and the need in most cases to import expensive supervisory staff.

Clearly, a remedy must be found for this quite common situation and remedial measures must be taken both by the under-developed countries themselves and by the industrialized countries.

As a first step, the under-developed countries should, wherever the existence of a large internal market is a prerequisite of economical production, agree to work together as a sub-regional economic group to foster the development of the industry in question. This, incidentally, is what five neighbouring republics—Cameroon, Congo (Brazzaville), the Central African Republic, Chad and Gabon—have recently decided to do in setting up a customs and economic union which involves the distribution of industry and a relatively high degree of economic integration.

Secondly, the under-developed countries must have the right to such freedom of action as will enable them to vary their tariffs and, if they find it necessary, to impose quantitative restrictions to shelter their infant industries. It will, I am sure, be recognized that this type of protection considered as an instrument of economic policy in the under-developed countries, is of a completely different nature from the protectionist trends which have governed the policy of the great industrialized countries for several decades.

The industrialized countries, for their part, must realize that the under-developed countries are forced, in order to sell their manufactures at prices lower than those of similar products from developed countries, either to subsidize their exports or to condemn their exporters to accept an artificially low level of export earnings. In either case, the transaction constitutes a transfer of capital from a poor country to a rich one

and is therefore clearly an unfair, anti-social and un-economic commercial operation which is the inevitable result of the inflexible application to trade with developing countries of the principle of free competition, which is appropriate only to trading between industrialized countries.

If such transfers are to be avoided, some system must be found—possibly on the lines of that recently proposed by the representatives of certain highly industrialized countries—whereby the cost of any "artificial" decline in the price of exports would be borne by the population not of the exporting country but of the importing country. This means in practice that industrialized countries must maintain or introduce tariffs from which imports from developing countries alone will be exempted.

Positive discrimination may have a "third world" flavour, that is, its aim may be the granting of preferential treatment by the industrial countries to all developing countries. It may also relate to certain countries only and, within these countries, to young industries which genuinely need strengthening. This selective and, at the same time, degressive approach represents a reasonable minimum which should be widely supported by this Conference.

However, the application of all these proposals—tariff or quota protection for infant industries at national or regional level, preferences granted to certain production sectors in certain developing countries—presupposes a reform of current international legislation, whether multilateral or bilateral, on non-discrimination and most-favoured-nation treatment.

In any case, it is difficult to understand why the typical 100 per cent preference of customs unions and free trade areas should be considered legitimate and worthy of encouragement (as recently as last February, GATT expressed satisfaction at the establishment of the Equatorial-Cameroon Customs Union), while partial, temporary and selective preferences are regarded by the same organization as an essentially harmful and undesirable phenomenon.

These considerations lead us naturally to state our views on the reform of the international trading set-up. The important thing, in our opinion, is to draw up a more comprehensive international code taking into account some developments which are comparatively recent and are thus not properly covered by GATT, such as economic under-development and the existence of two separate economic and commercial systems. The willingness of all countries to adhere to a code of commercial practice adapted to modern conditions counts for more than the creation of a new organization.

I mentioned at the beginning of my speech that I would conclude with some reflections on the philosophy of our endeavours.

From a historical point of view, there is nothing essentially new about the problems we shall be examining together. Immediately after the Second

World War, on the initiative of the United States Government, a group of distinguished political economists produced a plan for an international trade organization which among other things would regulate commodity agreements. Those ideas were given long and careful consideration during the discussions of the preparatory Committee set up by the United Nations, and its conclusions were incorporated in chapter VI of the Havana Charter. However, all this work achieved very little practical result, and we might give a few moments' thought to the reasons underlying this disappointment.

Without wishing to minimize the obvious technical difficulties, I am convinced that the fundamental cause of this failure lies in the absence, during the last twenty years, of a basis of international human solidarity which would enable a problem of this kind to be settled on a world-wide scale. The fact that it is obviously in the interests of all nations to agree on such matters does not invalidate this theory. In one of his works, Mr. Gunnar Myrdal says: "As every international civil servant has learnt from experience, it is almost a rule that government representatives attend meetings with instructions to oppose any new move"; and he adds: "The whole previous experience of specialists in international economic negotiations has trained them to struggle with all their might and to the last breath to save their national cent, while losing the dollar from which all would benefit".

This amounts to saying that the success of international negotiations of the type on which we are now engaged is dependent on the ability of each one of us to drop our mutual suspicions and the selfishness which obstructs our desire for international co-operation. It also means that an improvement in the trade of the developing countries depends less on economic laws yet to be discovered or commercial and tariff systems to

be evolved than on the desire of all States, and of the industrialized States most of all, to reach a solution.

It is obvious, in fact, that the proposals that have been mentioned concerning, for example, the prices of primary commodities or the markets for manufactured products, will become a reality only if there is a wide consensus of opinion within the Conference in favour of their adoption. It is also clear that we shall have been wasting our time if, by 15 June 1964, our efforts have resulted only in resolutions, passed unanimously or without dissent, but destined to remain inoperative.

For my part, I am convinced that this cannot happen, especially in our day, and that all the delegations meeting here are, like my own, sincerely desirous of producing constructive solutions. I feel, however, that this is the moment to draw your attention to the risk of our getting bogged down if we do not avoid the temptation to discuss situations which are already well-known, to produce still more statistics and to treat our meeting as a large-scale exercise in "institutional technology", when we all know that the Conference could be an unprecedented success if only the few great consumer nations accepted in principle a new line of conduct based on the "modest and reasonable" minimum mentioned by Mr. Prebisch in his masterly opening speech, and agreed on the structures and machinery needed to convert the system of international trade, hitherto at the mercy of market forces, into a coherent and effective organization the essential aim of which should be the development of each and every member.

In short, our efforts here are inspired by the belief that the future is not governed by blind forces but that every day its foundations are being laid by man himself. It is our responsibility, as men of good will, to recognize the practical implications of our ideals and thereby to direct, influence and modify the natural course of events.

**STATEMENT BY H.E. Mr. KOJO BOTSIO,  
MINISTER OF FOREIGN AFFAIRS, HEAD OF THE GHANA DELEGATION  
at the thirteenth plenary meeting, held on 1 April 1964**

[Original text: English]

Permit me first of all to congratulate the President on his election to the high office to which he has been called. Those of us who were at the Cairo Conference in 1962 have come to appreciate the immeasurable contribution which he made to the success of the Cairo Conference, and it is only fitting that he should continue where he left off at Cairo. Further, it is particularly appropriate that a representative of an African State

should preside at this historic Conference: the African continent is perhaps the best example of the effect of that world disorganization which we are here to rectify. Our continent is far more dependent on foreign trade in primary commodities than any other continent, and has suffered more than other continents from the weakness and the instability of the international commodity markets in recent years. Africa is

also in the weakest position in the traditional bargaining processes of international trade. In short, in Africa every problem that this Conference must face stands out highlighted. Therefore, Africa and the rest of the developing world look to you and to this Conference to confirm their hopes that these problems are not insoluble.

My delegation also pays tribute to Mr. Prebisch, Secretary-General of this Conference, for the painstaking way by which he and his staff, in collaboration with the Preparatory Committee, helped to lay the basis for this Conference. His inspiring statement on 24 March matched the brilliance of his written report. My delegation endorses the central theme of his report—namely, that all the conditions for fruitful co-operation between the developed and developing countries exist. What stands in our way are old attitudes or mind and outmoded theories of vested interest. His report underlines one vital political fact—the people of Africa, Asia and Latin America are the economic prisoners of our colonial past. The economic aspirations of the peoples of many parts of the world are confined within territorial frontiers which make the rationalizing of trade impossible and all but prevent any industrial development. In our view, one of the most important points in his report is that ex-colonial frontiers and their attendant evil, balkanization, are detrimental not only to the developing countries but to the developed countries as well. This point has been made time and again by my President, Osagyefo Dr. Kwame Nkrumah.

This is, indeed, a historic Conference in that for the first time a large proportion of the developing areas of the world are represented in their own right at a Conference on Trade and Development, the objectives of which are to find out how we can utilize international trade as an instrument of economic development for all countries of the world.

If, we are to achieve these objectives, realism is essential. It is unfortunate that a big dimension of the world community is left out. And here I refer to China with its 700 million consumers and its immense natural resources which constitute the biggest potential market in international trade.

In this respect too, we ask: South Korea is here; why not North Korea? South Viet-Nam is here; why not North Viet-Nam? the Federal Republic of Germany is here; why not the German Democratic Republic? And even Taiwan is here; why not China? No; this cannot be proper. These are the things which create unnecessary world tension and must be eschewed in the interest of world peace and harmonious international trade and co-operation.

International economic co-operation and racial discrimination are ill bed-fellows. Those whose twisted mentality has led them to establish a state in South Africa dedicated to the proposition that men are created unequal and that because of their colour the vast majority of mankind are doomed for eternity to be hewers of wood and drawers of water have no place

amongst us. We have an obligation and a duty to take into account the views even of those distinguished delegates whose political theories are most opposed to our own. Otherwise, of course, international conferences would be impossible and we would never have the opportunity by argument, confrontation or compromise to reach international understanding.

But what argument can I address to the representatives of South Africa here? If *apartheid* laws prevent white South Africans from mixing with Africans, Asians and coloured people, then what does the delegation of South Africa want here? Let them pack and go. The minority settler-government of South Africa has flagrantly and persistently ignored all the decisions of the United Nations on its diabolical and barbarous racial policies. The Government of Portugal has also joined in this unholy alliance and at this very moment is slaughtering our defenceless brothers and sisters in her colonies of Angola, Mozambique, and the so-called Portuguese Guinea. In the name of these our African compatriots, I solemnly ask the representatives of South Africa and Portugal to pack and go.

The realization of the aims of this Conference requires international good will, co-operation and mutual respect, which are incompatible with racial discrimination and colonial oppression, why should South Africa and Portugal which do not subscribe to these norms of humanity be present here? We should exclude them from this Conference.

Today, more than ever before the need for international economic co-operation, as indeed co-operation in all fields, is imperative for the better promotion of international relations and the establishment of a world order of peace, collective economic security and happiness for all peoples.

#### *Political and economic interdependence—Trade, not aid*

The world community has travelled very far since the Havana Conference on Trade and Employment in 1947, at which an attempt was made to hammer out a charter setting out the solutions for the problems engendered by the Second World War. In 1947, when this Conference on Trade and Employment was held, the majority of countries here represented were under colonial domination. Today, Africa and Asia have come here to speak with their own voice. We have come here not to ask for charity, for charity has never eliminated poverty.

What the developing countries want from the industrialized countries is trade, not aid. They want a new and harmonious system of international trade which will promote their economic development. However, the developing countries cannot by themselves create the conditions for this harmonious trade which would be to the advantage both of themselves and of the developed countries. Sometimes by design and sometimes by accident, the developed countries have created conditions which are intolerable for us. Of what

avail is our political independence if our economies are so utterly dependent on the vagaries of world trade? Of what avail is our political independence if we continue to remain instruments for economic manipulation by industrialized countries? And in the long run, what advantage is this to the industrialized countries?

Already, the unregulated system of world trade and its manipulation by the developed countries has produced social upheavals in many developing States, each one of which has been a potential threat to world peace. The report of the Secretary-General shows that the cost to the advanced countries of adjusting the present international trade system would be infinitesimal compared with the miseries of the world conflict which must inevitably arise if the present injustices and inequalities are allowed to continue.

#### *Deficiencies of the present system of international trade*

In the opinion of the Ghana delegation, this historic Conference, if successful, would mark a most important turning point in the development of international economic relations. In the past, international trade was considered purely in static terms and without reference to its political and social consequences. In fact, Governments were then supposed to be concerned solely with the maintenance of law and order, while the economy was subject to the interplay of the forces of free market conditions. Prospects of economic advancement of countries depended upon their luck in the game of chance which was the essence of international trade and the impersonal forces of the supply and demand for the products of a country's natural resources determined the destinies of its peoples. Those were days when positive economic policy and rational economic planning, the use of the State as an instrument for advancing the welfare of its peoples was considered anathema in the heyday of *laissez-faire*.

Then, when centrally-planned economies began to emerge after the First World War, their internal problems made it impossible for them, however much they might sympathize with the less-developed parts of the world, to do much in practice to promote a more just system. Similarly, the great slump of 1929 forced the United States of America and the developed States of Western Europe to concern themselves exclusively with their own problems.

An attitude of mind was thus created which carried over into the immediate period following the Second World War and which was reflected in the Havana Conference of 1947. It was assumed, for example, that frontiers were immutable, that the colonial system would continue unchanged and that the economic problems of the world could be solved by rationalizing the trade relations between the existing developed nations.

This Conference can only be a success if it departs from this conception and establishes, once and for all, the general acceptance by the international community

of the proposition that in this new epoch of international relations, in this era of United Nations, international trade must be used as an instrument for the material progress of all the peoples of the world.

#### *Mutual benefit*

And here I wish to emphasize the fact that international trade, based on fair and equitable principles, will benefit not only the developing but also the developed nations. As the Secretary-General of the Conference has emphasized, the most profitable exports for developed countries are those types of capital equipment in which they specialize. But developing States can only purchase these products—firstly, if there are created large enough economic units in which they can be profitably employed and, secondly, if the less-developed countries possess the funds with which to purchase them. The planned economies of the socialist States and the economies of the developed Western countries have alike reached a stage of material well-being which should enable them to buy, on more favourable terms to the developing States, larger quantities of their products. To give one or two examples: the fiscal systems of Western countries are now sufficiently settled not to have to rely for revenue on excise duties on imports from less-developed countries. In the same way, there would seem no reason why the planned increase of consumer goods which are being made available to the peoples of the planned economies should not include the purchase of tropically-produced fats and beverage crops such as coffee, tea and cocoa. We therefore heartily welcome the statement of the USSR delegation in this regard.

The acceptance of these proposals will mark a major political event in the history of mankind. But we can only achieve it if we take positive steps to control the forces of international trade by planned action.

#### *A new deal*

Therefore, this Conference must seek an undertaking from the industrialized countries, both Eastern and Western, that they are prepared to initiate along with the developing countries processes for a smooth but definite and rapid transition to a new order in international relations—a new order in which the developing countries will be assured of better terms in their trade with the industrialized countries.

It is now an accepted fact that the unregulated forces of international trade lead to inequalities in the sharing of the gains from this trade. It is a fact that the present system of international trade leads to a situation of uncertainty and sometimes of utter chaos which makes it impossible for developing countries to plan effectively for the assured development of their economies. Happily, it is now accepted that international trade can be managed in such a way that necessary foreign exchange is made available to the developing countries for purposes of rational planning and sustained economic growth.

The developing countries can no longer accept the slow pace of progress inherent to the present system of international trade. We cannot allow the material standards of living of our people to depend on the imperfections and vagaries of the present system. This is why the Ghana delegation attaches great importance to the necessity of fixing quantitative targets at which we shall all aim.

Already, the world community of nations in instituting the United Nations Development Decade has accepted a minimum target of 5 per cent rate of growth to be attained by 1970. But, alas, four years have already passed and so little has been done; and, as U Thant pointed out in his opening statement to this Conference, unless we formulate concrete plans and sound international economic policies, the Development Decade will remain but an empty dream.

Whatever institution will be charged with the responsibility of implementing the decisions of this Conference should have a clear mandate to devise means sufficient to assure to the developing countries foreign exchange enough to implement the growth target of the Development Decade. This calls for a major act of international political solidarity on the part of all developed countries, for they will have to supply in one way or another the financial means to give real content to these institutional arrangements.

In this connexion, let us recall the situation in Europe after the end of the Second World War. With the economies of Europe shattered among the ruins of the war, it was evident that rapid recovery could only be achieved by some gigantic help from somewhere. This assistance came by way of the Marshall Plan launched by the United States of America. But for this aid, the present prosperity of the developed countries of Western Europe would have been but a dream.

It is therefore the considered view of Ghana that an International Plan similar to the Marshall Plan is now needed. It should be organized on a truly international basis and this time for the benefit of the less developed rather than the more developed countries. Scattered individual national efforts have already been shown to be inadequate. Today there is no room for distinctions between the East and the West in the mobilization of international assistance. This Plan we have in mind would eliminate the dangers of international rivalries among developed countries in the developing nations.

The delegation of Ghana is aware that there are already in existence international financial institutions which have been doing good work in providing foreign purchasing power to developing countries; but what we are calling for is a departure from old modes of thinking and from traditional attitudes towards international trade and economic development. What we are asking for its international assistance available on a steady and continuing basis to support development programmes and to assure the sustained growth of the economies of the developing countries.

### *Compensatory financing*

Another proposal which my delegation would like to put to this Conference is that agreement should be reached to restore the terms of trade lost by the developing countries through the deterioration of the international commodity markets since 1957. This is a matter to which the Conference must find an effective solution. We in Ghana have had experience of the most recent attempt to deal with this complex problem through international commodity agreement. We were the largest cocoa producer represented at the United Nations Cocoa Conference held in Geneva in September-October 1963. We found it impossible to reach agreement in that Conference because the advanced countries were not willing to accept the principle that cocoa-producing countries were entitled to an improvement in their terms of trade. The advanced countries were not prepared to contribute effectively to any measures designed to seek such improvement. Yet, a compromise stabilization figure would have resulted in a substantial increase in the export from these very countries of capital goods to Ghana. This would only have involved, if any, an infinitesimal rise in the price of chocolate to the consumer.

Happily, these same countries have now declared to this Conference their agreement that the terms of trade of primary producing countries should be improved. It is our hope that they will follow up this open declaration with concrete action. Here is a concrete illustration of what the implementation of this declaration would mean to my own country.

In 1954 the price of cocoa rose to more than £500 per ton; the current price averages between £180 and £200 per ton. If the price of cocoa can be pegged at a minimum of £250—which is less than the 1954 price by £250—Ghana's income from cocoa alone will be increased by at least £20 million a year. Over a period of seven years, this will amount to at least £140 million. This would enable Ghana to finance a sizeable proportion of her Seven-Year Development Plan without unduly resorting to foreign aid. I must state that in relation to these potential gains from a better price for cocoa, the whole inflow of foreign assistance into Ghana would be negligible. In the light of these facts, is it not to the advantage of both consumer and producer countries for there to be a stabilization of cocoa price at a fair level?

In Ghana, we know that the processing of cocoa and other raw materials could be an important factor in our industrialization programme. Yet it is impossible for us to embark upon such an enterprise because the industrialized countries have arranged their tariffs in such a way as to prevent us from so doing. At the moment, there is a 5.4 per cent tariff on raw beans as against 22 per cent on cocoa butter in the European Common Market, whilst associate member countries pay no such tariffs. But then cocoa-processing industry is vital to our economy while for the European economies it is of marginal importance. Can they not concede this to us?

And now we know that there are many difficult problems which should be solved before a satisfactory system could be devised. But the crucial and necessary first step is to take the political and humanistic decision that the developing countries should be guaranteed a given supply of foreign exchange to finance their necessary imports.

#### *Utilization of resources released from disarmament*

There is another source of potential assistance to developing countries. Through disarmament, great resources could be released for world development. But the arms race is still immobilising fantastic real resources of just the type needed for the development of the developing countries. The United Nations has estimated that the combined military budgets of the Big Powers is \$120,000 million a year. If a small fraction of this astronomical figure were to be made available to the developing countries in one form or another, what a difference it would make! Both the Eastern and Western countries have expressed their willingness to devote some of the savings from disarmament for assistance to the developing countries. It is indeed a lucky coincidence that this very year in which we are holding this Conference is also the year in which substantial cuts in arms expenditure are being made by both the United States and the Soviet Union. But it is disheartening to notice the absence of any explicit declaration by either of these great Powers as to the use to which the resources thus released by the cuts will be put. We do here make a solemn appeal to the great Powers to agree to the setting up of this new international plan by which international financial resources thus released will be made available to developing countries.

#### *Africa as an economic unit*

Any such plan must be backed so far as the African continent is concerned by political action. Africa's prospects of economic emancipation depend upon ending the balkanization of our continent. This is why Ghana has always advocated the establishment of a Union Government of Africa. It is in the interest of the industrialized countries not to put obstacles in the way of our efforts to build Africa as one economic unit. All the assistance Africa can receive will not help us solve our economic problems except within the context of African Unity. How can African States continue to stand as little isolated entities when the economic future belongs to the giant economies? For us in Ghana, the unity of our continent is an article of faith and we shall continue our efforts in concert with other African States, within the Organization of African Unity, to bring about the total and complete liberation of Africa and the establishment of a Union Government on our continent.

Allow me to quote a recent view of my President, Osagyefo Dr. Kwame Nkrumah, on this subject:

"There are, for us, no signs of unanimity at present among the Western Powers regarding their

policies towards the developing world. The policies of France, with her great stakes and influence in Africa, seem to be undergoing rapid and radical change. We believe that France is becoming convinced that her continued prosperity depends on a peacefully united Africa developing a diversified agriculture and an industrial economy, having been driven to this conclusion by the explosive productivity of the Common Market, and the increasing poverty and instability of developing countries."

My delegation welcomes this new development in the policies of President de Gaulle and his Government. In this regard, I am happy to state that the Ghana delegation to the sixth session of the Economic Commission for Africa held in Addis Ababa recently took an active part in suggesting methods of establishing an African Common Market which should not be antagonistic to any other such Market in other parts of the world. In this endeavour, the co-operation among the African delegations, including the African associate members of the European Common Market, was tremendous and commendable.

#### *A new institution for trade and development*

Now let us be clear as to what is our objective at this Conference. In our view, we will have a successful Conference if we concert practical methods to ensure the prospects of economic development of all developing countries, and provide for the positive management of international trade as a means to economic development. Consequently, Ghana proposes that a new international trade organization should be established. Such an organization should operate as a specialized agency of the United Nations charged with all questions relating to trade and development.

In our view, the existing institutional arrangements have not covered all world trade and its related problems, particularly those affecting developing countries. At present there is no international agency which has devised methods by which international trade can be utilized as an instrument for the economic development of developing countries.

GATT is the major existing inter-governmental organization dealing with trade matters. In the words of the Conference Secretary-General, which I quote:

"GATT has not served the developing countries as it has the developed ones. In short, GATT has not helped to create the new order which must meet the needs of development, nor has it been able to fulfil the impossible task of restoring the old order..."

My delegation endorses this conclusion of the Secretary-General. The premises upon which GATT was created are no longer valid. GATT possesses neither the machinery nor the will to create a new order. Towards the less developed countries, its policies are inflexible, yet it gives way to pressures from the developed countries which negate those very principles it was created to enforce. The Government of Ghana

has repeatedly objected to the system of discriminatory tariffs imposed on some tropical producers by the European Common Market with the connivance of GATT.

It is because GATT cannot solve the problems of present-day international trade and economic development that a new institution is called for. The new United Nations organization for trade and development which we are proposing should have wide competence in the field of international trade and should be able to devise ways and means of making international trade an effective instrument for economic development. It should also be capable of co-ordinating the activities of existing international financial institutions. It is our view that unless this international organization is established, there will be no adequate provision made for regulating international trade for economic development.

As a first step in the establishment of this new international organization, my delegation proposes that an interim committee should be set up by this Conference to work out the details which will be submitted to the General Assembly of the United Nations for final consideration. This interim com-

mittee should be serviced by an independent and autonomous secretariat which should be set up at the conclusion of this Conference by the Secretary-General of the United Nations.

The issues are clear. This is the time to take positive action and launch a co-operative attack on all problems bedeviling international trade and development. Millions of people are in high expectation about the result of this Conference. Millions of people in the developing countries just yearn for a decent standard of living, even for bare existence.

Our age is blessed with such great scientific and technological achievements that there is no cause why millions of people in the advanced countries should be unemployed. There is no cause why poverty, disease and ignorance should be prevalent in this decade. These should be things of the past. What is required is good will and international co-operation for the promotion of world peace, progress and prosperity. This is the challenge we face. This is the challenge of our times. Therefore, let the good intentions expressed in various statements before this Assembly be translated into good deeds so that the world can be a happy and worthy place for us all.

**STATEMENT BY H.E. Mr. G. MELAS,  
MINISTER FOR TRADE OF GREECE, HEAD OF THE DELEGATION**  
at the twelfth plenary meeting, held on 31 March 1964

[Original text: French]

It is an honour and a pleasure for me to offer my heartiest congratulations to Mr. Kaissouni on his election to the Presidency of this world Conference, a unique event in the history of world trade. I am sure that, thanks to his experience and knowledge of the essentials of the great problems with which we are to deal, the Conference will achieve tangible results beneficial to the whole of mankind.

Our Conference must start off from the idea that the well-being and prosperity of mankind as a whole are one and indivisible. Let us bear in mind that one of the great historians of our age has described the second half of the twentieth century as the age of "universal welfare". This was the spirit that prompted the launching of the United Nations Development Decade, which provides the setting for the convening of this Conference.

In his excellent report, which we regard as the basic document for our work, Mr. Prebisch, the Secretary-

General of the Conference, strikingly brings out the inequality in the distribution of world income. He points out that two-thirds of the world's population receive only 15 per cent of the world's income. It is to find ways and means of redressing this inequality that we have met here. Let us remember that all the peoples are looking to us, and that the anxiety with which they follow our work is all the more justified in that they expect us to set in train at the international level a process which is taking place at the national level in the economies of the developed nations—namely, the gradual closing of the gap in income between one part of the population (mainly urban) and the farmers or "have-nots" in general.

My delegation is well aware that the problems before us are urgent and demand at least the beginnings of a solution, but it also shares the view, already expressed by other speakers, that they are problems with extraordinarily wide ramifications, and of a complexity to



baffle the most painstaking economist. Their solution will require the help, good will and understanding of all participants.

The country which I have the honour to represent has certainly made considerable progress in economic development but despite its achievements in this direction, Greece too has still to contend with structural problems similar to those besetting other developing countries in their endeavour to secure stable economic and social progress. Although the standard of living of the Greek people has been rising since the 1950s, the fact remains that the bases of our economy are still insecure. We have thus gained some experience in the implementation of development plans, and it may prove helpful in the study of the problems before us.

Despite all our efforts, we have been unable to insulate our rate of development from the influence of fluctuations in the agricultural sector. It has thus proved impossible to regulate this rate so as to avoid harmful effects on the general balance of our economy. Again, the deficit in our trade balance increases from year to year. The composition of our export trade is far from favourable, since it consists essentially of a small number of agricultural products and primary commodities. It is true that invisible items make a considerable contribution to our balance of payments, but the latter remains persistently negative if international financial assistance is left out of account. Our balance of payments, then, depends on factors outside our control. It is therefore very vulnerable, and the Greek economy could not have instituted a stable investment programme from its own resources in the absence of financial assistance from abroad.

To sum up, we can say that the Greek economy, like the economies of so many other countries, is faced with two main problems:

1. The problem of employment for which, in our case, emigration affords only temporary and partial relief while creating further economic and social problems;
2. The problem of our exports. We are endeavouring to increase the volume and diversify the range of our exports, and have at the same time to assure producers a reasonable return by protecting them from the unfavourable effects of world market fluctuations.

In a word, Greece, too, is faced by the urgent need to speed up economic development, mainly through the industrialization of its economy.

Greece is thus in a good position to appreciate the difficulties of a developing country and the size of its problems. We are in a position to gauge to the full the very serious effects on a country's general economic development that can result from an unfavourable trend in the balance of trade.

We are in full agreement as to the need to draw up a world-wide programme of measures in favour of the developing countries, which would include measures to

encourage the expansion of their trade as well as financial provisions.

The Secretary-General of the Conference, in his remarkable report, has made several suggestions. Many countries have also put forward ideas worthy of careful consideration. The Committees will have to study these ideas and pick out those which are neither too narrowly doctrinaire nor too pragmatically varied to serve the general interest of the developing countries, and which are, at the same time, adaptable to each individual case.

I must also state that Greece supports the idea already expressed from this rostrum that the measures to be taken to assist the developing countries should be based on the principle of abandoning absolute reciprocity in mutual concessions between developed and developing countries. However, I should add that this departure from reciprocity should be regarded as a transitional measure within the general context of a sound trade policy. Such a policy, based in the long term on reasonable competition, should be so framed as not to stultify the efforts of the developing countries.

The views I have just expressed are, I think, illustrated by Greece's association with the European Economic Community; for while Greece has gained advantages from its association with the Six, it has in return assumed certain definite obligations, and will have to make a strong and sustained effort in order to fulfil them.

The solution of the problems specifically affecting primary commodities might be sought through international agreements designed to stabilize prices and thus guarantee producers a more or less stable return. It would certainly be risky to lay down a general rule or to contemplate only one method, for every primary commodity presents its own problems. In our opinion, separate negotiations should be held on each commodity in order to arrive at the most appropriate formulae and those most advantageous to its producers.

One idea bearing on commodity problems is that of compensatory financing in cases where an international agreement proves powerless to maintain stable prices. The idea of compensatory financing should, we feel, be kept in mind and studied in order to find out how it can be used to the best advantage.

Then again, one of the most urgent problems calling for special consideration by the Conference is that of financing for the benefit of the developing countries. There is no question but that the rate of economic development can be maintained only by substantial long-term financing on terms favourable to the developing countries, so that the burdens assumed by those countries will not weigh too heavily on the income they derive from the use of that financial aid.

The problems confronting us are complex, difficult and even contradictory, but they are also pressing. We must therefore seek measures of an interlocking and mutually complementary nature. We must try gradually to create a state of affairs that will not only remove



the inequalities obtaining today but will also ensure continuity and stability in upward economic development—which for most members of the international community needs to take place much faster—so that we can be certain of having taken a notable step forward in the commercial and economic development of our world. We must all strive with good will, imagination and constructive determination to carry out this

task, bearing in mind that these problems cannot be allowed to remain long unsolved. Let us be guided by a spirit of moderation, so that the work we are beginning today may rest on firm foundations on which, in the near future, we can proceed to erect a solid structure, adequate to the needs of the time and adaptable to those of the future, in the certitude that that is the best way to ensure that our work will have lasting results.

**STATEMENT BY H.E. MR. N'FAMARA KEITA,  
MINISTER IN CHARGE OF ECONOMIC QUESTIONS AND CO-OPERATION,  
HEAD OF THE DELEGATION OF GUINEA  
at the twenty-first plenary meeting, held on 7 April 1964**

[Original text: French]

It is a pleasure, as well as a duty, to convey to Mr. Kaissouni on behalf of my Government and in my own name our warmest congratulations on his election as President of this historic Conference.

The fact that he has been chosen is of particular interest to the Guinean delegation not only because he represents a very friendly nation, a member of the great family of the developing countries, but also and most especially because of his great human qualities and his knowledge of economic problems.

I also have pleasure in congratulating and thanking Mr. Prebisch, Secretary-General of the Conference, whose brilliant report is a working document for our proceedings.

The Republic of Guinea would also like to thank the United Nations, particularly the Secretary-General U Thant, who accepted the appeal made by the developing countries at Cairo in July 1962 with all the interest and concern which it deserved. The present international Conference on Trade and Development is the result of his patient efforts.

My delegation, while rejoicing that this Conference has been convened, none the less regrets the fact that countries which play an important part in the world economy, such as the People's Republic of China, have not been invited, while the responsible nations of the world find themselves seated alongside basically reactionary countries like South Africa and Portugal, of whom the least that can be said is that, by reason of their unspeakable policy of oppression and discrimination, they are a disgrace to humanity and the very negation of United Nations ideals.

The great evil with which we are concerned, and for which we are seeking a remedy, the evil of defective

international trade and under-development is very deep rooted. Like a doctor, we must first make a diagnosis before we prescribe treatment; we must seek the evil consequences of the existing international trade system, what under-development is, what its underlying causes are and what would be the most appropriate measures for its elimination.

It is only by answering those questions objectively that we shall ensure success for our work.

Although economists have never quite agreed on the precise definition of under-development, all of them acknowledge its basic characteristics, which are chronic malnutrition, low standards of living, low agricultural productivity, an almost non-existent industry, rudimentary hygiene and a high rate of illiteracy, chronic under-employment of the labour force, permanent imbalance of external trade, etc.

There are certainly many ways of explaining that situation. But I shall emphasize only two of them: colonialism and imperialism; it is a fact that almost all the under-developed countries are or have been colonized.

The colonial and imperialist Powers, controlling and directing the political and economic life of those countries, have been continually exploiting them in complete disregard of their vital interests and of their aspirations to economic and social progress.

As they are the sole masters of price policy, these overlords buy primary commodities very cheaply, while they sell industrial articles at very high prices.

Being the masters of the means of production and of the direction taken by the economic policy of many of the developing countries, they have simply used them

as outlets, forcing them to continue in the role of producers of raw materials, carefully refraining from promoting industrialization for fear that such industrialization might create competition for the so-called metropolitan production.

There is one fundamental truth which becomes clear from the foregoing: most of the developing countries are in their present backward state as a result of colonialist and imperialist exploitation, which seizes and transfers from the countries under trusteeship the economic surplus which should have been used to build up internal capital to provide economic impetus for expanded production.

The same phenomena of economic imbalance are generally to be found in relations between the developed and developing countries.

The relation between prices of primary commodities and those of manufactured articles showed a decrease of 26 per cent between 1950 and 1961, a decrease due largely to the rise in prices of manufactured articles.

Thus the decrease in purchasing power of exports from the developing countries as a whole, resulting from the deterioration in the terms of trade, was \$13,100 million in that period.

That represents excess profit for the developed countries, and also a loss of possible profit for the accumulated funds of the developing countries.

In the developing countries as a whole, the total inflow of international capital rose to \$47,040 million from 1950 to 1961; after deduction of repatriated, interest and profits during the same period, that international capital was only \$26,500 million.

I shall lay no undue emphasis on invisible trade, which is a heavy burden on the economy of the developing countries and has been sufficiently stressed both in the working documents of the Conference and in many statements from this rostrum. I shall simply confine myself to stressing the urgent need of reducing this burden as regards freight, insurance, technical assistance and other services and also as regards the returns on invested capital.

I have briefly referred to some of the evils of the colonial system; that was necessary in order to provide an illustration of how, for most of the poorer countries, the present has been conditioned by the past. But I should like to add at once that the countries which have undergone colonization cannot escape the general law of evolution, which is co-operation with other nations.

That is why Guinea, and all the African countries, believe that the principles which will lead to a better understanding of the problems of mankind are those of friendship and co-operation, which will enable the peoples to join together. So Guinea is more than ever aware of the need to strengthen its ties with other nations so as to safeguard peace and to hasten the process of universal development.

Today, relations of understanding, solidarity and co-operation are being built up between all countries. The sense of responsibility, a new awareness of the social value of each man and each nation for the harmonious development of the world, is making these relationships of an infinitely superior quality to those of former times.

In coming to this important Conference, each country, each delegation is anxious to be objective in expressing without passion or hatred its point of view on the serious problem of international trade and under-development.

In this spirit, my delegation—upholding the decisions of the historic Conference of Addis Ababa—is convinced that the first step to be taken should be the removal of the obstacles created by economic domination which have so far blocked the normal growth of many developing countries. Otherwise it is impossible to extend the possibilities of economic progress which up to the present have acted in those countries only sporadically and with little effect.

In several of the statements which have been made from this rostrum, it has been said and repeated that in order to achieve a rapid development of the under-developed countries, great efforts must be made by those countries themselves: efforts supplemented by assistance from the developed countries.

The Republic of Guinée fully shares this opinion. But it opposes those paternalistic subtleties which would tend carefully to set aside the notion of equality and equity and to hold out the elusive prospect of voluntary assistance to the under-developed nations.

I should like to quote here a passage from the message which President Ahmed Sekou Touré, President of the Republic of Guinea, has addressed to our Conference:

“We believe that your Conference, if it is to be equal to the responsibilities which it is assuming before history, will have to organize its discussions in such a way as to be free of any inferiority or superiority complex in relations between the delegations of the developed nations and those of the developing nations.

“For to start out from the notion that nations should give charity to other nations or to be more precise, that the industrialized countries will have to contribute help to the development of the countries of Asia, Africa and Latin America, would lead the discussions far beyond what is demanded by human society, whose harmonious and balanced development remains the only real factor for mutual understanding, reciprocal friendship and fraternal co-operation among peoples.

“At this Conference, no one brings gifts and no one asks for them. There are only and can only be, delegations instructed by their nations to study under what conditions it would be possible to establish

relationships of justice in trade transactions which are at present prejudicial to the vast majority of the peoples of the globe, and consequently, to the strengthening of the foundations of world peace."

In the eyes of Guinea, therefore, the essentials are first of all justice, the reinstatement of equitable relations to correct the present terms of trade, and then international solidarity and mutual help for the benefit of all, since the development of the less developed countries will also benefit the great industrial Powers which, in the event, will sell more capital equipment and consumer goods.

Admittedly, many sacrifices are demanded of the developing countries. They must undertake, where it has not already been done, the complete decolonization of their economic structures and the rational utilization of their national incomes with the object of development, which implies avoiding expenditure on outward show in order to accumulate capital and investment funds. And all their human and material resources must be mobilized and utilized in a rational manner, and with a view to producing income.

But the prime necessity for the developing countries is their arrangement into regional economic groupings. The extent of a market plays an extremely important part in the analysis of the economy. Small countries that do not embrace a large enough geographical sector cannot have sufficient zones to produce the raw materials necessary for modern technological methods and consequently cannot develop all the subsidiary branches of economy.

It is for these reasons that the Republic of Guinea places in the forefront of its objectives the establishment of an African common market.

That is the only path which will lead rapidly to the creation of new branches of economy and promote the diversification of production and the development of trade between neighbouring countries.

On this subject, my country's position is well known: in associating itself with no economic grouping outside Africa, it believes that the first essential is to achieve an African common market, which would be able in a more dynamic and efficient manner to establish co-operative relations with other economic groupings.

The concern for social progress is, I am sure, shared by all the developing countries, which are organizing and mobilizing their resources to this end.

There are also, however, many measures which must be adopted at an international level.

The prices of primary commodities must be raised and stabilized at sufficiently remunerative levels, if necessary by means of compensatory financing machinery.

The world market must be reorganized, to guarantee new outlets for the raw materials and manufactured goods of the developing countries, specially through

the removal of artificial barriers such as customs, quota systems and taxation.

The general policy of credit must be reconsidered in the light of longer loan-repayment periods and reduction of interest rates in order to limit the heavy burden of foreign debt which prevents the accumulation of capital and hampers economic growth.

The elements of invisible trade, freight and insurance rates, and the sometimes scandalously high cost of technical assistance also call for improvement.

Everyone is aware today of the grave danger which under-development presents to all mankind; everyone measures the serious consequences it entails for peace, and all are agreed that it must be swiftly remedied and a new world balance achieved.

The Republic of Guinea considers that the phenomenon of under-development is heavy with consequences, that it is daily growing more acute and that a firm resolve and revolutionary measures are needed to bring it to an end.

My delegation accordingly considers it necessary to establish new international bodies within the framework of the United Nations to promote and apply the requisite remedial measures.

It has been said, on the occasion of this Conference that of the three thousand million inhabitants of the earth, one thousand million have enough to eat, one thousand million live on elementary subsidies, and the last thousand million vegetate in hunger and want. The Secretary-General of the United Nations has added that the material resources of the world are sufficient to eliminate poverty and illiteracy from our planet. The great question which remains open to the conscience of men, and more especially to the conscience of the rich countries, is whether or not the harmonious development of the world economy has become an imperative for all; whether or not each one of us is willing to devote to it the necessary determination, energy and resources.

In giving a positive reply to those questions, one is bound to agree to putting an end to the manufacture of weapons for the mass destruction of the human species and to the reduction of military expenditure in favour of a special development fund to increase the means of the developing countries. That would be the most rational and effective method of extending multilateral solidarity and assistance, which is recognized as having considerable advantages over bilateral assistance, often accompanied by political conditions.

In conclusion, I should like to express the ardent hope of my delegation and my country that this Conference may divest itself of subtle manoeuvres and conflicts of interest and ensure the triumph of honesty, courage, the social conscience of nations and the "new economic resolve" which must galvanize all energies and resources for the harmonious development of the world in the interests of all humanity.

**STATEMENT BY H.E. Mr. J. C. KERNISAN,  
REPRESENTATIVE OF HAITI TO THE EUROPEAN ECONOMIC COMMUNITY,  
HEAD OF THE DELEGATION OF HAITI**

at the sixteenth plenary meeting, held on 6 April 1964

[Original text: French]

The mere presence in this impressive forum of so many personalities and representatives from nearly all the countries in the world is, I feel, undeniable proof of the desire for co-operation which inspires all peoples irrespective of their race, their religion or the political systems by which they are governed.

The Government of the Republic of Haiti is very happy to attend this Conference and to extend its most cordial greetings to representatives from the four quarters of the globe present here today.

The fact that Mr. Kaissouni has been chosen to preside over this important Conference is, we are convinced, a matter of great satisfaction for all the States represented here, and affords the most eloquent proof of a common determination to achieve a lasting equilibrium and close collaboration at a world-wide level between the industrialized and the under-developed countries. I hope he will accept the hearty and sincere congratulations of my delegation.

I would also like to take this opportunity of paying tribute to the Secretary-General of the Conference, Mr. Raúl Prebisch, for the substantial report which he has prepared with such skill and which undeniably constitutes a basis for our work.

Haiti, the first republic founded by the black race in the world to achieve independence, takes a keen interest in the work of the United Nations Conference on Trade and Development for many reasons; firstly, because it has on various grounds retained close links with the three different continents—America, Africa and Europe—and secondly on account of its position as an over-populated, under-developed country, whose essentially agricultural economy depends solely on the export of a few products, among which coffee still occupies a predominant place.

Of course, it belongs to the great Latin American family geographically and also because it contributed to the emancipation of its sister peoples of Latin America, and played its part in the American War of Independence at Savannah. It still maintains strong and indestructible ties with the African continent through its ethnic origins and the wealth of its cultural heritage, and lastly with Europe, and France in particular, whose culture it has preserved.

A veritable melting pot in which several civilizations have been merged and where different ideas have met, this little piece of land washed by the Caribbean has

participated as a nation free to choose its own destiny in the great political and economic upheavals which have rocked the world from 1804 to 1964. From the date of its independence down to the present day it has always encouraged and participated in constructive efforts to promote international co-operation at the continental and world level.

The Government of the Republic has already translated into action its desire to strengthen the links already existing between Europe and Haiti by accrediting a special mission to the European Economic Community, one of the attempts to achieve economic integration which is most likely to contribute to a better balance of world economic forces.

We, for our part, do not wish to treat this assembly as a rostrum from which to attempt to defend ourselves or to make accusations.

The delegation of Haiti considers that it is here to discuss, and it also feels that the purpose of this meeting will be achieved if the discussions remain on a concrete basis and if positive, even though partial, solutions are found to the problems facing us all, so that the Conference will not merely produce resolutions and solemn undertakings which would certainly be of value, but would be incapable of dealing conclusively with the tragedy of under-development.

However, it wishes to stress certain difficulties which are characteristic of the country's economy and constitute serious barriers to its economic development.

1. In view of Haiti's scanty natural resources, we feel that it would be difficult to achieve a relatively high level of industrialization within a reasonable time, even if full use were made of the available raw materials.

2. Moreover, we must face up to demographic pressure, and allowing for an annual increase of 2.5 per cent in the population we consider that the ceiling on the volume of over-all agricultural production will persist even after all the arable land has been brought under cultivation, which means that it will be impossible to maintain the present *per caput* income level, already far too low.

3. Lastly, we must find effective means of counteracting the disastrous effects of cyclic fluctuations in our economy, the fluctuation of commodity prices on the world market, the biennial fluctuation in our coffee production, and the half-yearly fluctuation in our crop production.

The formulation of an effective anti-cyclic policy is complicated by the fact that economic development programmes cannot be stopped during a boom.

Briefly, these are the special difficulties which we have to overcome, in addition to all the obstacles common to most developing countries.

This Conference is as much a conference of the under-developed as of the industrialized countries, and the industrialized countries should remember that the Latin American continent is in the process of carrying out in less than twenty years, by means of a courageous

effort, what took them several centuries to accomplish, and that if they take the right decision, the under-developed countries can become the most reliable outlet for their economic expansion, which requires new markets.

We are convinced that this Conference will encourage all the participating countries to place the desire for close international collaboration above their ideological differences, so as to bring about a rapid improvement in human well-being, which is, I feel sure, one of the strongest guarantees for world peace.

## STATEMENT MADE BY THE REVEREND FATHER LOUIS-JOSEPH LEBRET, ON BEHALF OF THE DELEGATION OF THE HOLY SEE

at the fourteenth plenary meeting, held on 1 April 1964

[Original text: French]

Those acquainted with the background to our Conference will not be surprised at the Holy See's desire to accept the United Nations Secretariat's invitation to attend. As early as 14 May 1962, during the preliminary consultation between States Members of the United Nations and of the specialized agencies, the Holy See supported the holding of this Conference as, in its view, a means of strengthening international co-operation towards development and peace at a moment when it is so urgent. The Holy See's acceptance was given, as it happened, in the interval between Pope John XXIII's two most important encyclicals: *Mater et Magistra* and *Pacem in Terris* which, as you know, are the expression of the Holy See's deep concern with the problems involved in paving the way to a juster order that will ensure full development for every member of the human race. This was the theme of Pope Paul VI's first Christmas message, in which he said, among other things regarding the younger nations:

"...these nations have not yet reached that degree of self-sufficiency that is required to enjoy all the cultural and economic benefits of a complete modern State. It is clear then that our charity this Christmas, in its search to discover the great needs of the world, recognizes the necessity of helping these emerging nations, not with humiliations and self-seeking beneficence, but with scientific and technical assistance and friendly solidarity of the international world, brotherhood in place of paternalism".

Do not these words describe the spirit and aims of this Conference? They are the words which will, now and later, inform the contributions of the delega-

tion of the Holy See to your discussions. Our function will, of course, not be to interfere in the details of the measures proposed, and certainly not to take sides in purely political discussions, but to give our frank and unqualified co-operation towards elucidating the objectives of international trade in the light of the principles of international ethics and the basic demands of equity.

The objective of our Conference—some speakers here have already drawn attention to this absolutely fundamental point—is development. Trade, or in the wider sense international trade, is merely a means to be adapted to that end. And "development" must be interpreted as widely as possible.

Development, as has been said—though it has perhaps not been stressed enough—must be distinguished from a mere numerical increase in grand totals, national product or *per capita* income. For, so measured, growth may be no more than a veil cast over the reality of a population whose privileged classes enjoy a considerable increase in income, whose middle classes also benefit appreciably, but whose vast urban or rural majority derive little benefit at all—where their incomes are not actually declining. So, while the pattern of living standards is widening considerably with a tiny fraction of the population already living above the European, or even the North-American, standard, the masses are lagging several centuries behind. Growth may also reflect the genesis or inception of an economic and social imbalance when the magnet of a large industrial or urban centre draws people away from agricultural areas and leaves these under-populated in relation to their normal production capacity, or when over-use of the soil in

quick-return speculation precipitates the erosion of cultivated land, or again when growth recorded is partly due to building for the privileged or well-to-do classes while housing for the people not only stays wretched but becomes more and more so. These are all factors generally recognized as important in the framing of trade expansion policies for the developing countries!

Development is in fact indivisible, and progress must be achieved for every section of the population and from every point of view, the *human* aspect being all-important. I had the honour last year to speak at some length at the United Nations Conference on Science and Technology, on behalf of the delegation of the Holy See, on development requirements. I mention the question here only to stress that a discipline is defined by its objective; and the only possible prime objective of the complex discipline of development is the betterment of human beings.

While there is no need here to go into all the methodological details of development, one point must be stressed—namely, the means this Conference regards as one of the essential conditions for development: making trade equitable.

This applies not only to trade between countries and groups of countries but also to world trade viewed as a whole. Our battle-field is our planet; so we have to become more ambitious.

The term “trade” has been chosen because the under-privileged nations regard existing international trade practices as one of the main obstacles to their development. If they receive less foreign currency for what they sell and have to spend more either on the basic necessities or on the capital goods they lack, and if there is no appreciable income from invisible exports and transfers to correct the trade balance enough to restore their balance of payments, their economies are paralysed and their hopes of development fade.

Our delegation takes the view that the problem is one not only of “trade” in the strict sense but of the entire gamut of international relations and intercourse. While not under-estimating the efforts so far made by all the richer countries or by associations of countries or by international organizations—to which we give all due credit—we must nevertheless stress that only radically changed attitudes will engender a deeper and more effectual altruism and open up wider prospects for trade and commerce, against the day when a truly interdependent civilization emerges.

That is the great revolution this Conference must initiate, a long-term bloodless revolution, whose first phase will be marked by the resolutions and decisions here adopted.

The delegation of the Holy See is aware of the difficulties that will face those wishing to change or at least greatly modify an outworn system of trade whose disastrous effects are not sufficiently offset by the granting of gifts and loans.

Our delegation has had the honour to transmit to you, on instructions from the Secretariat of State of His Holiness, a letter received from the Cardinal Secretary of State which conveys the Holy Father’s explicit interest in our Conference. I venture to quote the following passage from that letter:

“The Conference now opening at Geneva is faced with problems of special gravity. Final answers may not be forthcoming at Geneva to all the delicate questions raised. The current problem of international trade cannot indeed be settled by such apparently simple solutions as the mere play of an international free market or, at the opposite extreme, rigid planning. But a resolute approach must be made, by well-planned stages and through efficient organizations, to this period of change and transition whose goal should be the consummation of the most rightful human aspirations within the framework of national independence.”

Perfect methods of regulating trade cannot of course be produced overnight. Since our knowledge is still fragmentary, we must not shrink from the risks inevitable in experimenting.

In that connexion the delegation of the Holy See would like to commend the moderation and realism of the Secretary-General of our Conference, who, as he said himself in his statement, has deliberately curbed his own aspirations and wishes in order to facilitate the sincere search for progressive and tried solutions by all parties concerned.

We must explore new avenues, with the utmost regard for freedoms, but subject them to the scrutiny that is essential at international level to avoid any increased disparity in living standards between the privileged and the scientifically and technologically less-developed peoples. What is more, our delegation believes that the entire resources of the world should be so harnessed as to benefit all mankind and that goods produced by all peoples should be so distributed that all those not yet enjoying decent living standards, or doomed to poverty by poor soil and sub-soil and scanty power resources, may nevertheless have their basic needs met and attain a standard of living compatible with human dignity.

In that context, new rules would have to be worked out to ensure, first, that equality in trade is no longer viewed solely in terms of markets and, secondly, that aid in cash or kind represents surpluses, and surpluses varying with the degree of development of each of the more-developed countries.

It is generally agreed today that any change made in the individual worker’s fixed wage, whether by legislation or collective bargaining, does not mean conferring a privilege; it is an act of justice taking account of the weak position the worker still far too often finds himself in. Why not apply the same logic to international trade? It is for the under-privileged countries a basic means of subsistence, and especially for those countries which as a result of their weak

position are at the mercy of sales contracts that appear voluntary but are in fact imposed upon them.

Considering the degrees that exist in both under-development and development, and also the tasks devolving on the under-privileged countries if they are to direct their income from trade towards the true human development of all their peoples, the richer and more developed countries must here face up to their special responsibilities. In trading with these other countries they are under a serious obligation to show both solidarity and justice.

Moreover, taking a closer look at the question in terms of human values, it is more blessed to give than to receive. Civilization in the privileged countries is threatened by their unbridled desires, and will only be saved by their embarking upon a less materialist and more humane course. In common justice, all that the privileged possess should contribute to the foundation of the common good in what is now a universal community. The poorest of all in terms of human values are those who, having much, wish to keep their surplus for themselves. The greed of nations, which is the sum total of the greed of most of their citizens, is a blemish on any civilization.

Lastly, the exchange of material goods is only one of all the various types of exchange, and rules prescribed for fair trade are only a partial expression of a much wider moral concept of international relations. Every form of exchange must be adjusted, if all are to give and all to receive. It is now generally agreed that the less-developed countries have values other than economic to offer the more-developed countries.

Gratitude and political friendship, as understood by Aristotle and St. Thomas Aquinas, are possessions ultimately more valuable and more conducive to peace than material possessions which can be consciously sacrificed.

To use an inadequate image, if this important Conference is to succeed, each and all of us must rise one step above strategic groupings and solutions which are contradictory or inapplicable because of hidden conflicts between material interests or ideologies, beyond even the solutions which are objectively the best for the transition period beginning with this Conference, in order to get a better grasp of the "trade and development" problem in all its facets and to think still far more of "humanity".

**STATEMENT BY H.E. MR. JÓZSEF BIRÓ,  
MINISTER FOR FOREIGN TRADE OF THE HUNGARIAN PEOPLE'S REPUBLIC,  
HEAD OF THE DELEGATION**

at the sixteenth plenary meeting, held on 2 April 1964

[Original text: English]

On behalf of the Hungarian delegation, allow me to express our high esteem to the President. I am convinced that in his person we have a President who has all the qualifications to lead our discussions in a fruitful and constructive way.

In these days, there is a growing desire among the peoples to strive for peaceful coexistence. This is an imperative necessity of our age, which should prevail not only in the political, but also in the economic field.

Hungary is a small country, but—like many other small countries—the significance of foreign trade for us is very large. The number of population amounts to only about one twentieth of that of the United States, and the value of our national income is only one tenth of that of France, yet the rate of foreign trade as compared to our national income is ten times larger than that of the United States, and nearly two and a half times higher than that of France. During the past few years, the importance of our foreign trade has steadily increased—in the period 1961-1963, this increase was already twice as high as that of the national income.

So it is understandable that Hungary is highly interested in the sound evolution of the international division of labour, in the rapid development of international trade and thus in the success of our Conference.

The stability of Hungary's economic development, I would like to underline it, is intimately connected with the long-term commercial agreements, concluded with the socialist countries. These agreements ensure and encourage a new type of international division of labour, which has been built up between the socialist countries. At the same time, co-operation of the socialist countries within the Council for Mutual Economic Aid is free of any discriminatory character. This can be proved by Hungary's dynamically expanding commercial relations with countries of different economic systems.

As far as international economic relations are concerned, there are still some countries which have not yet realized the fact that we all live in the same world and try to interfere in the normalization of trade among



nations. The spirit of embargo still prevails. As a consequence of a most condemnable cold-war attitude, countries playing an important part in international economic life—such as the German Democratic Republic—have been deprived of participation in our Conference. By the same method, the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam have not been given the opportunity to take part in our Conference. The place which is rightly due to the Chinese People's Republic is usurped by individuals who represent nobody at all. This is harmful, because questions of world economy can only be discussed on a universal basis.

It is very regrettable that certain countries or groupings are not guided by commercial considerations when deciding about international trade relations. And what is more, discrimination—practised so far only on a national scale—has been raised in Western Europe to the rank of the official policy of a supra-national organization.

The discriminatory and protectionist measures of the Western European groupings create uncertainties and undesired tension in world trade.

In spite of the existing serious difficulties, we are confident that countries of different economic systems will be able to formulate generally valid principles for their trade. The meeting of experts, held last year in Geneva under the auspices of the Committee for Development of Trade of the Economic Commission for Europe, proved in a concrete, competent and objective way that differences in social and economic systems could by no means form obstacles to the development of trade. Every day's facts of international trade speak for the practical possibilities and usefulness of this trade.

On the basis of the above, we must necessarily come to the conclusion that our Conference has by all means to deal with the problems of the so-called East-West trade.

When raising this demand, I start out from the basic point, stated in the study of the Secretary-General of this Conference: "World trade is an intimately inter-related network, and the repercussions of obstacles in any one part are felt inevitably in all others".

However, the problems, which I have only made allusion to, exceed by far the sphere of relations between socialist and developed market-economy countries. Any form of discrimination is harmful to other regions of world trade too, and last but not least, even to the trade of the developing countries.

In the course of the past ten years, a great number of former colonies have gained freedom. However, political independence has been followed slowly, and not even in every case, by the liquidation of economic dependence.

The report of the Secretary-General, the distinguished expert on world trade, to whose ability and work I must pay a tribute, as well as the thousands of pages of documents prepared for this Conference, give

a clear-cut and dramatic picture of the economic problems of developing countries. The diagnosis of their economic backwardness and of their present difficulties is quite clear: as a consequence of their many hundred years long colonial past, the economic structure in those countries is one-sided, the agriculture is backward, the industrial development unsatisfactory. The developing countries have a right to claim an equitable part of the wealth, which has been built to a great extent upon their resources, and to claim it from those countries who have benefited from the colonialization.

The documents submitted to our Conference give not only a diagnosis, but also outline the measures to be taken. There is a tremendous problem of the raw-material outlet in the world. There is a paradoxical situation as to the so-called over-production of foodstuffs, but only because in many countries the population cannot even afford to buy the necessary minimum of food. This is an upside down situation, so let us put it on its feet. The task is to secure by adequate measures increasing export markets for raw-materials and to promote the consumption of raw-materials by industrializing the developing countries. In doing so, we open up new sources for the raising of their standard of living, thus easing the problems of foodstuffs. Apart from domestic and foreign sources, already available for the industrialization of the developing countries, there is a need for the mobilization of new funds. In this connexion, general and complete disarmament may have an outstanding significance by setting free huge sums for peaceful ends.

We are well aware of this problem, as Hungary has learned through her own experience that industrialization is an essential precondition of economic development. Between the two world wars, Hungarian economic life has been characterized in many respects by semi-colonial conditions. This fact was reflected in the slow rhythm of industrial development. After the First World War, industrial production reached the level of the year 1913 only in 1927. This pre-war level was exceeded in 1938 only by 43 per cent, which means that in the course of 25 years the production increased only by 1.4 per cent a year.

After the liberation of the country in 1945—although the war damages were far greater—the pre-war level in industrial production was reached already in 1948, that is within three years after the end of the war. In the last fifteen years, industrial production has increased six-fold. The yearly rate of production-increase was about 12 per cent, that is about nine times as quick as between the two world wars. Socialist planned economy was the basis of this dynamic development. These results were partly due also to the establishment of state monopoly in foreign trade.

There are a number of urgent problems which require the setting up of sound principles, regulating international trade. These principles should take account of the needs of the developing countries as well. In this spirit, we welcome the document entitled "The



principles of international trade relations and trade policy", submitted by the Soviet, Czechoslovak and Polish delegations.

On the basis of our own favourable experiences, we would like to lay a particular emphasis on one of the suggestions of this document, concerning long-term economic agreements. While regulating the items, and if possible an annual increase of the volume of goods, the long-term agreements also provide for the forms of economic or technical co-operation and the sound division of labour. These long-term economic agreements can take largely into consideration the needs for industrialization in the developing countries, may speed up this process and create a stable market not only for raw materials and foodstuffs, but also for manufactured goods. Such long-term agreements may contribute to the stabilization of prices too, since they can counteract market fluctuations, harmful for the developing countries. When drawing up our plans, the consequences of the long-term agreements will be taken into account. Thus, bilateral agreements with our partners rest on the solid basis of the socialist planned economy, free of cyclical fluctuations. This, however, does not exclude the conclusion of multilateral arrangements, based on the mutual interests and on the agreements of the parties concerned.

In the same order of ideas, we support the developing countries in their endeavours to obtain an equitable price for their raw-materials, and that is why we are for the strengthening and the widening of the commodity agreements. Such agreements might contribute to the stabilization of the raw-material markets, provided that all important exporting and importing countries take part in them, and provided that they are sponsored by an international organization of great authority—like a new world trade organization.

In our country, as in many other socialist countries, export into the developing countries has rapidly increased. In the past five years, there has been a 20.5 per cent annual increase in our turnover with the developing countries. While in 1950 Hungary exchanged goods with 34 developing countries, by 1963 their number rose to 78.

In spite of this striking development, Hungary's share in the total volume of trade of the developing countries is comparatively small. This is no wonder, because as a consequence of the colonial system, we are now—so to say—at the very beginning of commercial relations with those countries.

In the frame of our expanding trade, not only the direct exchange of goods has increased, but within the limits of her possibilities, Hungary has also introduced various forms of co-operation with the developing countries, such as technical and scientific aid, training of experts, and the granting of credits. By supplying complete industrial plants, Hungary has contributed to their industrialization. Our experiences and economic estimates make us confident that, on the basis of mutual interests, these relations will widen in their range and

become richer in their contents. In this spirit we are going to prepare in the year to come our next five-year plan, which will certainly foresee a considerable rate of growth of our foreign trade, as well as preserve a high rate of growth of our trade with the developing countries. A prerequisite for this is that the abolition of discriminations, as a result of our Conference, will normalize trade relations in the world, and thus enable us to do so.

The variety of specific problems of world trade has led to the establishment of a large number of organizations, engaged in commercial and economic questions. On their specific field of activity, these organizations set partial targets only. One of these organizations is the General Agreement on Tariffs and Trade (GATT). My delegation endorses the critical remarks made on this Organization by many participants of our Conference. In the new world situation, neither the organization, nor the principles and the composition render the GATT suitable to comply with the requirements of a universal trade organization. On the other hand, my Government is of the opinion that world trade and world economy certainly need a comprehensive organization, able to contribute to their harmonious development. It should accept the membership of any country, irrespective of its social and economic system or level of development. At the same time, this organization must stand up against discrimination in world trade. Finally, it has to link problems of trade with those of economic development. We sincerely hope that one of the historical achievements of our Conference will be the creation of such a comprehensive world trade organization.

Our delegation is confident that the Conference will not only discuss the questions of world economy and world trade, but will also pass suitable resolutions as to the most important problems of the discussions. Out of the many questions of great importance which will be dealt with, allow me to lay special emphasis on the following ones:

(a) Trade between countries with different social systems must be based on the principle of the "most-favoured-nation" and on mutual advantages. As to trade between countries of different economic level, unilateral advantages must be granted to the developing countries, with a special view to their situation.

(b) A solution must be found for trade-expansion of the developing countries. In this connexion we support the conclusion of commodity agreements, and propose the widening of the network of the long-term commercial agreement system. In the framework of a new international division of labour, priority must be given to the industrialization of the developing countries.

(c) Our Conference has to formulate the principles for world trade and development, taking into consideration the historical realities of our age. A new world trade organization of universal character has to be

established, which, on the basis of the above-mentioned principles, should contribute to the harmonious development of economic relations between countries of different social systems and of different economic levels.

There is no time for delay. The Governments represented at this Conference should feel the urgency of

all the problems confronting them, and should act accordingly.

No efforts on our part will be spared, to contribute within our capacities to the satisfactory solution of all issues on our agenda, in the interest of all peoples, and first of all in the interest of the peoples in the developing countries.

**STATEMENT BY H.E. SHRI MANUBHAI SHAH,  
MINISTER OF INTERNATIONAL TRADE, HEAD OF THE INDIAN DELEGATION  
at the fifth plenary meeting, held on 25 March 1964**

[Original text: English]

After the Second World War, the establishment of the United Nations to preserve peace and steadily pursue progress for mankind has been a landmark of history. Maintenance of peace and harmonious relations between the nations, so that prosperity and a good life could be secured for all the peoples of the world, has been the mainstream of all the thoughts and actions of the peoples of the world. It is also fully realized on all hands that peace and prosperity are indivisible; that poverty anywhere is a menace and threat to the peace and prosperity of the whole globe. After the political emancipation of all the peoples of the world, in the form of 122 sovereign nations, it was obvious that political freedom must be given a social and economic content. Without providing optimum standards of living for the millions, a peace which only permits a poor life for the vast majority of the people will be short-lived. Therefore, the threat posed to peace by wide differences of standards of living among the nations of the world is obvious and does not need to be stressed.

The relationship between international trade and economic development has received full recognition in recent times. It is therefore very appropriate that this historic Conference on international trade and development is meeting here in Geneva for the first time in the history of the world. The previous conferences on trade, few in number, were rather limited and restrictive in their approach and neither represented nor reflected the aspirations of all the nations. As this Conference is historic, it has evoked great hopes everywhere. The problems of international trade and economic development are complex and not easy of immediate solution, and we must rule out over-confidence that success can be attained in one session of this Conference—that is in a mere twelve weeks—for all the problems that come under its umbrella. Realistic as we are, we in India, along with all the other nations, do believe that a down-to-earth approach alone can help to make this Conference work and we need not judge the work

of this Conference in simple terms of “success” or “failure”. But India would like to regard the Conference as initiating a “new era of understanding and action” through a series of steps in different sectors of international trade and development in concrete and precise terms—as much as is practicable during these twelve weeks. This Conference must lay strong and deep foundations for future work; and then the superstructure of healthy international trade and progress can be built on these secure foundations. While, therefore, we may avoid over-optimism or complacency, it is clear that any tendency to classify this Conference as “mere talk” or “mere words” or as “just one more so-called conference” would be doing severe damage to the cause of peace and progress of the world.

The failure of this Conference would not only shatter hopes but would prove a disaster in every sense of the word. Therefore, India would appeal to all the sovereign nations at this Conference to do their very best—notwithstanding different situations, stages of economic growth, differing ideologies and political patterns and widely divergent national constitutions—to make a really constructive approach so that a meeting of minds can be secured and constructive results flow in quick succession.

That there must be gradualness in achievement of specific results is obvious, but this gradualness should not itself become a mere palliative to wish for everything and give, grant or receive nothing. I would, therefore, urge that we should all act in a spirit of great human understanding of the distressing position and situation obtaining in the less developed countries, where three-fourths of mankind lives.

In paying a tribute to Mr. Prebisch, the Secretary-General of this Conference, I do not want to make just a formal or customary comment. The work done by the Secretary-General, the great economist Mr. Raúl Prebisch, has been of a fundamental nature. The Prebisch report which is before all of us, the enormous

work put in by him and his colleagues and different representatives of nations in the three Preparatory Committees, is of tremendous significance and, if I may say so, of highly practical value. Mr. Prebisch and his colleagues have not merely analysed, in the most succinct manner, all the factual positions as they exist in different countries and regions of the world but they have given us a series of constructive ideas which can be worked out practically. Therefore, on behalf of my delegation and myself, I would like to convey the heartiest greetings of my own country and other member nations of this Conference to Mr. Prebisch and his colleagues on this remarkable report.

The trends, as they emerge in the field of international trade, are very disturbing indeed. While the world has become free, in the last fifteen years, from political domination, the economic disparities have grown rather than diminished in their scale. The international cake in the form of world trade has, in the last decade, become very much bigger. This is good and desirable and our efforts should be to expand world trade still further so that human prosperity everywhere, both in the industrialized countries and the less developed countries, really grows. We are not gathered here to reduce the prosperity of the industrialized countries. Rather, we wish them to progress further. We are not gathered here in a spirit of obstruction or of "closed shop" unionism or of narrow parochialism wanting to rob some in order to benefit others. We, here, at the Conference table represent the human family with its diversity, with its tremendous achievements, and we find disparities, distress and the yawning gap between those who are in the vanguard of progress and the vast majority who are without adequate resources and incomes.

It is clear, therefore, that we are studying these problems here at the Conference table in the most constructive and comradely spirit. And it is in this environment that India would like to appeal to the leaders of such advanced countries as the United States of America, the Soviet Union, the United Kingdom, France, Germany, Italy, Japan and other leading industrialized countries of the world, to give us the benefit of their advice and a constructive plan of action which, recognizing the existing state of affairs, seeks to redress and remedy the situation from all points of view. The objective of the Conference should be to make the Development Decade a reality. If at the end of the Decade we find that the poor have remained poor or become poorer still, the objective would have definitely receded. If, therefore, we wake up in time at this Conference and reverse the present trends in trade, the Development Decade can be made a tremendous success. Only a determined and concerted political will can initiate measures in mutual co-operation and bring about a new trend in international trade and development, make trade a senior partner along with aid and ensure that the benefits of the growing prosperity of the industrialized countries are shared by the peoples of the less developed countries. And this is not

so difficult to achieve, because we are not meeting in any spirit of hostility or animosity but, as I said, we are meeting in a spirit of real co-operation and understanding to accept the analysis before us and work out practical solutions. The advancement of the less developed countries through the reversal of present trends and by enabling them to earn more foreign exchange through the expansion of their export trade would itself create and provide far more expanding markets for the products of the industrialized countries. Therefore, of all the processes of assistance, the process of expanding international trade in favour of the less developed countries is the easiest and the best of all the methods of maintaining and expanding world prosperity.

If the above approach of harmony and co-operation is accepted by this Conference and by the participants, i.e., the industrialized countries and the less developed countries, then the next question must be: how do we go about to secure the new understanding between the partners in this great human endeavour for enabling the less developed countries to expand their export trade? Naturally, such a policy would have to provide for an adequate institutional and organizational framework. India has always supported healthy institutions and organizations which work for greater co-operation in the international field. The General Agreement on Tariffs and Trade (GATT), which is the major organization of the Contracting Parties who are now about 61 out of the 122 countries of the world, has been doing good and essential work in the last sixteen years of its existence. In spite of its deficiencies, GATT has on the whole worked well to bring order out of chaos in international trade. But the very nature of GATT and its membership at the time of its foundation, naturally led by the industrialized countries of the world, have tended to make GATT a policy forum from which the major trading nations of the world have derived greater benefit rather than to provide an instrument for promoting the trade of the poorer countries of the world in new directions, as we all wish. From our contacts and talks with our industrialized partners, we are convinced that the industrialized nations do desire, as much as we do, that the GATT, by enlargement and reconstruction, should be made capable of performing the new tasks, where necessary. Although this is so, there may be some difficulties as to the manner and form in which the GATT should be remodelled. In our view, the following steps are clearly indicated if GATT is to continue as desired to function as an instrument of international trade for the benefit of all the countries of the world.

(a) The present multilateral contract should be readapted to provide for bilateral balanced commodity exchange of the centrally planned economies. The value attached by most of the countries of the world to trading with the centrally planned economies is too well known to need any reiteration here. Most of the countries at this conference table are trading with one or other of these centrally planned economies. In spite of some handicaps, the trading policies of

the socialist countries have generally found acceptance as much as the multilateral pattern of the GATT has found between the Contracting Parties. Therefore, either through amendments or suitable additions or through supplementary organization, the international contract on trade should also provide for trade between market economies and the centrally planned economies, so that while recognizing and benefiting from the trading patterns which already exist and which cannot be ignored, we can bring about a measure of regulation and improvement in these bilateral trading patterns. We have some ideas on this, but they can be best discussed in the Fourth Committee—provided there is readiness on the part of all concerned to seek a solution of this major problem.

(b) It is also necessary that the GATT should become a fully representative organization of all the trading countries of the world, i.e., of the more than one hundred multilateral trading countries, and the ten or more centrally planned economies. All the Members of the United Nations will have to be given full membership of the GATT if international trade is to work under a broad pattern of rights recognized and obligations accepted by all the different members of the enlarged GATT.

(c) The main effect of the contract as it stands and of its different clauses and regulations is to maintain the *status quo* in the trends of world trade. If a reversal of these trends is desired by the Conference, as I hope it is, by both the industrialized countries and the less developed countries, we will have to modify and remodel policies radically so that a full, free and expanding access is secured for the products originating in the less developed countries to the expanding markets of the industrialized countries through such policies which may be built into the GATT. This is not so difficult to achieve. It can be attained by maintaining what is good and is working well in the GATT, and redefining what is desired by all the countries of the world so that the international trade of the less developed countries expands commensurate with their needs. At the minimum, their share in expanding international trade should continuously increase from its present poor proportion of 20 per cent to a much higher and larger figure and wipe out the gap between their needs and their present small earnings as clearly brought out in the Prebisch report. I will not take the time of the Conference by going into greater detail on this matter, but leave it to the Fourth Committee to work out the new organizational pattern.

Along with the GATT, reconstituted and remodelled as desired by all the member nations, we should meet periodically in this Conference, so that larger policies of economic growth and development and trade and aid can be discussed in this forum. By its very nature, a contract or an agreement on trade has to work within a specified framework and rules, regulations and protocols. A contract, however liberal, cannot be so flexible, nor cover every aspect of economic

growth and aid which are necessarily flexible and changing and vary according to new situations that continue to arise. It is in this context that India has constantly advocated what the Prebisch report has underlined so clearly: the need for this Conference of the United Nations on Trade and Development to become a permanent feature. This Conference should meet periodically, once in two or three years, as necessary, with an adequate, permanent, and full-time secretariat in the United Nations and with such standing committees and committees of a permanent nature as will review and further the work of this Conference. Whatever are the ultimate agreed decisions of such a Conference, they should be implemented in the form of contracts and agreements which as far as possible should be considered and accepted by the GATT to ensure that the close liaison between the functioning of the World Trade Conference in its periodical meetings and the reconstituted GATT, as a dynamic instrument of international trade, is fully established and harmonized.

Coming to the specific problems of world trade: India places the highest importance on the reduction or removal of tariffs, and the removal of obstacles and restrictions so as to create a proper climate for the free play of international economic forces. The dominant effect of the depression of the thirties throughout the world, so disastrous for trade, was for restrictions to grow up in each country and for each country to try to protect its own balance of payments by agricultural protectionism and on the basis of infant industry arguments. The widespread growth of complicated tariff structures was the outcome of these policies of protectionism. It is, therefore, most essential, in our view, that this Conference should address itself to considering the removal of all these restrictions and obstacles in the way of the trade of the weaker partners, i.e., the less developed countries.

India therefore attaches the greatest importance to securing free and full access for all products of the less developed countries to the markets of the developed countries. To this end, various non-tariff barriers like quota restrictions, import licensing, internal duties and administrative restrictions need to be closely studied with a view to their elimination and removal, and the eight-point Action Programme approved by the GATT Ministerial Meeting of 1963 to be worked out and implemented in detail.

Our impatience and our anxiety arise from some of the trends which the Secretary-General has indicated in his report. On the one hand, we are continuously talking about and seem to agree that the export trade of the less developed countries should be expanded. As these economies are more primary than industrialized, it is clear that the export trade of each of the less developed countries generally hinges on less than half a dozen primary products. These primary commodities, which constitute the core of the export trade of the least developed countries, have been facing very severe weather in the field of international

trade. As the report mentions, even in the field of primary products, the industrialized countries have enlarged their share of world exports of primary products from 47 per cent in 1950 to 55 per cent of the over-all increased world trade in 1961 whereas over the same period, the share of the less developed countries in primary products, excluding petroleum, fell from 41 per cent to 20 per cent. Further, it is stated that between 1950 and 1961, the terms of trade of primary commodities fell by 26 per cent in relation to those of manufactures. All this points to the immediate need to give first priority to overhauling the policies and practices of trade in primary products.

Without going into the details of this problem of primary products, the Indian delegation would like to advocate that ways and means should be devised to secure fair and remunerative prices for the primary products originating in these countries. On this broad objective, I am happy to say that there is a considerable measure of agreement among all of us. In the list of such commodities, it is clear that we can tackle 20 to 25 principal products over the next five or seven years through suitable international commodity agreements or arrangements. In the light of the experience gained in the case of agreements on tin, coffee, wheat, sugar and olive oil, it should not be difficult to work out in concrete terms commodity agreements tackling about three or four commodities every year, so that commodities like wheat, rice, tea, coffee, cocoa, copra and vegetable oils, jute and jute goods, cotton, wool, sugar, tobacco, spices, iron ore, manganese ore, natural rubber, tin and other minerals, meat and meat products, shellac and such other commodities of major interest to some of the less developed countries could be covered through a system of international commodity agreements providing for fair and remunerative prices.

In other words, we believe that a system of monetary compensation should be properly worked out by committees of experts, so that each commodity agreement covers a "trade development and price fluctuation fund" which would allow for automatic reimbursement to the exporting country should the world prices of the commodity sag below the floor price. Such a fund could be created from the sale of stockpiles when prices spurt, the surplus being deposited into the fund.

Second, by financial contributions from industrialized countries which are likely to be the main consumers of these products, so that additional resources could be provided to this fund by industrialized countries, while a small token contribution might also be made by producing countries themselves. These compensations would only come into play when other methods of regulating prices by regulation of production and consumption failed in any particular period or year to support prices at agreed levels. While advocating remunerative prices, we are conscious of the fact that the prices will have to be related to what the commodity can economically bear, and that the prices must

not be pitched so high as to induce growth of substitutes or over-production in uneconomic directions and so defeat the very purpose of price support at remunerative levels. It is not beyond practical possibilities to work out commodity-by-commodity agreements, with all the necessary safeguards, on the one hand, and adequate provisions for compensation, on the other. We attach great importance to this, because in the economies of the less developed countries, which are not very diversified and which depend mainly on a few primary products, the one single factor which can contribute greatly to the balance-of-payments position is increasing export earnings through remunerative prices and growing trade in primary commodities.

On the question of tariffs, India fully supports the "Kennedy round" of talks. My delegation views the forthcoming tariff negotiations for reductions in tariffs as an integral part of this over-all movement for the expansion of international trade, removal of obstacles and securing a freer and fuller market access for products originating in the less developed countries. Reciprocity on the part of the less developed countries would be more adequately provided through their purchasing more from the developed countries out of their increased earnings, rather than through conventional methods of negotiating reductions of tariffs which, it seems to us, they obviously cannot afford to do in the present state of their economy. We do hope that further improvements will be secured in the "Kennedy round" of negotiations so as to enable the world to dismantle the tariff walls to the very ground. Also tariffs, which are progressively increased as between the raw materials and products manufactured from them, should be reduced so as to facilitate and encourage natural industrialization based on these raw materials in the less developed countries.

In order to promote industrialization and the rapid expansion of export trade in the less developed countries, it is, in our opinion, necessary that preferential treatment should be accorded to the exports of the less developed countries and we trust that it will be possible to take this concept into account when we embark upon the forthcoming tariff negotiations. We are, however, convinced that such a system must be non-discriminatory and be applicable as a whole to all the less developed countries of the world, so that the complex system of discrimination between one group of countries and another or between one region of the less developed countries and another is firmly avoided. To this end, India would also suggest, that while taking note of existing systems of preferences, such as the Commonwealth preferences, the European Common Market, the Association of Overseas States, the Latin-American Free Trade Area and various other forms of regional economic groupings, these systems should, in due course, be brought under a uniform policy of non-discriminatory preferential treatment by the advanced countries for the products of the less developed countries as a whole. It is a difficult and complex task and we recognize that much patience and hard work towards

a common understanding on these problems will have to be put in at this Conference and also at future conferences. India has also shown readiness to give up preferences which she might be enjoying, provided adequate benefits are made available to all the less developed countries through a system of non-discriminatory preferences in the markets of all the industrialized countries to the products of the less developed countries. We have already agreed to give up preferences on tea and a few other products. It is our earnest hope that the leaders of the different regional economic groupings will give full attention to this problem, so that all the benefits, which otherwise are sought to be secured through different measures of liberalization of world trade in favour of the less developed countries, are not eliminated by an over-complex system of discriminatory preferences.

There have been suggestions of linking up preferences to the degree of development of particular industries in the different less developed countries. While this sounds reasonable in principle, it would be most difficult to work out practically, with any degree of completeness or reliability, or to agree on the criteria and classification of such degrees and stages of underdevelopment or development. The *raison d'être* of preferential treatment for the goods of the less developed countries is the undeveloped nature of the economy of these countries as a whole, and the growth of any particular industry or industries does not neutralize these disadvantages. Tying up preferences on an industry-wise basis would not be an easy system to work out. Besides, once this principle is admitted, any number of graduations can be thought of and pressed, making the whole approach almost unworkable. It seems to us that if some less developed countries feel that, for certain items of manufacture, they need more encouragement, it may be possible to stipulate a quantum for such items for which they can be granted a somewhat higher special preference for some time. However, I do not know to what extent such a complicated system would be practicable or workable and to what advantage, if any.

In addition to the removal of non-tariff barriers and reduction and removal of tariff barriers, India attaches the greatest importance to the industrialization of the economies of the less developed countries. It is true, that primary products do form the bulk of the exports of the less developed countries in general, and therefore, there can be no disagreement on the point that the utmost effort should be made to give maximum encouragement to the exports of primary products. However, a point is sometimes made that, as far as the less developed countries are concerned, the question of free and full access to be given to the export of manufactured goods from these countries to the markets of the industrialized countries is not of immediate significance, as very few less developed countries have achieved any reasonable level of industrialization. In our view, there is an obvious fallacy in this argument. While it is true that industrialization depends upon a

large domestic market, it is far more true to say that the less developed countries will not be able to raise their living standards merely by relying on the production and export of primary products.

While in several countries, owing to the size of their population, the domestic markets may be small, economies of scale in industrial development could be secured through the outlets which the export of the products of manufacturing industries would provide. The example of Switzerland, the Scandinavian and Benelux countries and other relatively small but industrialized countries is before us. The entire process of industrialization, through which the advanced countries of the world have passed, is one of consumption of manufactured goods at home and increasing exports of their manufactured products to the rest of the world. In terms of priority, it is clear that the less developed countries will have to work out programmes of industrialization based on agro-industries and industries processing the raw materials available in these countries. But in due course, through inter-regional planning and the international division of labour, each of the less developed countries, depending on its economic situation and potentialities, will have to implement as most of these countries have indeed been doing in the last decade phased programmes of industrialization. The keenness with which Indonesia, Pakistan, the United Arab Republic, Brazil, Argentina, Mexico, Malaysia, Ceylon, Burma, Kenya, Tanganyika, Ethiopia, Nigeria and most of the less developed countries of Latin America, Africa and Asia are forging ahead with their programmes of economic and industrial development, provides a positive reason, if any were needed, for assisting and promoting this process of industrialization of their economies, by giving larger scope to the semi-processed and manufactured goods of these countries in the markets of the industrialized countries.

The per unit return in terms of foreign exchange earned is obviously much higher for processed and manufactured goods as compared to primary products. Also, the functions of human skill and the technological and human development which these programmes of industrial development bring into the countries' social, economic and political life, need not be stressed by me here, because they are obvious. The world cannot afford to keep the peoples of the countries of Africa, Asia and Latin America perpetually as primitive hewers of wood and drawers of water. Unless the peoples of the less developed countries are brought in close touch with modern science and technology to the extent economically and socially possible, neither their living standards nor their skills and managerial functions and human personality are likely to develop. Full human development is not possible without the environment of modern industrial society. Human dignity demands that the benefits of modern science and technology should be enjoyed by the millions of the less developed world. I have stressed this point to some extent

because, owing to the small size of population of some of the less developed countries, it is sometimes doubted whether industrialization of these countries could be undertaken. With intra-regional planning on a selective and reciprocal basis, and on the basis of division of labour between groups of countries on the one hand and on the other help from the industrialized countries to set up industries in the less developed countries both for their domestic consumption and for exports, these economies can be industrialized and the living standards and prosperity of the less developed countries raised.

With regard to the trade in manufactures: the situation is that while the less developed countries' share of total world exports is about 5.6 per cent, it works out to less than 2 per cent if base metals, semi-tanned skins and essential oils are excluded. Despite this low base figure, the magnitude of what is misconceived as the problem of promoting exports of manufactures from the less developed countries is often exaggerated. According to the report of the Secretary-General, the exports of manufactures from the developing countries amounted to slightly more than \$2,000 million in 1961 and even assuming an increase of \$10,000 million by 1970, that is by more than half the trade gap, this would represent only some 4 to 5 per cent of the increment in the advanced private-enterprise countries' consumption of manufactures. These proportions would be lower still if the more industrially advanced countries with centrally planned economies were included in the calculations. The Secretary-General has in fact raised a very relevant point: can so small a figure possibly be a cause of anxiety?

The diversification of exports is as much a solution to the problem of stagnant earnings as anything else. This means that the less developed countries should increasingly undertake the export of manufactured and semi-processed articles based on their own resource endowment. It is well known that in the beginning of industrialization, due to a variety of factors such as the relative smallness of the size of the internal market, lack of an economic-social infra-structure, lack of up-to-date "know-how", credit facilities and knowledge of markets and marketing techniques, the cost of production in these countries may be high. In these circumstances, the manufactures from the less developed countries will not be able to compete in the markets of the developed countries. The nature of these special facilities has been examined in various forums and the consensus of opinion is that the establishment of preferences by the developed countries in favour of the products of the less developed countries would be most useful.

The difficulties which arise with regard to the acceptance of such an idea have been analysed carefully in the report. The first is the fear that such manufactured goods will flood the markets of the developed countries and disrupt their well-established industries. The report itself gives the reasons why such fears are

unfounded. Firstly, the quantities which less developed countries can export will be such a small proportion of the consumption of such items in developed countries that the disruption caused may be negligible. For instance, though India's exports which are extremely small today, are expected to be twice their present level in 1970, they will still account for hardly one per cent increase in the aggregate trade of all the market-economy countries. Secondly, the long-run effects on the exports of capital goods, etc., from developed countries will be sufficiently beneficent to make it worth while for industrialized countries to settle such temporary difficulties as may arise from the imports of such manufactures.

With regard to economic assistance, our views are more or less in agreement with the views of the Secretary-General's report. Our experience has been that if a given volume of assistance is to be most effective for development, it should be tied neither to projects nor to countries. The former ties aid utilization to the progress of particular projects and not to the requirements of the economy as a whole. The latter by restricting the freedom of purchase, prevents the aid-receiving country from buying the latest equipment in the cheapest market. It also acts as a drag on progress because Governments cannot meet freely demands for foreign exchange. Such stipulations are made because development assistance is partly intended to find export markets for domestic industry. Howsoever laudable this may be, it does not help the growth of less-developed countries.

The second problem is with regard to the terms. It is normal to charge commercial rates of interest and the period for which assistance is given is also based on commercial principles. Development assistance should be based on altogether different considerations. Repayment has necessarily to be spread over long periods so as to give time to the economy to build up adequate export capacity. Therefore it is improper to assess, as is sometimes done, the capacity for repayment of a particular industry or project to which assistance is being given. The rate of interest has to be low, in view of the fact that the burden of servicing becomes very heavy as development programmes are implemented. Repayment should be as far as possible worked out in sales of goods.

Our experience also indicates that assistance should not be confined only to the import of capital goods. An integrated picture of the balance of payments as a whole should be taken and foreign assistance should provide the required net addition to the resources of the economy. As development proceeds and capacity to manufacture all kinds of goods is built up within the country what may be required will be raw materials and components to feed this capacity rather than equipment. This principle is now being recognized to some extent and a sizeable amount of what is called "non-project assistance" is being made available.

I have tried in my speech to deal with the broad problems coming before this Conference. There are other



problems of details which are equally important, and in many respects much more important, to some of the countries: such as the problem of transit of goods from the land-locked countries; the problem of shipping freights, insurance and other charges for the goods of the less developed countries. Due to inadequate facilities of domestic shipping and high rates of shipping freights, the invisible earnings of most of the less developed countries are very small and the burden of foreign exchange on payments of these charges excessively high. I trust that these problems will be dealt with in the respective Committees. We will be prepared to lend our fullest support to the solution of these problems.

The variety of subjects that this Conference will be dealing with is very vast indeed and I would not venture to deal with points other than those I have mentioned above. However, in dealing with any system of encouragement, assistance and preferences, there is some need to take an over-all view of the different forms of assistance. Whatever special devices are evolved to provide equality of opportunity to less developed countries *vis-à-vis* developed countries, there is likely to be a tendency to impose conditions on such devices in an attempt to secure benefit for all from each device, sometimes to the point of arithmetical equality. However, since the question of trade and economic growth is of an extremely diverse nature, both from the practical point of view as well as in the interest of a new international division of labour, conditions and expectations to derive and allot equal benefit to every one from each device can only complicate schemes and may even make most of them unworkable. We are in fact looking forward to a series of devices being evolved for the benefit of the less-developed countries so that in the aggregate of the benefits each would be able to derive substantial gain, depending on its natural endowments and other factors, without every device being planned to benefit each of the countries in equal proportions. Even though this is an obvious fact, I am merely men-

tioning it in order to serve as a word of caution: so that the solutions that we evolve here may be both practical and satisfying.

I have dealt with only some of the major problems confronting this Conference and have shared with you our present views on them. My delegation keeps an open mind and we have learnt a great deal from the statements already made by our colleagues from developing countries. We have also been heartened by the speeches made by the Ministers of industrialized countries of the world at this Conference welcoming the broad objectives of the Conference and signifying their agreement and willingness to make a constructive contribution to the solution of these problems. It is in the spirit of an international co-operative effort that we have met here to bring about a mutual understanding of one another's needs and possibilities and also of solving the basic problems even if it involves some sacrifice on the part of the industrialized countries and more intensive efforts on internal development on the part of the less developed countries. To this effort, I pledge the full support of my delegation.

Even though I have used the word sacrifice, we are, in fact, asking the industrialized countries to undertake adjustments and investments in the long-term prosperity of their own countries and the world as a whole: with regard to the internal efforts of the developing countries, the friendly atmosphere in this Conference and such results as we hope will emerge out of the deliberations of this Conference should give strength and confidence to the Governments and the peoples of the less developed countries to activate their productive apparatus in the fields of agriculture and industry and other sectors of development of human resources in their own countries. Let us hope that all the internal programmes of economic growth aided by increasing external trade and aid from industrialized partners may ultimately result in the major objective of reducing and eliminating poverty and hunger from all the lands of the world.

**STATEMENT BY H.E. Mr. K.B. LALL, AMBASSADOR OF INDIA,  
ON BEHALF OF THE AFRO-ASIAN GROUP AND YUGOSLAVIA, TRINIDAD  
AND TOBAGO AND JAMAICA WITH RESPECT TO THE PARTICIPATION OF  
SOUTH AFRICA AND PORTUGAL**

at the seventh plenary meeting, held on 26 March 1964

[Original text: English]

On behalf of the Afro-Asian Group, Yugoslavia, Trinidad and Tobago and Jamaica, it is my painful duty to raise a subject that has been confronting us at

all international conferences. I refer to the continued presence in our midst of the representatives of the minority settler Government of South Africa and those



of Portugal, which have outlawed themselves from the world community by their obnoxious policies of racial discrimination and colonial oppression. We have no alternative but to raise this question at this Conference, because of their persistent defiance of all international principles and their continuing violation of fundamental human rights.

It is hardly necessary for me to describe in detail the reasons that determine our attitude with regard to these two countries in various international gatherings. We are fully aware that this matter is not only an Afro-Asian problem, but also a world problem. We know too, that many countries outside our two Continents are equally disturbed by the defiant attitudes of these two Governments. The policies of the Republic of South Africa and of the Government of Portugal cause embarrassment to their friends and threaten world peace. As the President is aware, many countries have appealed to them to change their outdated policies of *apartheid* and colonialism; many have tried to advise and influence them to abandon their intolerable practices and their negative attitude to the United Nations and its Charter. These appeals have not only fallen on deaf ears, but the situation has gone from bad to worse. As a result, the Organization of African Unity and some Asian and other Governments have embarked on an economic and diplomatic boycott of South Africa and Portugal.

This is a Conference on Trade and Development. We have met here to explore, *inter alia*, ways and means of reconstructing international trade so that it becomes an effective instrument of economic development of all countries and peoples, irrespective of their colour, creed or race. These are tasks that require international good will, co-operation and mutual respect. The Afro-Asian Group is unanimously of the view that the

policies of *apartheid*, racialism and colonialism pursued by the Governments of South Africa and Portugal run counter to the principles and purposes of this Conference.

Time and again, the United Nations have given expression to the international community's abhorrence towards the diabolical and cruel policies of these two Governments. The worst form of colonial oppression continues to be imposed by force of arms on helpless peoples in the territories dominated by Portugal, while in South Africa racial discrimination, indignity and injustice have been adopted as a policy of the State.

We have been forced to come to the conclusion that it is futile to enter into discussions with the representatives of these Governments at this Conference. The pre-requisites for the success of this Conference are an understanding of our mutual problems, an appreciation of the aspirations of the peoples of the world without distinction of race, colour or creed, respect for human dignity and human decency, and a genuine desire to eradicate poverty and relieve suffering in all lands. These pre-requisites are, alas, if I may say so, wanting in the Governments of South Africa and Portugal and their delegations. We have therefore decided not to co-operate, in any form or manner, with these delegations. It is in fact our desire that these delegations be excluded from participation in this Conference. Without prejudice to any other steps that may be taken in this regard, we are firmly determined to ignore the presence of the representatives of these countries. We trust that all the delegations who have faith in the principles of human dignity, equality and justice will do the same. Let us hope that our joint efforts will lead to the abandonment of the policies which all humanity abhors and which the United Nations have condemned.

STATEMENT BY H.E. Mr. ADAM MALIK,  
MINISTER OF TRADE OF THE REPUBLIC OF INDONESIA,  
HEAD OF THE DELEGATION

at the twentieth plenary meeting, held on 6 April 1964

[Original text: English]

The convening of the United Nations Conference on Trade and Development is the result of the initiative taken by those countries, including Indonesia, now engaged in the process of economic and social development. I should like to express the deep satisfaction felt by the Government of the Republic of Indonesia that this unique opportunity is provided for the economically advanced countries and the developing nations to work out together solutions to those prob-

lems which are hindering a more rapid pace of economic growth. The Indonesian Parliament has also voiced its wholehearted support for the Conference and has expressed the hope that concrete measures for international action will be forthcoming.

It is fitting, I believe, to recall another historic meeting, the Asian-African Conference held at Bandung in 1955, which gave impetus to the struggle then being waged by many still dependent peoples for

political and economic independence. From that Conference, the voice of a united Asia and Africa was first heard proclaiming the right of all peoples to self-determination, national freedom and economic emancipation. The United Nations Conference on Trade and Development, which numbers among its participants representatives from many nations not free just nine years ago, is a culmination of all the efforts made by all the developing countries since that time to enlist the co-operation of all other nations in their struggle for the economic independence essential for genuine nationhood.

The Indonesian Government is disappointed, however, that all nations of the world are not represented at this historic gathering. In particular, we regret that the People's Republic of China, a nation of 700 million, is not present here. We believe that those who are absent should have a voice in, and could have made a positive contribution to, our deliberations. We must admit, nevertheless, that this is an impressive gathering of developed and developing nations, and one to which the peoples of the latter, in particular, are looking with great hopes and expectations.

We feel especially fortunate that the Presidency of this Conference is in the able hands of Mr. Kaissouni. During the Cairo Conference of 1962, he demonstrated his exceptional abilities and his profound understanding of the intricate problems with which we must deal. His election to this high office is a tribute to him personally and to his country, which is continuously striving to further international co-operation and economic progress. On behalf of the Indonesian delegation, I extend to him our sincerest congratulations.

I should also like to express our deep appreciation to the Secretary-General of the Conference, Mr. Raül Prebisch, for the outstanding work which he and his able colleagues have done in preparation for this gathering. The excellent report which Mr. Prebisch has submitted is the culmination of all those efforts and is of inestimable value to us all.

The ultimate objective of the United Nations Conference on Trade and Development is, as the President of Indonesia, Dr. Soekarno, stated in his opening-day message, the establishment of a new form of international economic co-operation based on the principle of social justice for all mankind. The conduct of economic relations on this basis would enable us to create a world society free from the exploitation of nation by nation and of man by man, a world society truly reflective of the revolutionary tenor of our age. For the structure of world society is undergoing significant and far-reaching changes which are setting the trend for the future and posing the greatest challenges in the history of mankind. The *status quo* has been rejected. The conditions of the past have been destroyed. The rebirth of freedom, of belief in human dignity, demands for equality, prosperity and social justice echo in the hearts of

peoples in the farthest reaches of the globe. Slumbering mankind—two-thirds of the world's population—has awakened, has become aware of its misery, its poverty, its disease. It will no longer accept these conditions as the natural order of existence. It sees the injustice inherent in the structure of a world society which perpetuates them. It demands their eradication. It demands an end to domination, discrimination and neo-colonialism in all its forms and manifestations. It demands the building of a new society, a new world order, in which social justice will prevail and all will share the material abundance of this earth.

This is the type of world we are living in today. These are the challenges we face.

The developing countries must meet these challenges; they must meet the demands of their peoples by making rapid and sustained economic and social progress. At the very outset of this momentous task, however, they are plagued by their political, economic and social history, which has left them politically independent nations lacking economic strength and viability. As colonies or dependent territories, the newly-independent countries constituted useful sources of primary commodities and of raw materials for the metropolitan centres, for whom they also provided a market for manufactured goods. Even those developing countries which were independent at that time functioned *vis-à-vis* the industrialized nations in the same way and shared, by and large, the same economic dependency. The political changes which so altered the structure of world society after the Second World War did not, however, find their counterparts in economic changes. The countries which had gained national freedom still possessed the imbalanced, backward economies of colonial times; the pattern of world trade remained the same; and the developing countries, although independent, continued to serve the same economic function that they had fulfilled as colonies.

This was the case with Indonesia. When we attained our independence, we inherited a decidedly imbalanced economy, geared primarily to supplying raw materials to external markets and dominated largely by foreign influences. Moreover, we inherited a social structure predicated on discrimination, inequality and domination. We were compelled, as are all newly-independent nations, to re-examine the basic structure of our entire society, for our people were demanding equality of treatment and a just distribution of our wealth.

All of the new nations are determined to rid themselves of the artificial and alien structure imposed by centuries of colonial domination and to build a new society and a new social structure which is consistent with their own national characteristics. For each nation, the problem is one of finding its own identity and utilizing its own social system as the propulsive power for a real national take-off. Each nation has its own forms of strength and its own potentialities for growth. Unless those potentialities are recognized

and mobilized, no economic development plan, however comprehensive or systematic, will succeed. For these form the essential elements in the dynamic process of nation-building.

As we in Indonesia have made strides in economic and social development, so have the other developing countries made progress in their programmes of development. But there is a limit to how much the developing countries can accomplish today when economic relations among nations still reflect the outmoded concepts of discrimination and exploitation characteristic of a past age. This is particularly evident in the present-day pattern of international trade, which is based on the outmoded classical international division of labour and, consequently, operates almost exclusively to the interests of the economically-advanced nations. The latter have insisted that international trade in primary commodities be subject to the free play of market forces which, in view of the developing nations' vulnerability, can only be detrimental to their interests. At the same time, the industrialized countries have maintained tariff and other barriers to trade expansion and the diversification of exports, while benefiting increasingly from their scientific and technological advances, their accumulation of capital resources, and their technical "know-how". These and other factors have contributed to the critical trading position of the developing countries as regards their lagging export volume, the deterioration in their terms of trade, and the decline in their share in world trade. In his report, the Secretary-General of the Conference warns that if this situation is allowed to continue, the trade gap may reach an order of magnitude of \$20,000 million by 1970. If this were to happen, we may be certain that not only would the developing countries have reached their breaking point, but also there would be no one left for the industrialized countries to trade with, except each other.

We are all aware of the effect this trade situation has had on the pace of development. Even the relatively large-scale volume of multilateral and bilateral assistance rendered to the developing countries over the past years has not enabled them to make any significant headway. For, in effect, it has only served to offset losses suffered through deterioration in their terms of trade. And the disparity in living standards between the economically-advanced and the developing nations grows larger day by day.

Does this not suggest that a change is needed in our whole approach to the problem of development? Does it not indicate that the present policies and the action of the international community are inadequate to meet the challenge posed? The less-privileged peoples of the world will not remain silent while those in the industrialized countries continue to accrue material benefits in ever-larger measure. International peace and security are already endangered by the sharp contrast of life in the low-income coun-

tries and life in the economically-advanced nations. If we are to avoid future calamities on a world-wide scale, if we are to prevent this situation from continuing unabated, we must adopt a bold new approach to international economic relations—to the expansion of the world economy, to development and to international trade—an approach which will signal a new venture in economic co-operation and will reflect truly the interdependence of all nations of the world.

The fundamental objective of international economic relations must be to create the conditions necessary for a harmonious and balanced expansion of the world economy as a whole. This will require conscious and deliberate planning to influence economic forces and the course of events toward the desired goal. Development of the developing countries is the major prerequisite for the creation of an expanding and integrated world economy, and international trade must become the main instrument of that development. This, in turn, will require co-operation among nations on a hitherto unprecedented scale, co-operation which will enable the international community to mobilize the resources, the efforts and the political will needed for this end. Such co-operation must be based on respect for sovereignty, equality and non-interference in the internal affairs of other countries. Countries should refrain from taking measures detrimental to the interests of other countries and should remove all forms of discrimination and other barriers to the creation of genuine international economic co-operation.

The United Nations Conference on Trade and Development offers us the opportunity to begin the process of directing the course of events toward more rapid development through economic co-operation in matters of trade. It provides a forum in which the industrialized countries and the developing nations can attack the problems of trade frontally and in depth, and can define their solutions on a comprehensive and world-wide scale.

In the view of the Indonesian delegation, the Conference has two fundamental and equally important tasks. The first involves the formulation of principles and rules for a long-range, comprehensive and planned international trade policy which will operate to the benefit of the developing countries as well as the industrialized nations. Such a policy must be based on the need for providing special assistance and protection for the less-developed part of the world economy. This would include, in the first instance, the granting of non-discriminatory preferential treatment to all developing countries. Second, there should be a progressive reduction and early elimination of all barriers and restrictions impeding the exports of the developing countries, without requiring reciprocal concessions on their part. Third, the volume of exports of the developing countries in both raw and processed primary products must be increased, and prices must be stabilized at fair

and remunerative levels. In this connexion, a new attitude is necessary on the part of the industrialized countries to ensure that a just price for primary commodities is determined in accordance with the needs of the developing nations. Fourth, developing countries must be assured of a voice in all international economic arrangements of developed countries which directly affect their economic interests, such as those regarding the disposal of stockpiles, freight conferences and the Berne Convention on long-term credit insurance. Fifth, regional economic groupings of developed countries should not provide special privileges to their members which result in a deterioration of the position of developing and other third countries, and they should undertake to remove as soon as possible the harmful consequences to third countries that may derive from such arrangements.

In addition, more adequate financial resources should be provided to the developing countries on favourable terms so as to enable an increase in imports of capital goods and industrial raw materials. Moreover, the granting of international funds, from any source whatsoever, must not be made dependent on any military, political or economic conditions unacceptable to the recipient countries. Foreign private capital flowing to the developing countries should be based on concepts of co-operation for mutual benefit, as befits an economic relationship between equal partners. The Indonesian Government has devised a formula which it practices for this type of economic co-operation, combining foreign credit with repayment in kind deriving from the venture, which we call production sharing.

Finally, a dynamic international trade policy must also recognize the growing interdependence of all nations, regardless of differences in economic or social systems, and must take into account the repercussions which adverse effects on the trade of any nation can have on all other nations.

These are the principles which my delegation believes would, if faithfully and consciously observed, serve to bring about the new international division of labour, with new patterns of production and trade, needed to create a truly interdependent and integrated world economy.

The second fundamental task of the Conference is to begin to give actual shape and substance to the new approach to international economic relations which we hope will result from this gathering. We must adopt concrete measures which will reflect a new, comprehensive and dynamic trade policy and which will, together, form a positive and integrated attack on trade and development problems.

The first area of our concern is the international trade in primary commodities. Indonesia's participation in four of the five existing international commodity agreements—namely, those for tin, coffee, sugar and wheat—is proof of its consistent policy towards agreements for the stabilization of such trade and of its

special interest in these forms of international co-operation.

Rightly, Mr. Prebisch has paid much attention in his report to the fundamental importance commodity agreements can have for the exports of the developing countries, provided they are put on a more dynamic basis and have a wider scope than is the case at present. They must encompass all producers and consumers; they must provide a machinery to stabilize prices on an equitable and remunerative level and to guarantee the purchasing power of exports of primary commodities; and they must provide measures for assured and growing access to markets and for governing surplus disposals. Agreements should also be extended to a wider range of commodities in need of stabilization.

Allow me now to turn to some commodities of particular importance to Indonesia.

One of Indonesia's main export products is rubber, which I feel is bound to face a critical stage in the years ahead if left entirely to the operation of free market forces. There has so far been a frightening trend toward the greater percentage usage of synthetic rubber and now, in the elastomers market as a whole, a problem of surplus production capacity may develop over the coming years. The International Rubber Study Group has observed that there is already a surplus production capacity in the synthetic rubber industry. The natural rubber industry may be confronted with the same prospect, which would entail economic hardships for the millions employed in this industry in the developing countries. There is too much at stake for natural rubber producing countries in this commodity of major importance in commodity trade. It is therefore my sincere hope that this Conference will come to the formulation of measures for international action to safeguard the natural rubber industry and its markets, and that eventually an agreement could be envisaged to accommodate the interests of both natural and synthetic rubber producers, in order to prevent the disruption of markets and to resist the persistent downward pressure on prices in the elastomers market as a whole.

In any case, for those commodities for which agreements would not be technically feasible or would be undesirable for various reasons, other suitable corrective measures must be formulated to arrest the further deterioration in terms of trade and in demand. Special attention should be given to those commodities which are experiencing the adverse effects of fierce competition from man-made substitutes in the highly developed countries.

A different situation confronts those commodities for which world consumption now exceeds world production, as in the case of tin. The approach to such problems must accordingly be different and is a matter of maximizing production. Conditions should therefore be created to enable producing countries to rehabilitate and expand production to meet the growing demand. There should be adequate price incentives to obtain this objective, and existing non-commercial

stocks held by Governments in importing countries should, therefore, only serve to fill the shortages of particular periods. Those Governments should continue to preserve a sound climate to enable producing countries to cope with the problem of the heavy capital outlay needed if production is to be increased to a significant degree to meet world requirements over the coming years.

Other commodities such as tea, coffee, cocoa, sugar, tobacco, copra, pepper and palm oil need measures in accordance with their own specific problems. Basically, for many of these commodities there is the problem of the slow growth in demand—requiring greater access to markets—and the problem of inadequate price levels, thus the problem of deterioration in the terms of trade. Various measures have been conceived, such as those for the removal of tariff barriers, for trade promotion and stabilization schemes, and are now waiting for the endorsement of this Conference and rapid implementation. There is indeed no single solution to the problem of commodity trade, and the answer must be found in a comprehensive and co-ordinated series of measures and in a positive course of action.

The subject of trade in manufactures and semi-manufactures must also be discussed thoroughly and in detail by the Conference. However important the primary commodity trade pattern is at the present time, the diversification of these exports is a must, a *conditio sine qua non* for ensuring the means to finance the constantly increasing requirements for basic necessities, capital goods and industrial raw materials so vital for current production and for a satisfactory rate of development.

In the implementation of their respective plans for industrialization, the developing nations will soon reach, or in some cases have already reached, the stage where targets for the production of import substitutes for domestic consumption will be surpassed. Unless they are able to export those manufactures and semi-manufactures, they will possess excess plant capacities. Owing to the weak competitive position of these products in the international markets as compared to those of the industrialized countries, which enjoy the benefits of advanced technology the latter should accord special concessions to the weaker nations.

We realize that as the process of industrialization progresses in the developing countries, the economic structure of the developed countries will be directly affected, and that structural adjustments will have to be made to avoid severe dislocations of the labour force and of other productive factors. The adjustments which will be required, particularly in terms of the labour force, are, according to the report of Mr. Prebisch, relatively small and thus should not entail too large a burden for the wealthier countries to bear. My delegation therefore urges the economically advanced countries to assert the necessary political will to assist the efforts of the developing countries by granting preferences on a non-discriminatory basis, by opening up their markets, and by taking into account the need of

the developing countries to export semi-processed and manufactured goods when formulating their production and trade policies.

The lowering of trade barriers, although urgently needed, will nevertheless be far from sufficient to bring the export earnings of developing countries to a remunerative and stable level. Neither can we expect that commodity agreements, even when applied on a wider scale and broader scope, will suffice to prevent the exporting countries from suffering losses due to a deterioration in their terms of trade. Therefore, compensatory financing will still be needed to offset these kinds of losses. Moreover, until commodity agreements can be an effective instrument for stabilization for a majority of primary products, compensatory financing will also have to cope with the losses from price fluctuations of a short-term nature. As a major supplier of natural rubber, for which there is no stabilization scheme, Indonesia has suffered and is still suffering huge losses from both of these phenomena. Therefore, Indonesia will support the establishment of any machinery which will facilitate the stabilization of our export earnings and those of other developing countries.

The predicament of the developing countries as regards the lack of sufficient earnings for their development needs is further aggravated by the vast sums that must be allotted from these earnings for repayment and interest on external debts. Indonesia forms no exception in this matter. The gravity of this particular problem is demonstrated by the fact that almost one-half of our external debt must be replenished within the short period of three years.

Similarly, the Conference will have to pay due attention to the drainage of export earnings caused by the magnitude of the invisibles payments flowing from the developing countries to the industrialized nations for services rendered in shipping, insurance, patents and other items. A study of shipping and ocean freight rates made by the Secretariat of the Economic Commission for Asia and the Far East points up how important this problem is to the countries of that region. Since more than 90 per cent of Indonesia's export and import trade is still shipped by foreign carriers, the unsatisfactory situation, coupled with discriminatory practices in the field of shipping has a pronounced effect on our balance of payments in general and on our import capacity in particular. In our opinion, a shipping conference should be convened as soon as possible to regulate matters in this field.

Whatever action the Conference takes on these or other pressing problems of trade and development, it must also establish the machinery necessary to consolidate and oversee the implementation of its decisions. The existing institutions could hardly assume such a task. Not only do they lack a unified, comprehensive approach to all the problems of international trade, but they are also based on the obsolete principles of economic domination and the free play of market forces. We need a machinery, universal in

membership, character and scope, which will reflect the new approach to international economic relations that the changes and the challenges of our times make imperative.

These are the views and the expectations which my Government has for this Conference. I believe that all developing countries must share our sense of urgency as we face the challenges posed by development. For the pressure of our peoples' demands imposes a time limit upon us all. Does the presence of the economically advanced countries at this Conference signify that they too realize that we can delay no longer the adoption of a new, comprehensive and consciously planned approach to the problems of trade and development? Does it indicate their readiness to adjust their attitudes and their policies to meet the new conditions of our changing world order? I trust that this is so, for the success of this Conference depends in large measure on their attitude. Without their active and constructive participation in devising workable solutions to our pressing trade problems, without their understanding of the need for changes in our total approach to international economic relations, there will be no basic

improvement in the economic conditions which have brought us here together. Indeed, the entire situation will only deteriorate further.

We do not expect the Conference to be a panacea for all our problems. We do, nevertheless, expect it to signify a rededication on the part of the entire international community to the cause of development and of world-wide prosperity. We do expect it to mark the beginning of a mutually co-operative and mutually beneficial effort to arrest and reverse the devastating trend of the developing countries' trade. This will not be easy. It will require adjustments, painful and costly ones, in the economically-advanced nations. But the pain and the cost of failure or of unwillingness even to attempt to meet such a challenge will be far greater for both of our worlds.

Success in the momentous task of economic development requires that the United Nations itself take the lead in its promotion. This Conference must not fail. Let us begin now to take those basic steps toward genuine international economic co-operation which we all know are essential to world peace and prosperity for all peoples.

**STATEMENT BY H.E. Mr. ALINAGHI ALIKHANI,  
MINISTER OF ECONOMY, HEAD OF THE IRANIAN DELEGATION  
at the eighteenth plenary meeting, held on 3 April 1964**

[Original text: French]

The United Nations Conference on Trade and Development provides the less developed countries with a unique opportunity to submit certain major aspects of their struggle for the improvement of the socio-economic conditions of their peoples to the world community, and to seek, in co-operation with more advanced nations, adequate solutions to their problems.

The excellent report of Mr. Raúl Prebisch, the distinguished Secretary-General of the Conference, followed by his brilliant statement before this Assembly, as well as the important documentation which has been prepared by the competent staff of the Secretariat, allow us now to pose, with all the required clarity and objectivity, the crucial problems raised by economic development in its relation to international trade.

A quick study of all these documents enables us to state that although the case of developing countries is clear and simple to define, the solutions appear to be difficult. They require, in fact, not only a particular effort on the part of the developing nations themselves but also that this effort in this direction could be assured

of the effective understanding of all and an appropriate action for their implementation.

Available statistics show that during recent years, the gap in *per capita* income between developed and developing countries has continuously and rapidly increased. And it is only regrettable that the decline registered since 1960 in the rate of growth of developing countries has taken place in spite of the General Assembly's resolution on the "Development Decade". Fact has thus transformed this admirable resolution into a hollow slogan.

Developing countries should therefore face the fact that their backwardness in relation to the industrialized nations is thus continuously increasing. One cannot fail to recognize that such a situation may expose the world to all the hazards of a potential increase in the elements of tension and instability among nations.

It has been argued that problems of economic development of developing countries are their own responsibility. It would, however, be perhaps more objective to add also that the Governments of these countries, as a whole, and especially since the end of

the Second World War, have fully demonstrated their readiness to assume their fair share of responsibilities. Thus, the world has witnessed the constant and conscientious efforts which have been made by a great number of less developed countries along the path of development and self-sustained growth. In a fairly large number of cases, particularly in my own country, enlightened leaders have not hesitated to take the most revolutionary measures for the implementation of such structural reforms as are the necessary prerequisites to any plan of accelerated growth. It is, however, clear that such internal measures, effective and far-reaching as they may be, could not alone suffice to solve the gigantic problems of economic development faced by developing nations.

The fact of the matter is that we live in an interdependent world. The developing countries, in order to enable themselves to advance along the line of economic progress, need to import technical "know-how" and capital goods necessary to their growth in return for their exports or through obtaining foreign credits. Great efforts have been made by international agencies and through bilateral arrangements for the transfer of modern technology to less developed countries and it is only fair to state that, in this field, certain industrialized countries should be credited with successes which have been achieved at a relatively low cost.

The question of the shortage of foreign exchange the need for which increases proportionally to development efforts continues, however, to constitute a serious handicap to the economic growth of most of these countries, and, indeed, affects their capacity to import much needed capital goods.

It is this increasing gap in the balance of payments of developing countries which is the starting point of our deliberations. As we have been informed, the magnitude of this gap could actually soon reach alarming proportions should the present conditions of world trade persist.

The underlying factors for the widening gap in this balance of payments have been thoroughly analysed. While, on the one hand, the needs of developing countries for imports have continued to increase rapidly, the export earnings of these countries have, on the other, continued to lag even further behind. This trend has become one of the permanent features of the present system of world trade and the division of labour on the international level, and the problems which it raises require both short-term and long-term measures.

It is a fact that the major part of exports of the developing countries consists in primary products which have a low elasticity of demand and, in addition, have to face competition from synthetic and substitute products. Consequently, while the developing nations have done their best to expand their exports of primary products, they have had to sell their goods at lower prices in the world markets, while the prices of

their imports have continued to increase. The savings achieved by the industrialized nations from the lower prices of primary products have partly been passed on to their labour force, under the name of increased productivity and also partly utilized to finance the expansion of their economy. As a result, one cannot fail but record this ironic situation that poor developing countries are thus indirectly led to finance, with their efforts, a not negligible part of the prosperity of rich and industrialized nations.

In addition to this deterioration in their terms of trade with regard to the exports of their primary products, developing countries have faced various kinds of obstacles with respect to the exports of manufactured and semi-manufactured goods to more developed regions.

Great emphasis has been laid in recent years on the importance of inter-governmental aid and of the private flow of capital from more developed countries to less developed areas, aid which is supposed to reduce the widening gap of the balance of payments of these latter countries. While the flow of foreign capital, under its different forms, has contributed and not insignificantly to reducing at least temporarily—the trade and balance-of-payments gap, the recent experiences of developing countries indicate that recourse to these resources should never be envisaged without due caution. In fact, recourse to such capital may easily lead these countries to increase their burden of servicing and repayment of investment loans and thus aggravate their balance-of-payments conditions in the future. In recent years, the investment income alone which has been transferred abroad from the developing nations has amounted to \$3,000 million per annum or more than two-fifths of the capital inflow, from abroad, that is nearly 13 per cent of the export earnings of the developing countries. It is feared that this burden would increase steadily, should the volume of such capital flow increase under the existing terms. One should therefore ascertain that while developing countries welcome such types of assistance, they expect them to be long-term, at low rates of interest and, of course, unconditional.

As regards private foreign investments, their magnitude has not been sufficient for them to make a significant contribution to the balance-of-payments gap. Besides, in admitting private foreign investments, developing countries should be rather selective and divert them towards fields in which local capital and technical "know-how" are weak or non-existent in order to avoid the undue increase in servicing of such investments.

These considerations bring us to the conclusion that various kinds of foreign loans, grants and investments however large, will never alone suffice to bring an adequate solution to the problem of the gap in the balance of payments of developing countries. The amount of foreign exchange obtained from the availability of such resources has often been wiped out by the deterioration of their terms of trade.



As an example, my country has lost, during the past five years, the equivalent of \$445 million as a result of the deterioration in its terms of trade, while the net flow of capital from abroad has been only \$165 million for the same period.

The major problem of developing countries, thus, remains at present that of expanding their trade on a fair and rational basis. This expansion of trade would benefit not only the developing countries, but would also provide expanding markets for the products of industrialized ones. It would reduce, at the same time, the dependence of developed countries on each other, namely with respect to the effects of the transmission of any economic fluctuation to the others. Finally, it would indeed lead to the establishment of a better international division of labour, on a mutually advantageous and acceptable basis.

In other words, as has been repeatedly stated here, the position of developing countries with regard to the expansion of trade should in no way be interpreted as a quest for charity on the part of developed countries, but merely as the expression of an enlightened conception of their own long-term interests.

In the short run, the expansion of trade between more and less developed countries requires a series of concrete measures which Mr. Prebisch's report has outlined in its essentials and which my delegation, for its part, faithful to the spirit of the Teheran Resolution, approves in general. We do hope that most of the proposals contained in this report will retain the attention of the great majority of delegations, and that they will not fail to materialize in the form of final resolutions.

It goes without saying that a long-term solution to the trade problems of developing countries requires a new approach. As has already been stated, there is no doubt that the present system of international trade militates against the development of non-industrialized countries. The low elasticity of demand for primary products will presumably persist. Technical innovations will bring to the market new synthetic products replacing those which traditionally used to originate from developing countries. More than half of the less developed countries will continue to rely on the exports of one or at the most of a few products in order to ensure the greatest part of their foreign exchange earnings which, in turn, will be submitted to dangerous price fluctuations, seriously affecting the implementation of their development plans. No one could deny that this situation should lead less developed countries not only to intensify their efforts to improve international trade relations but also to accept structural changes in their own economies, in order, *inter alia*, to shift their production to commodities for which demand elasticities are higher. These countries will have to diversify their economies as well as their exports in order to increase their foreign exchange earnings and reduce reliance on a limited number of exports. The developing countries have rightly placed high hopes in this Conference,

and they are entitled to expect concrete results from it.

The implementation of the decisions which will no doubt be taken by the Conference and the execution of its recommendations require an appropriate international machinery. A great number of delegations have rightly emphasized that such an over-all machinery is lacking at the present time.

While strongly supporting the idea that similar conferences be convened at least every two years, we feel that in the meantime the creation of a standing committee of the Conference would ensure the continuity of our efforts. It might even be necessary to create a certain number of councils or committees on commodities. Such a system, in our opinion, could be planned in the framework of existing international bodies and should, in any case, be provided with a secretariat under the authority of the United Nations, and endowed with a personnel which, in the words of our Secretary-General, should be granted all the necessary intellectual independence. Such a Secretariat could work in close co-operation with the regional economic Commissions and other agencies of the United Nations, namely those dealing with industrial and economic development as well as other specialized institutions.

I would not wish to end these remarks of the major problems raised by our agenda without making a short reference to the question of disarmament and its crucial importance for anything related to long-term problems of development and trade.

I am well aware that this question goes beyond the limits of our deliberations and should, in principle, be discussed elsewhere. However, as no one could question its repercussions on our problems, may I be allowed to say a word on it, a word in which I shall try to reproduce as faithfully as possible the profound aspirations of the developing peoples.

It is clear that the efforts of industrialized countries in trying to improve conditions of trade and development in the world, however important and sincere they may be, cannot constitute, under present circumstances, more than a tiny percentage of the enormous credits which are actually devoted to the arms race. It is a fact that, on the one hand, more than \$120,000 million are engulfed yearly in military expenditure while, on the other hand, according to the most generous estimates, funds allocated to various assistance projects do not exceed 6 per cent of that amount. It is, therefore, not difficult to imagine what extraordinary prospects a plan of general and controlled disarmament could offer to the world at large.

It has often been argued that the total sum of credits which industrialized nations potentially dispose of for executing various assistance programmes or compensatory financing would inevitably remain limited and that the implementation, in consequence of any plan of compensatory financing aimed at price stabilization of raw materials would finally take place



to the detriment of current technical or financial assistance programmes.

In that case, we believe firmly that the present reduction of world tensions should constitute one more reason for developed nations to continue, with still greater fervour, the reappraisal of all artificial obstacles to disarmament, in the light of the objectives of the present Conference.

By way of an experiment, would it not be possible for the few great Powers which carry the heaviest burden of military expenditure, to envisage the possibility of immediately diverting one to three per cent of this expenditure to a fund to be created for the implementation of the objectives of this Conference, more particularly for the execution of any plan aimed at the improvement of international trade relations from the general angle of the development question?

My delegation is convinced that any initiative in this direction would not only be welcomed by world opinion as an historic step in the edification of a new world based on a lucid conception of the long-term interests of all countries, irrespective of their various stages of development, but would allow us, for the first time, to take the only path which could transcend the present contradictions opposing the less developed countries to the industrialized ones.

A Geneva newspaper advised us, the other day, not to "ask for the moon". I am quite prepared to agree with it, although I would be inclined to think that even such a demand would not be out of place in our present world. But may I be permitted to add, at the same time, that the invitation to follow the logic of history should, in no way, be interpreted by some as an irrational request to "get the moon".

What developing countries are asking today from those of their sister countries that have happened to take a lead over them is, in all fairness, nothing except a simple reappraisal of the world situation in the light

of the requirements of true and lasting peace, and taking into consideration the revolutionary changes which are taking place in front of our eyes. It is in view of these changes which, sooner or later will lead to the inevitable transformation of the world on new bases that we are asking them today, to re-evaluate the potential factors of such a transformation, keeping in mind the long-term interests of the entire international community irrespective of the stages of economic development of the peoples. What we are asking them is, in fact, the transposition to the world scale of that same social and economic justice which they have increasingly endeavoured to achieve in their own countries and which they have, in fact, attained in many of them. What we are asking them is neither a challenge to their acquired prosperity nor the reopening of that chapter of history in which our peoples believe they can find the source of their economic and political backwardness.

We are asking them simply to continue the efforts of all men of good will in order to find new formulae of progress and understanding, not inherited from the past but turned towards the future and continuously adaptable to the conditions of a world in full evolution.

And we ask them this in the name of justice and with the conviction that the peace of the world and the future of our children, to whatever race or creed they may belong, can only be achieved by the building of a universe from which the concerted efforts of men have succeeded in banishing for ever the evil of underdevelopment.

The world of tomorrow will, more than ever, be an indivisible world. And if this historic Conference may have helped us to give concrete bases to a few of its principles, we shall then be right in claiming that the vast display of efforts and good will witnessed here, will not have been in vain.

**STATEMENT BY H.E. MR. ABDUL AZIZ AL-HAFEDH,  
MINISTER OF ECONOMY, HEAD OF THE IRAQI DELEGATION  
at the nineteenth plenary meeting, held on 6 April 1964**

[Original text: English]

Allow me, to extend on behalf of my delegation, our sincere congratulations on the election of Mr. Kaisoumi to the important post of President. His election by acclamation met with complete satisfaction in my country. It is indeed gratifying and a source of pride to see him occupying this chair, not only because of his personal qualities and international status, but also as

a deserved tribute to his country which has striven, for such a long time, for a better international understanding and has on many occasions stood as an advocate of the rights of the developing countries.

I would like also to express my appreciation for the election of Ambassador Hakim to the post of Rapporteur, a distinguished diplomat and an able economist

from another sister Arab country, who has contributed to the cause of international understanding and the welfare of the developing countries.

I would be failing in my duties if I did not express my congratulations to our distinguished Secretary-General of the Conference, Mr. Prebisch, for his profound work and for his consistent endeavour to find ways leading to the improvement of living conditions of so many nations. His work, we are certain, will guide us in our important task and deliberations.

The convening of a conference of this magnitude is striking evidence that world society has, in its long stride, reached a stage whereby world co-operation is accepted as the basis of righteous relationship among nations, and that sheer competition between unequals, each seeking pure self interest, has ceased to be the guide of international behaviour. This Conference must be a demonstration of this new international spirit. I wish therefore to associate myself with my distinguished colleagues who spoke before me in stressing the importance of this assembly. I stand here to express my Government's enthusiasm and faith that this Conference will achieve results which we the people of the United Nations have long striven to attain. I wholeheartedly agree with those who justly evaluated this gathering as a vehicle and instrument for world peace.

The Iraqi delegation, during the eighteenth session of the United Nations General Assembly, laboured in close co-operation with seventy-five developing countries to draw up a joint declaration on the goals of this Conference. The joint Declaration, which was later approved unanimously by the General Assembly, commended the attainment of a basic agreement on a new and dynamic international trade and development policy leading to the adoption of concrete measures to achieve an ever-expanding trade and a higher rate of economic growth. The objectives stated in that Declaration are considered by my delegation a basic minimum which we must strive to achieve. It is worth pointing out at this juncture, for the record, that the Arab Economic Council at its ninth session, at Cairo in December 1963, upheld firmly the principles and objectives embodied in the declaration.

We came here in good faith and with an open mind to approach the problems of international trade and development which are the subject matter of this Conference. We recognize that there are many problems to which we must find solutions. The major problem among these is the fact that in the process of international trade, developed countries are gaining at the expense of the developing countries. This, besides being unjust, is happening at the very moment when the developing countries are making strenuous efforts for bringing a better life to their people. Therefore, we commend the Conference to find equitable and urgent solutions to remedy this situation.

Trade between nations has always been one of the strongest links in human history which brings human society closer together, and unless these links are

strengthened by equitable norms, better understanding among nations will not be served. Many a speaker before me mentioned in detail the problems of world trade, these have also been elaborately presented in the report of our Secretary-General, and in the documents of the Preparatory Committee. I therefore do not intend to dwell upon them. However, there are some aspects of world trade which hinder the flow of international commerce and nullify the efforts of many developing countries, including my own.

Much emphasis has already been laid on the necessity for price stabilization at remunerative level, demand expansion and the reduction of custom duties levied by industrial countries. Though we agree that these are major questions, we must add that the relaxation of restrictions placed on certain commodities are even more important. We have found from experience that restrictions placed on certain commodities have reduced the volume of their exports to such an extent that the measures mentioned above could not improve their trade. I have in mind the protective restrictions placed on such commodities as barley and other cereals by certain developed countries. We hope that the Conference will take due notice of this matter in its specialized committees.

Some industrial countries have placed further restrictions on the utilization in their industries of products imported from the developing countries. An outstanding example of this is the restrictive measures placed on the use of dates for industrial alcohol extractions, so that it would not compete with local products used for the same purpose. Other developed countries contrive other protective measures leading to similar results such as the exaggerated high requirements of inspection for alleged health and other horticultural purposes.

Here may I note that certain delegates mentioned that exports of the developing countries should not only be offered but should be sold in the same manner as industrial countries sell their goods. I am certain that they are sincere in their evaluation, yet the fact remains that the prices of such commodities as dates, figs, sultanas and raisins are so low that they could not be depressed further with expenses caused by sales promotion methods such as commercial advertising, public relations and the like, since their present prices do not permit any extra spending.

May I turn now to the question of shipping freight rates paid by the developing countries? It is commonly known that these rates are often higher on routes connecting ports of developing countries than the comparable rates paid on routes connecting ports of the industrial countries. These high freight rates will further increase the already high deficit in the balance of payments of the developing countries *vis-à-vis* the industrial countries who own more than three-fourths of the world merchant fleet. We expect the Conference to study this question seriously to remedy the situation.

My delegation feels strongly about correcting a notion which seems to be widely spread even among

our friends in the developing countries, namely that oil-producing countries, of which my country is one, belong to a wealthy club and that they have no balance-of-payments problems or valid trade complaints against the oil-consuming industrial countries. This, is but a fallacious notion. It is probably because petroleum is essential for the running of the industrial machinery of the industrial countries, and the income elasticity of its refined products is high that such a notion has arisen. But petroleum is nothing more than a primary commodity which has its own peculiarities. It is worse than many other primary commodities because of the fact that it is a wasting asset. More important, the industrial countries through their national companies are in full control of oil exploitation, its export, its transport, its marketing, its refining, in short of the whole operation of this commodity. So as you may observe, oil-producing countries are not in command of their vital source of income, although it is in many cases almost the only source of their livelihood. We in Iraq derived at one time more than 94 per cent of our foreign exchange income from oil-revenue, yet it is ironical that from the ultimate price of 11 dollars for each barrel of refined petroleum sold in the industrial countries our share is only 74 cents—that is to say, about 6.7 per cent of that ultimate price while over 90 per cent goes to the already rich countries who own the world oil cartel.

Because of the application by the oil-consuming industrial countries of a very low pricing policy for crude oil through the maintenance by the oil companies of marginal surpluses, they have been able to impose prohibitive fiscal taxes in order to upgrade the value of oil to the level of prices of competitive sources of energy—namely, coal. These taxes constitute over 52 per cent of the ultimate price to the consumer—that is \$11 a barrel.

This fact is not known by the peoples of the world and we believe that international public opinion should be enlightened of the true situation and realize that our

demand for a better and equitable share from the oil companies is a just one. It is high time that these companies and their Governments appreciate that times have changed and admit that we have the support of all the developing countries and of many people in the developed world.

The situation cannot, unless it is corrected, be tolerated for a long time.

There is no doubt that the programme of action envisaged and the resolutions to be adopted need to be matched with appropriate international machinery to look after their implementation and enforcement. The existing international machinery is far from being adequate; therefore, my delegation is ready to consider any adequate arrangements which would implement the aspiration of the developing countries and be the vehicle of our new order. Finally, the economic development of the less developed countries requires adequate and sustained financing, both from local and international sources. The availability of capital for financing projects in these countries is essential but cannot, unfortunately, be obtained in sufficient amount nor on adequate terms at present. We hope that the Conference will find appropriate measures to secure capital for development purposes. This capital should be provided on a long-term basis and at low interest rates. I think a rate around 2 per cent could meet this requirement. Funds on such terms should be made available by the industrial countries by bilateral or multilateral agreements, or through the existing international financing bodies. We believe that an increased share of development funds should be channelled through the United Nations. The establishment of a United Nations development fund would be the proper vehicle for this purpose.

We are aware of the greatness of our task, but our hopes are high. We are aware of the interest, from all over the world, centred upon our work in this historical gathering.

Let us live up to these expectations.

**STATEMENT BY H.E. MR. PINHAS SAPIR,  
MINISTER OF FINANCE, COMMERCE AND INDUSTRY OF ISRAEL,  
HEAD OF THE DELEGATION**

at the eighth plenary meeting, held on 26 March 1964

[Original text: English]

On behalf of the Government of Israel, I have the honour to extend greetings to the United Nations Conference on Trade and Development. This Conference enshrines the hopes of men of good will in all

continents and of all shades of social and economic approach. The agenda of the Conference will relate to international co-operation in trade and economic development. But its inner theme is the theme of peace

and progress and the Conference aims at making its contribution toward the fulfilment of the ideals of the United Nations Charter.

My delegation wishes to express its appreciation to the Secretariat and particularly to the Secretary-General for their effort and dedication in preparing the Conference and also to the Preparatory Committee for their part in laying the groundwork. My delegation has read with close interest the comprehensive report presented to the Conference by the Secretary-General. The report will be of great assistance to the Conference in its deliberations and it will doubtless take an honoured place in the economic thinking of our time.

Freedom and independence are noble and lofty concepts, but they can only be finally assured if the awesome gap in the standard of living between one part of the world and the other is progressively bridged. Indeed, economic progress in the less-developed countries is the key to mankind's aspirations to lasting peace. This Conference, I would submit, must face this challenge with a sense of historic obligation and with a determination to analyse the picture as it is and to achieve constructive remedies.

Two-thirds of the human race are living under very difficult conditions. The developing countries find themselves in a vicious circle within which their development is hampered. On one hand they are unable to build up the necessary capital for large-scale development. On the other hand, without such development, no satisfactory rise in the standard of living is possible. Moreover, much of their capital resources must be diverted to provide minimal subsistence for their population growth. Thus, while the developed countries enjoy consistent economic expansion on a large scale with a progressive rise in the standard of living, the less-developed countries find their development impaired and the standard of living of their population pitifully inadequate. The gap is widening instead of narrowing.

Not only has the economic structure of developing countries—in many cases based on monoculture—remained unchanged, but there has taken place a deterioration in the terms of trade. Prices of primary products, which constitute the overwhelming bulk of exports from developing countries, have slumped and prices of finished products imported by them have risen progressively and are still rising.

There is a further consideration: resources which should be applied to economic development are being wasted on armaments. This is a general problem which affects developed and under-developed countries. If the threat of war would cease to loom, we might indeed witness the beating of swords into ploughshares.

In the course of the Conference, my delegation will submit detailed proposals on the broad questions of international economic co-operation and specifically on how the Conference can help to raise the standard of

living in the less-developed countries. At this stage I will confine myself to a few general ideas.

There is need for co-ordinated expansion of the aid from developed countries to developing countries to help them to build up an infra-structure and to diversify their economies. This assistance, together with increased income from exports, will raise the *per capita* income level and help in creating an internal market, and will encourage savings and capital formation. While aid from outside governmental sources through grants and loans can provide much of the foundation for large-scale development, it is essential that ways be found to encourage the flow of private investment from developed to less developed countries. The international community should provide adequate guarantees to private capital against business and political risks alike. A number of developed countries already have a framework for such guarantees for their nationals. In addition to this form of guarantee, there should be available to private capital a form of insurance by an international institution deriving its funds primarily from developed countries. Such an international institution, because of its international status, its economic scope and the information at its disposal, might be even more effective in providing guarantees to private capital than guarantees proffered by individual Governments to their respective nationals. In any event, this new framework could be associated with national governmental guarantees.

A number of highly developed countries have engaged for many years in extensive schemes of foreign aid which have greatly helped the recipient countries. But there is still lacking that element of continuity which would enable the developing countries to integrate such help satisfactorily into their development plans. These countries should be in a position to rely on a regular and adequate flow of investment capital from abroad and we would therefore suggest that the developed countries set aside a percentage of their national income for the purpose of financing development in the less-developed countries.

The export earnings of under-developed countries deriving mainly from primary products are not sufficient for their development and for raising the standard of living of their people. These countries, therefore, have to find new sources to supplement their export incomes. This goal can be achieved by the diversification of the economy and in particular by the development of industry. This is first and foremost the responsibility of each developing country itself. It must create the atmosphere for attracting investment and train its own manpower for the responsibility of planning, directing and managing its economic activities in all fields.

We have learnt that the association of all the creative factors within the economy, together with external assistance, is essential in order that the opportunities of development may be exploited to the full. Thus, in our experience, government participation, together with private investment in development projects, not only

ensures that these projects fit in with over-all national development plans, but in doing so offers an added measure of security to the investor.

The subject of this Conference is trade and development and we must now turn our attention to the trade implications of aid and development. All the efforts of international financial co-operation and the mobilization of national resources for development will be of no avail unless outlets are assured for the increased and more diversified output which they will create. It is clear that the local market in developing countries cannot absorb the additional products, even though the standard of living may be expected to rise as a result of increased economic activity. It is therefore the task of this Conference to explore all possible ways of fostering exports from the less-developed countries and this having been done, it will be the duty of Governments to adopt policies which will give practical form to the ideas accepted at the Conference.

In this way the advanced countries will help themselves as well as the developing countries. For, on the one hand, there is no point in buying capital goods if the finished products manufactured cannot be exported; and, on the other hand, it is well known that countries which are undergoing an accelerated process of development open new markets for products from other countries, whether developed or less developed.

To this end my delegation urges that the developed countries grant concessions which will assist the import of finished and semi-finished products from the less developed countries. The difficulties facing young industries in the developing countries are in many cases considerable and there is no chance of their products being able to penetrate into the markets of the industrialized countries unless strong measures are taken to encourage them.

It must however not be forgotten that the exports of the developing countries consist and will continue to consist in large measure of primary products. In dealing with these questions, my delegation will support any plan which will secure the earnings of the less developed countries from exports of primary products.

The forthcoming "Kennedy round" of tariff and trade negotiations will offer a major opportunity to reduce the barriers hampering exports. This opportunity must not be lost and we call upon those participating in these negotiations to ensure that their trade promoting effects are shared to the fullest extent possible by all the less developed countries.

In discussing co-operation between the developed and the less developed countries, and also between the less-developed countries themselves, reference must be made to regional economic organizations. The possibilities of economic expansion inherent in technological advance can only be realized within the framework of large markets. Hence the importance of regional economic integration for the less-developed countries, which should be brought about in a manner

having full regard to their specific conditions and needs. At the same time the establishment of such organizations by the developed countries should be welcomed in so far as they are trade-creating but should be carefully examined so as to remove harmful effects on the exports of non-members.

So much for the removal of barriers. But we believe that sufficient attention has not been given to the positive encouragement of exports from the developing countries by placing at their disposal the "know-how" and the facilities which are available to exporters in the highly industrialized countries. I refer, among others, to market research, quality control and standardization, export credit guarantee insurance, banking services and transport. On these specific problems my delegation will submit detailed proposals in the appropriate committee.

Whatever decisions we shall take at this Conference must be implemented. There are already existing institutions, notably the General Agreement on Tariffs and Trade (GATT), working towards the removal of trade barriers and the encouragement of international trade. When deciding what measures should be taken, we ought at the same time to consider how to put them into effect. In these discussions, my delegation hopes to make its contribution in the appropriate committee.

May I now be permitted to refer briefly to the experiences of my country in the field of internal economic development and that of international economic co-operation?

Since the establishment of the State of Israel, over a million immigrants have been absorbed in its economy. We strive to achieve the harmonious integration within our national society of all these human groupings and elements and to construct a healthy economy based on creative labour. Our economy comprises private initiative, co-operative, public and State enterprises, and there is full co-operation between private and public capital. We encourage this variety, believing as we do that free expression should be given to every social trend and equal opportunity to every initiative. Underlying this is the emphasis upon the contribution of the individual, whose free development requires suitable economic and social conditions.

It has been our privilege over the years to forge extensive links with developing countries on different continents. We feel with them an identity of interest and destiny as new and developing countries taking their place on the international scene. We have learnt and learn much from them. On our part, we are happy to place at their disposal our modest experience in the fields of economic and social development. We have sent out hundreds of experts in such fields as agriculture, irrigation, building, medicine, education and management. Thousands of trainees have come to Israel. Together with other developing countries we have established joint enterprises for the development of water resources, agriculture, building, road construction and industry, and together we seek ways of

rapid economic development, while safeguarding a democratic pattern.

We look forward to widening and diversifying the co-operation with the developing countries in Africa, Asia and Latin America. I hope I will not be presumptuous in saying that in the course of our experience of trial, error and achievement we have learnt much on the clarification of various social and economic problems, and this knowledge may have some relevance to the Conference's deliberations. In this connexion, I would refer particularly to the utilization of science and technology for development in the less developed countries. We have had an opportunity of exchanging views on this aspect with representatives of many countries at a number of scientific congresses held in Israel.

As we commence our deliberations we are fully aware that no formula has yet been found which offers a comprehensive answer to the totality of the problems on which we will deliberate. At the same time, the realities of the world in which we are living, and the dangers of ignoring these realities on the one hand, and the historic possibilities which arise from them on the other—all these will surely inspire us to the necessary effort for achieving the maximum co-operation. We must seek out the points of unity, common understanding and interest and not emphasize the points of difference. The peoples of the world expect this Conference to show the way towards a better future for all in the economic sphere. Let us be worthy of the challenge that faces us.

**STATEMENT BY H.E. Mr. BERNARDO MATTARELLA,  
MINISTER FOR FOREIGN TRADE OF ITALY, HEAD OF THE DELEGATION  
at the eighth plenary meeting, held on 26 March 1964**

[Original text: French]

Permit me first of all to congratulate Mr. Kaissouni, on behalf of the Italian delegation and on my own behalf, on his election to the Presidency of this Conference, the importance of which I do not need to stress. His election is a unanimous tribute by the Conference to him personally and to his country. The Italian delegation wishes to extend its congratulations to all the other officers of the Conference and particularly to the Secretary-General, Mr. Raül Prebisch, who during the preparation for this Conference has once again demonstrated his great capacities.

I have no hesitation in assuring this Conference that my country's policy is already oriented in the direction which the developing countries desire. This is no mere coincidence because Italy, as a result of its past history, has had the same experiences and has been faced with problems similar in every way to those confronting a great many of the countries represented here. I would add that even now, despite the rapid development of the past ten years, Italy has yet to complete the task of eliminating the imbalances that persist in certain sectors of the economy and in certain regions. Italy is, nevertheless, glad to have made its contribution to the economic advancement of the developing countries.

The trade and the balance of payments between Italy and the developing countries shows a steadily increasing credit balance in favour of the developing countries. To take an example, the Italian trade

deficit increased from \$240 million in 1961 to \$740 million in 1963.

Italy's imports from developing countries, which account for some 27 per cent of its total imports, are increasing regularly from year to year as a result of the liberalization policy pursued over the past fifteen years. The increase for the past year—24 per cent—equalled the increase in Italy's aggregate purchases abroad.

Quantitative restrictions, whether as applied to raw materials, to tropical products or to manufactures, are virtually non-existent.

Italian customs duties, generally speaking, are on the decline as a result of the application of the European Economic Community tariff.

In addition, Italy is participating, in a spirit of co-operation, in negotiations and other steps aimed at the further reduction of such obstacles to trade.

Internal taxes on tropical products are fixed by the requirements of Italian fiscal policy. This policy must of necessity evolve. However, these taxes, which have always played an important part in the Italian fiscal system, are no real obstacle to trade or to the expansion of consumption. I shall merely mention here that for the period 1938 to 1963, these taxes did not prevent imports of coffee increasing from 36,000 tons to 120,000 tons, those of cocoa from 9,000 to 40,000 tons or those of tea and spices from 400 to approximately 5,000 tons. Aggregate imports of tropical fruits

increased from 28,000 to 170,000 tons and those of oilseeds from 180,000 to 750,000 tons.

The growth of national income has thus been the essential factor in expanding Italian consumption and imports of tropical products. It is to this growth, then, that we must mainly look for further progress in our purchases of such products.

The importation into Italy of semi-manufactures and manufactures from developing countries, encouraged by the absence of quantitative restrictions, is making satisfactory progress, having increased from \$116 million in 1960 to \$140 million in 1963.

Italian policy has been equally positive as regards the financial resources my country has managed to make available to the developing countries.

Over the past two years these resources have amounted to nearly 1 per cent of Italy's national income. We have thus come fairly close to the goal set for all industrialized countries by the United Nations General Assembly.

On the whole, therefore, Italy's contribution to the economic and social progress of the developing countries may be regarded as adequate from every point of view, considering the many problems Italy has still to solve. The development of some regions of the country still calls for very great efforts, just when Italy is confronted with difficulties, mainly as a result of its own very rapid economic progress.

Despite these difficulties, the Italian delegation will take part in the work of the Conference from a positive point of view, alert to the prospects for a new trade policy, and in general, open to economic co-operation based on real solidarity between the peoples. We are therefore ready to make our contribution to the gradual process of building a better world.

Consequently, we consider that this Conference should furnish a great new opportunity to expand and advance the readiness to discuss on equal terms what has already made a useful start, in different forms and different forums, between the various groups of countries.

This readiness to discuss aims at objectives which we acknowledge to be sound but which, we realize, can be attained only at the gradual rate their magnitude dictates.

I hasten to add, however, that in our opinion this gradual approach should in its turn be based on a firm determination to attain those objectives with the speed called for by their historic significance.

The President has already made these points and stressed that international co-operation will be needed if these conceptions are to develop from year to year and be translated into action.

We believe these considerations to be all the more valid inasmuch as Italy has found by experience that the economic development of regions, and *a fortiori* of whole countries, is a long-term task because, among other reasons, of the objective limitations involved,

such as the human advancement which no assistance, on however large a scale, can encompass at one stroke.

Against this background the remarks of the President concur with the considerations I have just raised: step by step, the Conference must seek out, and point out to the various parties concerned, the most effective forms of action in all possible directions. This sustained dialogue will certainly save future generations from being confronted with the same problems, and will enable them instead to reap the fruits of that new order which we shall gradually have created for the organization of our mutual relations.

These are the considerations which must guide the Conference in examining the institutional problem, i.e., in considering how and by means of what structures it can become a forum for analysing what has been achieved and a prime mover in new activities.

In my opinion, if this study yields positive results, we must see to it that future conferences meet at short enough intervals to keep up the political and economic interest which characterizes this session.

Various proposals have already been put forward even before the beginning of our work. The Italian delegation will take an active part in the discussion of these proposals. However, it would stress at the outset that Italy wishes to be represented in any organization resulting from this Conference.

Moreover, we wish to draw attention to the fact that none of the various proposals advanced so far envisages the role the United Nations regional economic commissions can and must assume in the organizations on which the task of solving the problems on the agenda of the Conference devolve.

We believe that it is first and foremost these regional commissions—which are already in being and whose activities we are following with great interest—that should preside over the development efforts of their member countries, taking into account the structure and aspects particular to each continent and each geographical region.

These commissions lack neither men nor ideas. If necessary, the United Nations or some other international organization could increase the technical assistance which Italy, again, is the first to believe should be more intensively and effectively co-ordinated.

These same regional commissions, far from constituting a barrier between the Conference and the various countries, should in fact be the prime forum in which national development plans are concerted and harmonized with a view to widening economic horizons beyond the scope of individual countries. Europe has gained enormously from steps of this nature and from the continual confrontation of national aims and policies. There is thus no reason not to profit by this experience in planning co-ordinated and harmonious development on a regional or even sub-regional basis. Development should not be the result of an aggregation of aspirations, however valid or justified; it



should lead to the establishment of economies which are viable in both the short and the long term. The complementary economic structures which would ensue would take their place in a world economy in full and continuous expansion, and would offer the same advantages to all.

I have already quoted facts and figures concerning Italy's trade policies, and I had the honour to inform you of our profound conviction that these policies are aimed in the direction favoured by the developing countries.

In saying this, we do not rule out the possibility of further progress if—as the Italian Government earnestly hopes—new means and new methods of action are recommended by the Conference.

However, they must be methods which take account of reality; methods, that is, which do not entail sudden, unnecessary disturbance of existing economic structures which, for various reasons, established and consolidated themselves years ago. We accept the principle that our economies should evolve and should gradually adapt themselves to the demands of international solidarity. We feel, however, that, if these economies were to be disrupted, the developing countries would be the first to feel the adverse effects.

The most important problem, and also the one most thoroughly analysed in the extensive documentation placed at our disposal, is without doubt the question of primary commodities. If we succeed in initiating international co-operation to stabilize prices in this area, we shall already have done good work and achieved remarkable progress. I would not wish to over-simplify the problem by saying that the failure or the modest results of existing international agreements are due to the non-acceptance of this objective. However, we do believe that, given the political will to create really effective co-operation between supply and demand, between producers and consumers, for the greatest possible number of products, it should be possible to eliminate most of the present factors making for instability in the developing countries' export earnings. This would be an important contribution to the economic development of countries which prolonged adverse economic conditions—now happily on the way to improvement—and various other factors have deprived of more ample resources.

A trade policy aimed at a gradual and increasingly effective liberalization, as well as international agreements of the type I have just mentioned, thus represent in our view the objectives, as far as primary commodities are concerned, on which the Conference can reasonably be expected to reach agreement.

Turning now to the problem of compensatory financing, I should like to point out that the methods suggested, whether for finding the resources necessary for the various funds proposed or for allocating those resources, will require more detailed study. Artificial machinery of this kind can be of real benefit to the developing countries only if it does not create

additional tensions in the economies of the developed countries, some of which, and mine amongst them, are already facing economic difficulties.

On the other hand, it is in the interests of us all that expansion should take place in a climate of price stability; the improvement of primary commodity prices should therefore be sought rather in an effective policy worked out between producers and importers.

As far as manufactures and finished goods are concerned, we must first rid ourselves of generalizations and even exaggerations.

In our view, it is only in exceptional cases that special measures are required to facilitate the access of existing products to our markets. The difficulties which arise are in fact more related to marketing methods and product quality. It is these difficulties which the developing countries must seek to overcome, if necessary, with our assistance, if they are to find new outlets on terms that will avoid recourse to the protectionist measures hitherto provoked by competition which is often unnecessary and invariably costly for these same countries.

In any event, we feel that it is only by analysing particular situations that we can gain an idea of the magnitude of those problems which may require appropriate temporary solutions.

However, as far as the future is concerned—that is to say, future production of such goods—the whole question appears in a different light. Not only do we want to see the developing countries industrialize themselves; we consider this development necessary and useful for all the parties concerned. Here again, however, we do not think it is possible to generalize regarding the direction this process should take in these various countries. What does seem to be essential, in our view, is that all development plans should be devised and concerted, as far as possible, on a regional or sub-regional basis so as to avoid uneconomic projects which are bound to lead to a waste of resources. Thus, if at the outset special measures should appear necessary to facilitate the access to markets of the goods produced under these plans, they should be of a selective and temporary nature. In particular, they should not jeopardize the multilateral, non-discriminatory trade policies which we are pursuing, the benefits of which we have all learned to appreciate.

In these few observations I have sought to give an initial indication of my Government's position regarding the main problems on the agenda of the Conference. They supplement those which the President of the Council of the European Economic Community gave you on behalf of the six member countries. They aim at confirming that the Italian Government fully recognizes the importance of these problems and wishes to make its contribution to their solution by methods of action and measures resulting from an honest and balanced comparison of the developing countries' needs with the actual ability of the developed countries to help to satisfy those needs.



I said at the opening of my statement that the experience of my country leads us to think that the problem of development is not one that can be solved rapidly, or regardless of the means available. The confrontation which I have just mentioned should therefore be pursued persistently but gradually. It should be based on a harmonious mobilization of all the developing countries' domestic resources, for this will encourage the co-operation extended by the developed countries in the form of experience and assistance.

In any event, in the work to be undertaken it must not be forgotten that any ill-considered attempt to hasten, even for entirely valid social reasons, the solution of the problems of development may give rise to difficulties which in some cases may jeopardize the results achieved.

For this reason, in our deliberations, we must never lose sight of the need to tackle the various

problems by successive stages, and to distinguish short-term solutions from long-term measures and arrangements.

In considering the new forms which our co-operation should take, we feel that trade remains the soundest and most appropriate instrument for achieving political stability and balanced economic development, as well as a more vigorous and widespread mobilization of the resources needed to promote this development.

Let us therefore set to work with the political determination of ensuring that the well-being of the developed countries is increasingly extended to the developing countries.

Let us also try to work in a spirit of mutual understanding, leaving aside any polemics which might distract us from our purpose, which is to ensure peace and prosperity for our peoples.

**STATEMENT BY H.E. MR. RAPHAEL SALLER,  
MINISTER OF FINANCE, ECONOMIC AFFAIRS AND PLANNING  
OF THE IVORY COAST, HEAD OF THE DELEGATION**

at the sixth plenary meeting, held on 25 March 1964

[Original text: French]

I have been requested by my Government—and in this I join with all my heart—to express its warmest congratulations to Mr. Kaissouni on his unanimous election as President of this Conference. None could be better qualified than an eminent economist like him to direct and guide our discussions, and the fact that he has been chosen is a token of the success we are expecting.

I am speaking in the name of the Ivory Coast Republic, one of those new African States—there are some thirty of them—which have acquired their independence during recent years: sometimes, as in the case of the Ivory Coast, simply as the result of negotiations while maintaining with the former metropolitan country the most cordial and mutually advantageous, friendly and material relations, though at the same time jealously preserving full liberty in internal and external affairs.

There are many who have no proper knowledge of the Ivory Coast. The country which I represent is situated in the tropical region of West Africa along the Atlantic coast in the Gulf of Benin, and forms a more or less equal-sided quadrilateral with an area of 350,000 square kilometres and a population of 3,500,000 inhabitants, not including the ever more

numerous immigrants. It produces coffee, cocoa, bananas, pineapples and tropical timber in abundance (and as an agricultural producer of these its future is likely to be of considerable interest to consumers of these commodities), as well as natural rubber, oil seeds and certain industrial products of agricultural origin.

We are an under-developed country, or if you prefer, a developing country, for that is more tactful to national pride, and we come here to solicit help. We are not ashamed of this because we are not responsible for our under-development. Rather should we be proud of it, for in the four years which have elapsed since we obtained our political independence we have made such efforts to emerge from this situation of under-development that it can no longer be contested that political independence is the principal cause or condition of economic independence.

What I should like to tell you as frankly as possible is how we have understood this task, its purposes and methods, and what we expect from this Conference and particularly from the highly developed countries.

The Ivory Coast is a land of practical people. This it owes to the common sense of its peasants who make up 90 per cent of its total population. In daily

contact with the inexorable laws of nature they know instinctively that life is a continual compromise between the demands of the spirit and the facts of daily existence—facts of soil resources, climate and human activity which are never identical and which if they cannot be modified must of necessity be obeyed.

In the Ivory Coast, these realities are, first, the tropical agricultural products already alluded to which cannot be grown in most modern countries in other climatic zones and which can only be sold in considerable quantities outside Africa. This obliges us to seek the markets we need for trade in other continents, particularly Europe and North America.

Foreign trade is therefore of prime importance for our existence. Our income from exports which makes up the bulk of our monetary resources is indispensable for our survival. It must be as large and as stable as possible, and the zigzag variations of world prices which we have had to endure over the last ten years are incompatible with that human dignity to which the United Nations Secretary-General referred in his opening speech. I merely ask you to consider that, between 1954 and 1963, coffee, which accounts for 50 per cent of our exports, has shown a drop of about 66 per cent. Add to this the climatic hazards which from one year to another may sometimes reduce the crop by half, the producer very soon finds himself obliged to reduce his standard of life below the acceptable minimum.

I only mention, in passing, another export resource, cocoa, the price of which fluctuates continually from day to day; in fact, it is at present at a level far too low to offer a fair return to the producer.

These variations have not in the long run helped the consumers and thus it is evident that a world organization of markets is indispensable. Our first demand is, therefore, for the fixing of commodity prices at suitable rates and their stabilization over a certain number of years. These price guarantees must be accompanied by guarantees that the produce will be marketed; for otherwise the former would be valueless; then arises the question how to give guarantees to the producers in the under-developed countries in the form of world or regional agreements. This is a matter which we shall consider shortly in dealing with other issues.

But what we have said concerns only the necessary resources for our existence. We must also—and this is the main object of this Conference—have available new resources to pursue our development. These must be considered in relation to world consumption needs, and such a study might lead us to reduce the amount of coffee produced, to vary the production of cocoa in order to adapt it to world consumption trends or to develop new products. Action of this kind would be determined moreover by the natural aptitudes of our State. Remunerative and stable prices should also be assured for such new products on the same conditions as for those already existing;

we must therefore have new and stable outlets available.

With a view to making the economic balance as permanent as possible, this development, now mainly agricultural, must proceed with industrial production, manufacture and processing, also consumer goods, including later, perhaps, the metal industries.

One feature common to all countries has to be stressed. Generally speaking and irrespective of the conditions in which it takes place, agricultural production yields very little profit if it is confined to the sale of raw produce. In order to increase the farmer's income, it is essential that food processing and agricultural industries should be established to absorb and supplement agricultural production. Moreover, the infrastructure of power production, transport and communications should be developed proportionally in order to put all production and consumption sectors on as equal a footing as possible, and similar steps should be taken as regards the organization of distribution.

Our second requirement is therefore to provide for the whole series of projects, covering existing production, new production and the establishment of new industries, both the markets and prices and the protective measures which they will inevitably need, especially during the first years of their existence. While the concept of an international trade free from all restrictions may be attractive in theory, experience has proved that, as far as industries are concerned in particular, they have been able to maintain themselves and prosper only when they have been guaranteed markets and protection.

We wish to participate in this effort for the development of our country, and the Ivory Coast has taken the necessary steps to that end, since over 20 per cent of its annual fiscal revenue is being set aside for the development of production and of the infrastructure of the Republic as a whole. Nevertheless, for some years to come we shall not be in a position to carry out our plans without financial and technical assistance, since the essential task is to remove as quickly as possible the present enormous inequality between our undeveloped nation and the advanced countries.

The target of a 5 per cent growth rate set by the United Nations seems to us too low since it represents a net economic growth rate lower than that of the developed countries when the Ivory Coast's population growth rate of slightly over 2.5 per cent has been allowed for. If the figure of 5 per cent were adhered to, the present disparity would probably increase and, at best, its disappearance would be so slow as to be imperceptible.

The Ivory Coast is planning for an annual rate of 6.5 per cent, representing a net rate of 4 per cent, which would enable our economy to reach the take-off stage at the end of the United Nations Development Decade in 1970, and subsequently to maintain this rate of development using only its own fiscal resources

and reserves, thanks to the financial machinery we have already set up.

This financial assistance may take different forms (subsidies or loans), but its amount should be limited so as to ensure that repayment of the loans will not place too heavy a burden on later generations and bring development to a halt. The extent of the assistance having been decided, we must state frankly that if it is to be of any use, it must not, as sometimes happens, be confined to the supply of capital equipment. This method, especially when applied to agricultural development or infrastructure projects, leaves us to cover all the so-called local expenditure. But we are not always in a position to meet this expenditure, because it is often in excess of the funds available for development, and because we also have other projects to carry out.

Such organizations as the European Development Fund for Overseas Territories and France's Aid and Co-operation Fund finance complete projects and in so doing make a much greater contribution to development. This example should be followed, since the real aim of all the developed countries is to take the under-developed countries out of their present predicament, and the United Nations has arranged the present Conference solely to determine the most suitable means of attaining that aim.

A further problem to be discussed is that of regionalization. This affects both trade as such and assistance for development purposes. It is in no way a criticism to point out that it is sometimes better to operate in a restricted sector rather than to attempt too much. "Striving to better, oft we mar what's well", and we who are pragmatists have this proverb constantly in mind, believing for instance that effective and stable

trading conditions can be achieved only when intermediate costs and particularly transport costs are reduced to a minimum. It is therefore only natural that in order to improve its trade with the outside world, the Ivory Coast should look for partners in those regions nearest to it which need its products and whose products can be useful to it.

Those are the facts on which the Committees should base their decisions on the machinery to be set up and the rules to be observed.

I apologize for having spoken for so long, but the problems to be dealt with by the Conference are both numerous and complex, as the President himself has stressed.

I repeat that I have spoken only for the Republic of the Ivory Coast, which has already planned its development targets and the means necessary to achieve them. It believes that its production requires prices and markets to be stabilized at a sufficiently high level and that it needs financial and technical assistance, granted unconditionally. It believes that, given this stability and this assistance, it can raise the national income and the personal incomes of its people to levels which will enable its economy from 1970 onwards, to reach the take-off stage and to continue its development effort with its own resources, without even aiming at autarky, for it wishes and, indeed, is obliged to exist within a system of international economic relations. It believes that the assistance of the developed countries should consist not in treating under-development as an incurable disease but in demonstrating that, given certain conditions, the developing countries can quickly emerge from their inferior position. That is what we are asking the Conference to do.

STATEMENT BY H.E. Mr. ROBERT C. LIGHTBOURNE,  
MINISTER OF TRADE AND INDUSTRY OF JAMAICA,  
HEAD OF THE DELEGATION

at the tenth plenary meeting, held on 30 March 1964

[Original text: English]

More than one hundred developing nations are engaged in an historic struggle to help their two thousand million human beings escape from poverty and misery. Their leaders have come to realize that political freedom without even minimal economic emancipation is meaningless. Equally have they come to realize that the mere attainment of political freedom does not in itself guarantee any dramatic change in

their previous economic condition. However, the people whom they lead have approached their independence with high expectancy and the belief that their new status would automatically carry with it a better way of life.

Hope is the mainspring of human beings, but hope too long deferred curdles and in the transformation produces in people a sense of grievance against the

world. With nothing to lose but their wretched existence, such people often become dangerous. Many political leaders of newly independent countries are therefore today deeply concerned with preventing despair engulfing their countries with its attendant consequences—consequences so often chaotic not merely to those directly involved but to others around them.

The leaders of young nations may at times seem unrealistic in their requirements and behaviour and there may be those who feel that they need to learn the facts of life. Yet is it equally a "fact of life" that leaders of young nations, suddenly confronted with a multitude of problems, harried on all sides with demands which they have no means to fulfil, cannot react and indeed it would be foolish to expect them to react as if they had taken over well-oiled smoothly running machines manned by experienced operators. The leaders of developed nations for the most part deal with adjustments to well-established and long-experienced systems, while the leaders of developing countries from the very onset of their career face the formidable task of effecting fundamental changes under new and bewildering circumstances.

We should also remember that at the same time that the "winds of change" brought about the dramatic birth of the world's young nations many fundamentally new concepts were also given birth amongst developed countries, concepts that in their own way have made the world scene more confused than ever to those on whom unaccustomed responsibility suddenly devolved. The Western industrialized countries, in the interests of their economies, have created huge trading blocs, thereby partly turning their backs on the idea of non-discriminatory multilateral trade; and, to those newly independent countries who are non-participants in this enterprise, it may well seem that the world opportunities of trade which they had expected to be open to them, in a flash have shrunk, and the principles of trade which they were taught to believe in as right when they were non-independent suddenly no longer apply or are honoured except when convenient to the metropolitan developed country. If their reaction be that of bewilderment and resentment let there be understanding and some sympathy for their attitude. Indeed, the consequent question might well be a moot point: has national integration been bought at the cost of international disintegration?

Further, the leaders of newly independent countries in many instances have found that the lesson they were taught in economics—namely, that greater productivity creates greater wealth—does not necessarily apply in practice. Those who depend solely on agriculture have been the hardest hit, for so often have they found that greater production has merely resulted in lower prices. Yet around them they see that greater industrial output means greater wealth. Can people in such circumstances be blamed if they feel the world is against them? Can they be blamed if they develop a sense of grievance, if they feel they must break away from a system in which they fear they have no future?

Increasing wealth is inclined to produce smugness and those surrounded by a surplus of the good things of life often develop a false insulation from the realities of what is happening around them. It would not be ill-timed were such people to question whether it is preferable to spend their moneys and the lives of their sons extinguishing conflagrations or whether it would be more rewarding to devote some of their wealth to preventing outbursts of new fires. Neither platitudes, sophistry, nor half-meant statements that bestow little but unction can indefinitely retain hope amongst people whose vision can only extend within the compass of their own circumstances and that which they see around them.

Man is essentially selfish and so are nations, and it may be more realistic in seeking effective action to speak of insurance policies rather than of international responsibilities or of human consideration. If that be the case, then the developed nations in their own interests might well be invited to purchase insurance while it is available.

However, the problems that confront us cannot be solved solely by the developed countries. The extent of help that is required by so many new nations should make us see that help can at best be in the main catalytic and it may also be well for each of us seeking development to do some individual soul searching by asking ourselves: have we each within our own boundaries and within our own abilities done all we can do to aid ourselves? Development can only be attained at the cost of considerable self-sacrifice and self-discipline and a readiness to make and accept changes. The politically inconvenient is a problem that every one of us within this room faces at some time and world peace and its future may well depend on how far this factor influences us in our decisions and actions.

The changing of old patterns may often not be easy for the developing country. For the developed country to obtain support and measures of sacrifice from its own people to aid others may at times be equally difficult, and even such valid arguments as that consequent expansion of world purchasing power will ultimately bestow benefits on both the donor and recipient may not easily be accepted. The immediate political consideration may therefore often be allowed to outweigh the taking of the immediate proper course.

One thing is certain, ability to point at constructive efforts being made by those in need of aid to improve their internal problems must make the task of obtaining further sources of aid easier rather than more difficult. On the other hand, unreadiness to utilize aid properly or dissipation of aid when received can but create resentment and dissatisfaction in the donor's mind, and amongst the less liberal even active opposition to the principles of international responsibility, or if we are to use insurance terms, they may regard taking the risk as preferable to paying the premium.

I have the honour to represent a very small newly independent country, and I have the privilege to speak

in the name of Jamaica—a country which decided from the inception of its independence to embrace Western political beliefs. Our people made that decision neither through subservience nor hope of reward but of their own free will and inclination. I have identified my country and my position so that there shall not be the slightest misunderstanding created by either what I have said or am about to say.

To my country, this Conference, particularly over the past few days, has become increasingly important and I hasten to add my appreciation to those whose vision and courage have caused it to convene; particularly do I thank Mr. Prebisch's attempt to deal with development on a global international basis in contrast to piece-meal efforts to deal with situations of individual countries as and when particular circumstances have dictated attention. It would be the world's misfortune were those who were responsible for the convening of this Conference to leave it bereft of hope.

I was heartened when I heard President Johnson's message, but I must confess that I subsequently found it difficult to reconcile the tone and text of the President's message, with the speech that followed from the distinguished representative of his country, in which amongst other things he said:

"First, and in my view most important, is the need for industrial countries to achieve and maintain full employment and a high rate of economic growth. These conditions will improve both demand and prices for the exports of the developing countries."

That a condition of full employment will automatically improve the wealth of any nation and increase the purchasing power of its people is so axiomatic and obvious that, without my meaning to be offensive, it seemed hardly worth the stating. I was therefore left to wonder whether I had listened to a sophisticated pre-defence and justification for increased wealth for the industrialized countries based on the pretext that such an achievement would ultimately be to the advantage of the under-developed countries. Was such a statement intended to create docility and further extended patience amongst people seeking immediate and urgent action? Was it an early warning that an all-out onslaught to increase their development must be deferred until the industrialized countries have achieved what to the under-developed countries must sound like Utopia? I may well have misunderstood what was intended. If so, I shall be profoundly grateful to be enlightened.

I do not intend to speak on this occasion of the particular problems that confront my own country, but only of such matters as are in context with the purpose of this historic meeting. The Secretary-General has rightly expressed in his report to this Conference that GATT is not an abstract entity with an independent life of its own. This fact is too easily overlooked in discussions about its future. GATT is purely an instrument that has been accepted by a

group of signatory Governments to apply laws in world trade. GATT could only be what these Governments wanted it to be—a purely regulating body with discretion regarding complaints and consultation.

This statement should not hide the fact that we have many reservations regarding its policies. I have myself spoken strongly in criticism of GATT as it now stands because it does not represent the world as it is today and does not deal with the problems of the developing countries on a fair and equitable basis. But what are we now seeking to do? There is talk about the necessity for a new regulating body, but I ask you, a new regulating body of what?

I think we have first to realize that the aim of this Conference is to bring about an extension of total world trade on a universal basis as an effective engine of growth for the developing countries—an admirable long-range concept. However, it seems to us that until the nations of the world, particularly the principal Powers, can find some common ground on this matter of universal trade, there is little use in even considering the creation of a new regulating body, as is proposed. Clearly the question has to be asked: "What would this new body be regulating?" At this stage, it is our firm belief that we must expedite bringing about those changes in GATT which would meet the circumstances of today.

Next let me refer to the subject of preferences. In all frankness, we cannot identify ourselves with the proposal to dismantle all the existing preferences for the developing countries. As you know, we enjoy certain preferences obtained from the United Kingdom. In fact, a large part of our economy has been built up on those preferences, for without them we would never have been able to reach our present point of development nor could we maintain our economic strength. Until we can see around us a general abolition of preferences, especially the preferences created by the great trading blocs either for their own member States or for associate countries, we would strenuously resist any effort to bring about the removal of the preferences we now enjoy so long as Britain is prepared to continue their application.

Even were we to be offered, as has been suggested, financial compensation for relinquishing our preferences we would like to make it crystal clear that merely monetary compensation for possible loss of national income would not and could not compensate us for the deep social and economic consequences which would ensue. Such consequences would produce far-reaching changes in the social structure of our country and endanger law and order. We fail to believe that this would be any contribution to the main objective of this Conference. On the contrary, we submit we would merely create more confusion and more problems in the world to solve.

Let me next refer to the question of new regional trading blocs. Mr. Prebisch has suggested that developing countries should endeavour to pool their industrial

efforts by means of regional groupings on as large a scale as possible. It seems to me that the scope of such regional groupings for industrial goods becomes limited unless, within the context of any given bloc, there are entities with adequate purchasing power to permit industrial growth and expansion within the whole extension of these groupings. Besides, there are certain imponderables such as national pride versus rationalisation, which may make the execution of such a proposal for regional industrialization not perhaps as acceptable in practice as it may sound in theory. I am therefore not convinced that regional groupings in a general sense will provide a new form of panacea.

We would like now to address our attention to the issue which this Conference correctly has made the focal point of discussion—namely, the commodity problem and that of its financing. This is the basic problem of most of the developing economies today, and it calls for immediate action.

Let us ask ourselves whether too much stress is being lent to so-called compensatory financing of short-term fluctuations in export earnings of developing countries resulting from the instability of commodity prices. This short-term financing does not remove the basic causes of instability. It is only designed to offset, temporarily, the loss of export earnings but it cannot stabilize prices or volume of international commodity trade. Only through genuine up-to-date commodity arrangements can we deal efficiently with these factors.

Surely, the post-war record of some of these international commodity arrangements has not been impressive. Unfortunately, the adoption of effective international efforts for stabilizing commodity markets has been impeded by the inability to obtain accord between exporting and importing countries. Too often accord was not reached because large vested interests wished to preserve the speculative character of commodity markets. Even today the speculator still dominates the international commodity exchanges to the detriment of the producer countries by intensifying the swings of the markets. The present experience in world sugar affairs illustrates this point. Effective commodity arrangements should be so planned as to curtail the influence of these operators, who in the modern economy are really relics of a bygone era.

Another reason why, generally speaking, international commodity schemes have not succeeded as they should, is the fact that even when the primary producers agree to restrict their output, the purchasing industrialized countries on their part have often been unwilling to provide even minimum guarantees for purchase.

Further, modern commodity arrangements, in our opinion, should not be of a restrictive nature, freezing established patterns of production and trade, but should lead to an expanding world supply and trade in primary products. Achieving this would call for new activities in promotion and research, to find new markets as well as new products and new uses for such products.

Steps such as these are urgently needed to counterbalance the inelasticity of demand of many primary products. It is not fully realized that this inelasticity, particularly for food products, really exists only in developed countries. In developing countries the picture differs. There we have a latent demand due to lack of purchasing power resulting in under-consumption of a staggering size.

Ways and means should be explored to utilize this very powerful potential to expand commodity trade. We do not advocate limiting these only to humanitarian efforts such as the Food for Peace programme. What I would like to suggest is a world-wide assault on under-consumption of agricultural products in developing countries by carefully planned and executed international commodity arrangements.

This will require financial aid to the Governments of those potential consumer countries. Is it really impossible to find those necessary means? Let us look at the following figures:

Western Europe and the United States together are currently spending (according to calculations of the Atlantic Institute) \$7,000 million per year on their agricultural subsidies by way of price support and surplus disposal schemes. These \$7,000 million are in addition to the \$4,000 million Western Europe and the United States are currently spending on public aid to developing nations. Should it really be impossible to dedicate 10 to 15 per cent of these \$7,000 million to a planned world-wide market scheme to expand the consumption of tropical products? Such an action would have, in my view, a far-reaching effect:

First, it would increase in the under-privileged developing nations the standard of living of their population.

Second, it would increase the purchasing power of the commodity-producing countries, and

Third, the commodity-producing countries would consequently have a greater purchasing power for goods produced in the developed countries.

I cannot re-emphasize too strongly that the time is ripe for dealing with the question of tropical commodities on an effective and constructive basis. Contrary to the tide in the Fifties, it now appears feasible for the developed countries to make the necessary political decision for international commodity support schemes.

In so far as manufactured goods are concerned, a political decision has also to be made by the developed countries on providing greater access to the manufactured goods from developing countries. Such a decision would really help low-income countries to create a new momentum of economic advance.

Consideration should also be given in this context to recognition by the industrialized countries of the inherent right of the primary producing countries to process their own raw materials for sale to the world markets. Tariff discrimination or quota restrictions

against such processed raw materials should be eliminated. It should need no elaboration to show that the processing of their own raw materials represents for the young countries the most economic and most efficient exploitation of their natural resources which gives their economies the benefits of "value added" and helps to relieve their employment and foreign exchange problems.

We fully realize that these legitimate claims of the developing countries will in certain instances cause some structural changes in the industrialized countries. I am sure, however, that the developing countries would be happy to work out with the industrialized countries reasonable transition periods in difficult cases so that there would be minimum disruption. I am equally sure that the developing countries would be prepared to offer adequate incentives to make this proposal attractive.

Another problem which requires immediate attention is the policy of the international shipping cartels, another relic of bygone times, a system which militates heavily against those seeking development. The unduly high freight rates fixed unilaterally by the cartel of ship-owners of the developed countries hit the developing countries in both what they have to buy and what they seek to sell. Incidentally, these freight rates are never published.

Price-fixing cartels in accordance with modern thoughts are now either outlawed or frowned upon in most industrial countries. However, strangely enough, no action has been taken—either in the United States or in Europe—against international shipping cartels. It

is our considered opinion that this Conference should seriously consider ways and means of controlling on an international basis the freight policy of the "pools" and break their price-fixing practices. Many of us here have suffered or are still suffering from their stranglehold.

I do not propose referring to the "Kennedy round" except to say that like many others here I hope that when we come to work out details we will find it possible to create terms that will accord with the principles and concept of its originator, so as to provide benefits to both the financially strong and weak countries of the world and make the implementation of this vision a fitting memorial to one of history's greatest men.

We in this hall are privileged people in that we have been given the opportunity to contribute to the highest possible cause—a cause that transcends ideologies and the boundaries of narrower national interests—that cause is the future of the world and its people.

I have tried to make my humble offering as best I can—in the hope that it may provide something of value—however small it may be. No one can foretell how far this Conference will achieve its main objectives—I fervently hope that it will achieve those tangible results that can best help the less fortunate.

What however I can say with certainty is this: that so long as men of good will gather from all corners of the earth in the united desire and determination that there shall be a better world, the lamp of hope for the future of the world and its people may at times flicker—but it cannot be extinguished.

STATEMENT BY H.E. Mr. KIICHI MIYAZAWA,  
MINISTER OF STATE,  
DIRECTOR-GENERAL OF THE ECONOMIC PLANNING AGENCY,  
HEAD OF THE JAPANESE DELEGATION

at the thirteenth plenary meeting, held on 1 April 1964

[Original text: English]

It is most fitting that the United Nations, responsible for maintaining international peace and promoting economic development, should be convening this Conference on Trade and Development with the attendance of representatives of 122 countries from the four corners of the world. I would like to associate myself with the preceding speakers in congratulating His Excellency Mr. Kaissouni on his election to the important post of President for which he is well qualified. My delegation also wishes to pay its warmest tribute to the Sec-

retary-General of the Conference, Mr. Raúl Prebisch, for his exhaustive preparatory efforts. My Government stands fully prepared to render its co-operation in the joint search for the solution of the problems that stand in the way of trade promotion and economic development of the developing countries.

It is the belief of my Government that world prosperity is predicated upon the economic advancement of the developing countries, without which the long-range development of the world economy as a whole



can hardly be expected. At the same time, the economic development of these countries is closely interrelated with the prosperity of the developed countries. My Government attaches in its foreign policy great importance to Japan's economic relations with the developing countries. Our close economic relations with the developing countries are reflected in the fact that the trade with developing countries in South-East Asia and elsewhere accounts for nearly a half of our total trade. This percentage of trade with the developing countries is the highest among the developed countries. We, in Japan, are particularly interested in the prosperity of the neighbouring Asian countries and wish to promote further our economic as well as political co-operation with these countries. We have struggled for the past century along the painful path of transformation into an industrialized country, but we have as yet to cope with the problems of a comparatively less advanced agriculture and small and medium scale industries. We entertain, therefore, deep sympathy and understanding for many developing countries which are at present wrestling with the same difficulties, and we will continue to render our fullest possible co-operation to these countries.

I wish now to state the views of my Government on the principles which should be guiding our efforts in overcoming the difficulties confronting the developing countries, and on the trade policy required for their economic development.

First, the Conference should endeavour to find realistic and practical solutions in a steady and progressive manner having due regard to the possible sacrifice and burden on the part of the developed countries. These solutions should aim at harmonizing the interests of both the developing and the developed countries and should enable all the countries to share the benefit of co-operation in the long run.

The national economic plan now under way in Japan which is designed to double her national income in the decade 1960-1970, envisages that the level of imports will increase from the present \$6,000 million to some \$10,000 million in 1970. Since a substantial part of Japan's imports is comprised of primary products, especially raw materials indispensable for our economic development, my delegation hopes that the solution to the problems of primary products will be found in such a way that our growing demand for such products would be sufficiently met by the supply from the developing countries. With this in mind, my Government has adopted measures for assisting the development of primary products in the developing countries and their importation into our country, which I shall refer to later in this intervention.

Secondly, it goes without saying that the co-operation between the developed and the developing countries should not be a one-way traffic. Corresponding to the increase in the volume of imports into and external aid given by the developed countries, the developing countries, on their part, should make every effort to obtain the maximum results from such co-operation,

particularly in the promotion of industrialization and expansion of export trade. My country, in achieving its industrialization in a relatively short span of time, had also to expand its exports, so as to meet its increased import requirements. The path for our economic development has never been smooth and easy. It is our firm belief that success in economic development and export expansion depends primarily on the efforts of the developing countries themselves and that the role to be played by international co-operation can be at best only supplementary to these efforts.

Thirdly, my Government believes that any solution to the problems of the developing countries should not neglect the free play of market rules which are the basic principles of free trade. My country, therefore, attaches great importance to the Action Programme adopted last May at the GATT Ministerial Meeting as well as to the forthcoming "Kennedy round" tariff negotiations, and intends, for its part, to implement the Action Programme to the fullest extent possible.

We are not unaware that the free market rules and the free trade principles might in certain cases work to the disadvantage of the developing countries and therefore certain exceptions to these rules and principles would be required to protect the interests of these countries. Nevertheless, it is our strong belief that such measures should be only temporary and exceptional.

In this connexion, I am constrained to draw the attention of my fellow delegates to one important fact.

Japan has been extending financial and other assistance to the developing countries in concert with other developed countries and she will continue to spare no effort in the same direction. However, it must not be overlooked that not a few countries, both developed and developing, continue to adopt discriminatory measures against Japan in the field of trade.

There is no denying that such discrimination places no small obstacle in the way of our future efforts in promoting co-operation with the developing countries.

My Government, therefore, strongly hopes that this anomalous situation will be rectified as soon as possible so that we shall be in a position to make a greater contribution to the expansion of trade of the developing countries.

It is also the considered view of my Government that a world-wide solution of the problems of the developing countries will have to be sought through the global expansion of international trade on the basis of the principles of free trade, and that every effort should be made to avoid the contraction of world trade through the practice of regionalism.

Keeping in mind the global nature of the problems of the developing countries, and being guided by the three basic considerations which I have mentioned, my delegation will make its best efforts to contribute to the work of the Conference in its search for realistic solutions that would provide all the developing countries with greater opportunity for development.



Now I would like to turn to the problem of primary commodity trade. My Government is of the view that this Conference should place major emphasis on this problem, since primary commodities constitute by far the largest source of export earnings for the developing countries. At the same time, the discussion on this subject should take into due account a special feature of the primary commodity trade. That is to say, primary commodities are not exclusively produced and exported by the developing countries. Indeed, in the case of some primary commodities, it is the developed countries which are the main sources of supply.

In the light of the need for expanding the trade of the developing countries, for which purpose this Conference has been convened, my Government considers it essential for the Conference to focus its attention on those commodities, such as tropical products, of which the developing countries are the major exporters.

Bearing this in mind, my Government considers that the key to the solution of primary commodity problems lies basically in the following three factors—namely, the increase of demand for primary products by maintaining a high level of economic activities in the developed countries and through the removal of trade barriers; the stabilization of commodity prices through strengthening and expanding commodity agreements as appropriate; and the increase of the share of the developing countries in the export trade of primary commodities.

So far as my country is concerned, our imports of primary products from the developing countries have increased by approximately 50 per cent between 1955 and 1962 and are expected to increase further in parallel with the growth of its economy.

In this connexion, my Government has been making efforts with the co-operation of private firms, to increase further imports of primary commodities from the developing countries through economic and technical co-operation with such countries with a view to improving the marketability of their potentially exportable products. We have extended this type of co-operation to the developing countries, in particular to those in South-East Asia with which Japan has close relationship, in order to develop and strengthen the international competitiveness of their primary products as well as to secure the supply of such products as we need. This type of co-operation, which we call the "develop-and-import" scheme is designed to achieve an organic combination of the exports from the developing countries with the imports by my country. This scheme, beneficial to both parties, has proved to be of considerable success in promoting the economic development and the exports of these developing countries.

In view of the fact that the share of developed countries is increasing in our imports of primary commodities, it is the policy of my Government to promote purchases from the developing countries by making the maximum possible use of this scheme.

It is to be hoped that possibilities will be further explored for co-operation with the international financial institutions and other developed countries so as to promote such development programmes.

For the expansion of primary commodity exports of the developing countries, it is necessary that efforts for increasing demand on the part of developed countries should be accompanied by corresponding efforts on the part of the developing countries for improving the quality and lowering the cost of their primary products.

Efforts should also be made in the direction of concluding international commodity agreements on a commodity-by-commodity basis. Japan has acceded to various international commodity agreements and will continue to pursue this policy in the future. We believe, however, for the reasons already mentioned, that in the context of this Conference commodity agreements should be sought mainly with regard to tropical products.

Moreover, these commodity agreements, if they are to be effective, should be global in scope so as to secure the participation of all the major exporting and importing countries of the commodities concerned.

It should also be pointed out that excessive emphasis on an artificial raising of prices would bring about undue burden on the major importing countries.

Furthermore, such artificial raising of prices, extending over a long period of time and covering a wide range of commodities, would tend to impair the incentives to productivity increase, and might even result in reduction in the volume of trade through the shift of demand to synthetics and substitutes.

My delegation fully recognizes that the exports of manufactures and semi-manufactures play an important role in the promotion of industrialization of the developing countries. No doubt, the development of exportable goods from the developing countries will require sustained efforts on their own part and co-operation, between the developed and the developing countries. The Conference has before it a proposal for granting unilateral preferences by the developed countries to the whole range of manufactures and semi-manufactures exported by all the developing countries. In the view of my Government, such a proposal could only be fully effective if and when all the developed countries support and accept it. It also appears doubtful whether an equitable distribution of benefits among the developing countries could be ensured if the Conference were to deal with this question without taking into account the existence in some of the developing countries of export industries that are already grown-up and competitive on the world market. Therefore, my Government feels that this proposal should be considered with the utmost care and prudence. Furthermore, it has been said that the proliferation and perpetuation of self-contained preferential groupings might cause adverse

effects on the developing countries outside such groupings. My Government considers that such adverse effects should be kept to the minimum possible extent in the interests of the developing countries as a whole. With these considerations in mind, my delegation is fully prepared to consider and examine in a realistic and objective manner all the proposals to be made for the expansion of exports of manufactures and semi-manufactures from the developing countries.

The industrially advanced countries have been helping the developing countries in their development efforts through economic assistance. In spite of various limiting factors, Japan has, on her part, extended, and will continue to extend, as much economic and technical assistance as her economic resources permit. It is our intention to contribute to the expansion of the exports of the developing countries through effective economic co-operation, including the "develop-and-import" scheme I referred to earlier, as well as joint ventures and technical co-operation.

The economic prosperity of the world is incumbent upon the solution of the problems of the developing countries. Hence, my country attaches great political importance to the fact that a wide and growing interest has been shown, within the United Nations and elsewhere in what has come to be called "the North and South problem".

It is our conviction that peace and prosperity, both regional and global, can be enduring and sustained only if deeper mutual understanding and closer co-operative relations should develop among countries at the different stages of economic development. Such a possibility is envisaged in the Charter of the United Nations, and the present Conference should be regarded as the very first milestone in mobilizing international efforts in this direction.

It may be too early, at this juncture, to foresee the final and concrete outcome of the Conference on Trade and Development. But it can be safely predicted that the problems of trade and development of the developing countries will command the continuing attention of the United Nations, and it is our strong belief that these deliberations should always bear in mind the necessity of utilizing and developing to the fullest extent the existing international machinery, including the various organs of the United Nations itself.

In conclusion, I wish to express the earnest hope that, in the course of this Conference, mutual understanding and co-operation among us all will further be fostered so that the spirit of harmony and co-operation will prevail over our future economic relations.

I sincerely hope that it will become possible, in the not distant future, for all of us, developing and developed nations together, to share equally in the benefits of such harmony and co-operation.

**STATEMENT BY H.E. Mr. J. G. KIANO,  
MINISTER FOR COMMERCE AND INDUSTRY,  
HEAD OF THE KENYA DELEGATION**  
at the tenth plenary meeting, held on 30 March 1964

[Original text: English]

This is indeed an historic occasion. We have met here to declare war on poverty, destitution and economic rivalries which together have continued to widen the gap between the developed and the developing countries. We have met here to seek ways and means of closing that gap so that our universal dedication to human rights may include in concrete terms a square meal, a decent sleeping place and, at least, some minimum welfare services for every human being irrespective of colour, creed, race or nationality.

But before I express the views of my Government regarding the challenging task facing us at this Conference, may I record my delegation's most heartfelt congratulations to Mr. Kaissouni for being elected

unanimously to preside over this historic Conference. The spirit of unanimity manifest in his election as our President, and in the election of the other Conference officers, was a most heartening omen. I have no doubt that with him, in the Chair, that spirit of wanting to get agreed solutions to the problems before us will continue to characterize our deliberations.

Kenya is a country whose life as an independent nation can still be counted in terms of months, not years. We achieved our independence only some three months ago. But in tackling our economic problems we find ourselves confronted with practically all difficulties facing the other developing countries. These difficulties have been well expressed by previous speak-

ers and have been excellently summarized in the report prepared for us by our Secretary-General, Mr. Prebisch. I shall avoid repeating what has already been said before, except in cases where I feel special emphasis is necessary.

It is customary for economists—and I am one of them—to agree often on the nature of the problems before them, but violently disagree on how to solve those problems. I hope that in this particular Conference this situation will be avoided, despite the fact that there are very many of us economists present. My delegation feels that the problems facing the developing countries have been admirably defined. My delegation also has noted with gratitude the sympathy expressed by all speakers. We feel therefore that the chances of agreement are indeed promising. What is most heartening, however, is the general recognition that what we are asking for are not acts of charity but measures which are in the economic interests of the whole world, including both the developed and the developing countries. This my delegation welcomes heartily and we have the high hopes based on the realization that enormous progress has been made both in the attitudes of Governments and of public opinion towards the concept of economic interdependence. We are happy to note, particularly, the realization that there is a need to increase trading opportunities for the purpose of raising the standards of living of the people in the developing countries. I hope that the political will to see this happen is already taking shape.

With so much evidence of good will, one may perhaps be forgiven for wondering why progress often seems so slow. We do not disguise the fact that we in the developing countries are often impatient and, in our view, justifiably so. Many conferences have been held on this one topic of economic development. Many resolutions and declarations have been put on record year by year, and yet, our economies continue to be faced with growing adversities. We have had enough share of frustrations and I hope that a note of greater urgency will be felt in this particular Conference. Academic reports and economic textbooks keep on talking of \$30 *per capita*, or \$60 *per capita*, or even \$100 *per capita* income per year in the developing countries, but these statistics do not bring home the cold facts of life facing millions of people in the developing countries. There are millions of people who just do not have any income at all. They do not know where their next meal is coming from or where they will lay their heads when the night falls. They do not have a share in the *per capita* income figures cited in the textbooks. Yet these men and women are anxious to play their part in the economic well-being of their country and to earn their living in productive employment. For example, during our struggle for independence in Kenya under the leadership of our great Prime Minister, the Honourable Jomo Kenyatta, we adopted the now-famous slogan "Uhuru na Kazi", which means "Freedom and Work". There has been tremendous response to this call and so long as opportunities

for work are provided the people are anxious to make their contributions to our economic growth through increased production.

Too often, however, our endeavours are frustrated in the international field by the actions of those who, while professing their acceptance of the need for greater economic development, nevertheless seem to find it difficult to translate these lofty principles into action. Such persons remind me of a certain lady who was said to have a heart of gold but found it most difficult to turn that gold into small change for everyday use. While I recognise the complexity of the problems to be dealt with in this Conference, it will be tragic if the Committees charged with producing solutions and having truly devoted hearts of gold inform us ten weeks from now that they fully understand the problems but are unable to agree on solutions.

Turning now to specific matters, let me say this. The developing countries have accepted the idea of accelerating their development through planned economy. In this respect the biggest problem arises as a result of fluctuations of the prices paid for their agricultural commodities. I do not want to repeat what has already been said, but I must emphasise that without stabilization of prices for our agricultural products it is very difficult to carry out the development programme which we have adopted. It seems to me that as industrialization progresses in the developed countries, farming communities always find themselves left behind in the economic race. I do not propose to examine this complex subject in detail, but surely there is a parallel here between this and the position of the primary producer in the developing countries. The determination of the developed countries to find practical solutions to the problem of their own farming communities leads me to believe that given the necessary goodwill the solution of our commodity problems may not be too difficult to find in this Conference. We must have stabilized prices at remunerative levels in order to carry out our development plans.

Kenya has a diversified agricultural economy producing both temperate and tropical products and it is an economy capable of rapid expansion. We have recently embarked on a Cash-Crops Development Programme which, in conjunction with our ambitious plans for land resettlement, is confidently expected to multiply our production of a very wide variety of commodities. Thus, while we may avoid the dangers inherent in monoculture economies, the very diversity made possible by the range of soils and climate that we enjoy indicates the complexity of the problems we are going to face. Many developing countries, including ourselves, are gratified to note the special attention given to tropical products, but we also have to interest ourselves in temperate products such as our butter and meat on which many of our farmers depend for their livelihood. In this field of producing essentially temperate agricultural products, we find ourselves in direct competition with some developed countries—a midget among giants in international trade. Again, we have

crops such as pyrethrum still subject to trade barriers in many parts of the world. This type of artificial barriers against products from developing countries will simply have to go if we mean business at this Conference.

On average, some 90 per cent of our total products are derived from our agricultural sector, but there is not one commodity produced in Kenya in sufficient quantity to have any impact or influence on world prices. Nor, even if our production were increased three or four-fold, would we be the kind of significant supplier whose policies are able to affect world prices. To this extent we are at the mercy of commodity price fluctuations in those export markets to which we look for earning our living. On the one hand, we urge our people to produce more and more in the hope that we may increase our foreign exchange earnings for further development. On the other hand, we find our efforts to sell the fruits of our increased production largely nullified by the prevailing patterns of international trade or by internal tax operations in some countries or by methods of trade control which permit manipulations of internal selling prices to regulate and sometimes restrict consumer demand. The International Coffee Agreement is an example of an arrangement which highlights our difficulties. Kenya became a party to it because there was no acceptable alternative, but having encouraged our farmers before the Agreement was signed to plant more coffee we are now faced with the invidious task of being told to restrict further planting. Yet coffee is our major export item. By restricting further productions of coffee we are jeopardizing our economic position, and as I said earlier, Kenya being a small country no matter how much coffee we produce it is likely to have no effect on world prices for this commodity. In this connexion, therefore, it is important to consider exceptional arrangements for small countries whose total production has little or no effect on world prices and yet their economies depend on the commodities in question. Let me add that international commodity arrangements based purely on quota systems for export could involve economically fatal limitations on production for some of the developing countries.

One approach for these types of economic ills facing primary producers would, I suggest, be a freer access to the large markets in the world. This calls for an imaginative consideration of the possibility of reducing or relaxing agricultural protectionism that is now deeply entrenched in the industrialized countries and affects not only temperate but also tropical agricultural products. Access to markets is of increasing importance to Kenya, and for this purpose my Government welcomes the efforts made by successive rounds of tariff negotiations to remove trade barriers. In this respect we welcome the "Kennedy round" of tariff negotiations as offering some hope for further trade liberalization. But however successful these negotiations may be, they certainly will not be a panacea, and it is idle to pretend that even free

access to markets can assure the primary producers their due reward for their labours without drastic readjustment of the classical economic principles of supply and demand. Special arrangements to maintain agricultural export prices at a reasonably high and stabilized level concerning price are now an absolute necessity.

There is no need for me to recapitulate at any greater length the agricultural commodities problems. My Government's hope is that this Conference will do all it can to find a solution.

Like all other developing countries we are very determined to further diversify our economy by carrying out industrialization programmes which we consider necessary to safeguard our balance of payments through import substitution and exporting manufactured and semi-manufactured items as well as to provide employment for our growing population. A prerequisite of industrialization is investment, and as we all know, there is severe competition in this field. All too often we in the developing countries are left at the mercy of potential foreign investors who well know the urgency of our needs and who by playing off one country against another expect and frequently obtain from us developing countries concessions that we really cannot afford. The advantages we gain as a result are often minimal compared with the return to these overseas investors. They justify this situation by talking of the high risk element which they claim characterizes such investment. While not justifying political instability—and Kenya is now enjoying a most stable situation indeed—nevertheless there appears to be not enough recognition of the fact that the so-called threat of instability and so-called high risk elements are, to a large measure, occasioned by wide-spread poverty and lack of employment. One would be putting the cart before the horse by insisting on absolute stability in a developing country before investment is embarked upon. In this respect, I have two suggestions to make. Firstly, there is a strong case for some international standards for investment inducements and concessions. This would enable the developing countries to stop the present cut-throat competition for investments to which I referred above. Secondly, we should consider some internationally directed investment sources for both the private and public sectors so that we, the developing countries, are not left entirely to the mercy of the speculative individual foreign investor. I am fully aware of the great role played by private foreign investors in the development of our countries, but I believe that in addition to the work they are doing, some sort of international investment mechanism would be most useful. You may recall that in some industrialized countries measures have been taken, or are being taken, by the Government of those countries to induce industries to go to their less favoured provinces. What I am suggesting is an application of these concepts on the international scale.

Some people are very fond of talking about "Trade, not aid". Others may have a feeling that by assisting in the stabilization of prices for agricultural commodities at a high level, they can forget the whole question of aid. The view of my Government is that these two items must be kept clearly separate. When you talk of trade, stabilization of prices, easier access to markets and exceptional treatment or preferences in favour of the developing countries, you are not talking of financial or technical aid. My delegation believes that until the time comes when I hope some of the solutions recommended by this Conference will have taken root, we are going to need both trade and aid. I do not believe, however, that one should be used to camouflage the other.

I was glad that in his most lucid address at the opening of the Conference, our Secretary-General singled out freight rates for special mention among the items of invisible trade which are to be studied. I would like to draw attention to one aspect of this problem which is of very practical concern to the developing countries whereby the existing freight rate structure has, at times, every appearance of subsidizing our competitors from the developed countries in the export fields. May I cite one specific example from East Africa, in which our new and most enterprising cement industry is quoted freight rates across the Indian Ocean almost double the rates charged in the opposite direction, the beneficiary of the lower rates being one or two of the highly developed countries. We find it difficult to accept that this disparity can be attributed to traffic densities alone. I do hope that this problem will receive special attention in this Conference.

Finally, I wish now to address myself to the question of institutional arrangements necessary for implement-

ing the measures which we all hope will be agreed upon at this Conference. While we recognise the merits of GATT and have recently become one of the Contracting Parties, no purpose would be served by disguising the fact that there is wide-spread dissatisfaction with the progress made towards adapting GATT to the role of catering for the needs of the developing countries. At this stage, therefore, I must say we are inclined to support the establishment of a new organization under the auspices of the United Nations. Actually, the absence of such an organization does indeed leave a strange gap in the ranks of the many and most useful specialized agencies of the United Nations. If such a new organization could incorporate the valuable experience accumulated in GATT, so much the better. While I should say that this represents our thinking on the subject at this stage, we do not rule out the possibility of amending GATT provided agreement can be reached on the modifications required to cater for the real needs of the developing countries. We would also regard it as most desirable if in amending GATT a separate chapter is incorporated to facilitate the participation of the countries with centrally-planned economies. My delegation will keep an open mind regarding this particular issue, but as I said earlier, we are sympathetic to the idea of an international trade organization as a specialized agency of the United Nations.

When Kenya achieved her independence, our great leader Jomo Kenyatta introduced a new word to the international language. The word is "Harambee", and you will find it inscribed in our coat-of-arms. This word means "Let us all pull together". I hope that the spirit of Harambee, the spirit of pulling together, towards the solution of the problems we face today, will prevail throughout this Conference.

STATEMENT BY H.E. Mr. KHALIFAH EL-GHUNEIM,  
MINISTER OF COMMERCE, HEAD OF THE KUWAITI DELEGATION  
at the sixteenth plenary meeting, held on 2 April 1964

[Original text: English]

May I first congratulate Mr. Kaissouni on his election as President of this International Conference and may I also express my delegation's pleasure in participating in our present proceedings. I should like to state that my Government regards the convening of this Conference as an event of paramount importance not only for the developing countries whose peoples constitute two-thirds of the world's population, but also for the promotion of world economy and the fostering of better understanding among nations. I would like

also to congratulate Mr. Prebisch on his excellent and comprehensive report.

This Conference is being conveniently held as a result of the developing countries' endeavours to invite world attention to the difficulties and grievances suffered due to the deterioration of the export prices of primary commodities and the continuous increase in the prices of manufactured goods. On the other hand, the existing practices in international trade tend to further the development of the already developed countries.

International trade, should serve as a more effective instrument in the field of economic development in order to enable the developing countries to accelerate their economic growth.

My country hopes that this Conference will undertake the responsibility of realizing the aims and objectives embodied in the United Nations Charter as regards political and economic stability in the entire world, an undertaking which would require of the developed countries a more substantial participation in assisting and helping the developing countries with a view to surmount the obstacles which impede their progress, since it is clear that any lack of development in any part of the world inevitably reflects on development elsewhere.

Petroleum is one of the basic primary commodities of some Middle Eastern States; and like other primary commodities its prices have been continually declining although, unlike agricultural primary commodities, it is a wasting, finite, and irreplaceable asset.

In speaking of oil, I wish to point out how vital it is for the present and future progress of my country; our revenues from oil represent 95 per cent of our total revenues. An unfair price for this asset results in a national loss which would be strongly felt by the people of the region, who are largely dependent on petroleum for their economic development and are striving for harnessing their resources and putting them to maximum use in this respect. During the period 1959-1963, those countries suffered a great loss as a result of reductions in the prices of oil. In the meantime, prices of the manufactured goods needed for the economic development of the region continued to rise. The oil-exporting countries felt the adverse effects on their economies of the decline in oil prices. This prompted them to create the Organization of the Petroleum Exporting Countries (OPEC) with the objectives of checking further price reductions, co-ordinating the

oil problems of the member countries, and safeguarding their legitimate interests without jeopardizing foreign investments.

Whatever the arguments advanced in justification of the aforementioned reductions may be they are no more or less than vindications of certain vested interests which are not at all in harmony with our times, nor do they comply with our people's determination to promote and develop their economies.

Kuwait, a recently independent nation, has embarked for the last several years on a comprehensive programme, social and economic, for the welfare of its people. My Government is constantly studying ways and means of industrialization and the promotion of further economic growth. We are, however, deeply conscious of our responsibilities and obligations towards other developing countries and equally aware of our role in the field of international co-operation. My country imposes no restrictions on foreign trade; nor does it have customs barriers, or import quotas.

I believe I am voicing the view of all the distinguished delegates here when I state that we attach great hopes to the outcome of this Conference, and that we have assembled here guided by the necessity of action within the framework of the United Nations in order to arrive at fair and equitable solutions for the problems confronting international trade and hampering economic development.

It is also our belief that it is necessary to increase all sorts of technical aid to developing countries and that advice must be provided to them by the specialized agencies of the United Nations as well as by advanced nations to help them implement economic development schemes and to unlock and open widely, the doors to developing nations that have the desire and the will to march on the path leading to progress, prosperity and peace.

**STATEMENT BY H.E. Mr. NGON SANANIKONE,  
MINISTER OF TRANSPORT AND PUBLIC WORKS,  
HEAD OF THE LAOTIAN DELEGATION**

at the twenty-third plenary meeting, held on 8 April 1964

[Original text: French]

I should first like to join those delegates who have spoken before me in offering Mr. Kaissouni my sincere congratulations on behalf of the delegation of Laos on his election as President of this United Nations Conference on Trade and Development.

I wish also to thank the Swiss Federal Government

and this beautiful city of Geneva for the warm and cordial welcome extended to us here.

I will now point out briefly the difficulties encountered by my country and mention certain matters which we shall have to discuss in the coming weeks.

In spite of the efforts we have made at the national as well as the international level, my country has been in recent years and is still today the scene of conflict between different ideologies. The past year has again been one of trials: civil war, insecurity and various disorders accompanied by their usual train of hardships making the transport of goods and people difficult and paralysing the economic development of the country.

This situation makes us dependent on foreign aid which, to be efficacious, has to be on a large scale and can only be reduced as our economic position gradually improves. We are fully aware of the effort made on our behalf and have endeavoured to make our own contribution to that effort by carrying out a plan of economic and social development which will, in the course of the coming years, enable us to utilize our resources and increase our economic potentiality. This plan includes vast projects extending to all sectors: social, cultural, agricultural, mining, industrial, etc. The first results are encouraging, but for many years to come we shall need not only the financial and technical aid of friendly countries, but also international financial aid.

We have undertaken, moreover, with the help of friendly countries a currency reform for the primary purpose of stabilizing our foreign exchange rates and establishing conditions favourable to investments and our economic recovery. The main features of this reform are the fixing of the new parity of the national currency at 240 Kip instead of 80 Kip to the US dollar as from 1 January 1964, and the creating of a free foreign exchange market by the establishment of a foreign exchange stabilization fund.

This reform being accompanied by a stringent budgetary policy and austerity measures should enable us to balance our national budget.

Our country possesses considerable agricultural, mining and forestry resources, but as a result of circumstances and the fact that our country has no direct access to the sea, our production costs are high. Transport and transit charges are very heavy and the products we could export are often the same as those of our neighbours who are in a more favourable geographical position and technically better organized.

This problem of access to the sea is to us of vital importance. It affects not only the price of products which we can export but also those of essential commodities and materials which we import.

It has been the subject of numerous conventions and treaties. The Convention of Barcelona of 20 April 1921 states in its preamble that "it is well to proclaim the right of free transit and to make regulations thereon as being one of the best means of developing co-operation between States".

The Havana Charter for an International Trade Organization of March 1948 provides in turn that "all charges and regulations imposed by contracting parties on traffic in transit shall be reasonable, having regard to the conditions of the traffic".

The ECAFE Ministerial Conference held at Manila in December 1963 studied this problem and requested its Executive Secretary to draw up a draft convention on the unrestricted right of land-locked countries to transport and transit facilities, taking the Convention of Barcelona as a model but amplifying and bringing it up to date. The Teheran Conference which has just come to an end also dealt with this important question.

As an under-developed and land-locked country, Laos hopes that the resolutions adopted at Manila and Teheran will make it possible to effect in a spirit of international co-operation a reduction in transport and transit costs and to grant wider facilities in transit operations. As I have said, these two factors are indispensable for land-locked countries like ours if they are to export their products at competitive rates and lower the cost prices of their imports.

I should like to associate myself with the representatives of India, Afghanistan, Bolivia and Nepal who have spoken before me in expressing the hope that this question may be carefully studied by a special committee. I would only point out here that my country would like to see the following decisions adopted: that transit countries should supply adequate means of transport to accelerate transit operations, particularly in the case of perishable goods; that they should authorize those concerned to undertake transport and transit if they so desire with means of transport of their own choice; that transport and transit rates, as well as other dues charged on goods in transit, should not in any case be higher than those charged in the corresponding local traffic.

I believe that co-operation is rendered easier by the fact that the transit countries are generally the main suppliers of the land-locked countries. Such co-operation can only serve to improve relations between neighbours and trade between countries of the same region.

I should also like to say a word about a question raised during the meetings of the Preparatory Committees of this Conference—namely, bilateralism—which imposes on certain countries the obligation to utilize in specified countries the credits granted them by developed countries. It often happens that the prices paid are higher than those payable on other markets and the quality of the products offered does not always suit the tastes and habits of the purchasers.

I realize that developing countries dependent, as in our case, on foreign aid are scarcely in a position to make comments on this matter. My country would, nevertheless, be in favour of framing an international economic policy making possible trade with all countries of the world and would greet with pleasure the establishment of an international trade organization.

Finally, the agenda includes a study of possible measures for the progressive reduction and elimination of obstacles and restrictions which hamper the export trade of developing countries, without any reciprocal concessions on the part of such countries.

In our case, as I have said, production costs are high in proportion to the transport and transit costs we have to pay for the conveyance of our export products. Hence it is particularly on the regional or rather sub-regional level that we can hope to export them and to do so with greater facility inasmuch as our neighbours are those who supply the manufactured products and

primary necessities which we lack. I believe, therefore, that it is on those lines that we should consider measures to be taken to encourage trade and co-ordinate trade policies.

In conclusion, I would like to associate myself with the wishes already expressed for the success of this Conference.

## STATEMENT BY H.E. Mr. FOUAD AMMOUN, MINISTER OF ECONOMIC AFFAIRS AND PLANNING, HEAD OF THE DELEGATION OF LEBANON

at the fourth plenary meeting, held on 24 March 1964

[Original text: French]

The election of Mr. Kaissouni as President of this Conference affords striking testimony of the esteem in which he is held in the international world. This fresh testimony confirms the honour done him two years ago by the Cairo Conference of Developing Countries. Today, because of the number and distinction of those who have paid it, this is a tribute of unprecedented magnitude. With his wise counsel, vast knowledge and solid experience, he will once again guide our work to the successful conclusion expected by a waiting and hopeful world.

I wish to express my Government's profound satisfaction at the election of one of its representatives, Mr. Georges Hakim, as General Rapporteur of the Conference. He is an economist of great reputation and a very talented diplomatist, and has long served his country with distinction. Mr. Hakim, I am sure, will devote all his eminent qualities with no less intelligence and zeal to the service of the international community. By giving him this opportunity, an honour has been conferred not only upon him but on Lebanon, a country that has always been ready and willing to participate in international co-operation. I wish to assure the Conference of my profound gratitude.

This Conference, with the objectives that it has set itself, announces a new era in human relations.

Possibly no international meeting has ever brought together so many countries and provided a meeting point for such diverse, yet reconcilable, doctrines.

But the importance of this Conference and its eminent place in world history lie, beyond any doubt, in its main objective—namely, development: economic development extended to all the nations of the globe, with its boundless political and social consequences and obvious influence on universal human progress. I need hardly remind you that more than fifty of the nations have only recently gained their independence,

and aspire, as strongly and as resolutely as during their struggle for political freedom, to occupy a just and worthy place in economic and social life—in short, in life.

What a great gulf there is between these nations, to which may be added a number of others stretching from Asia and Africa to America, and the countries which for centuries have controlled their destinies.

Tragic statistics of which we are all aware have been compiled by the United Nations in recent years showing that the world is divided into three categories of human beings equal in numbers but widely different in living conditions. What a sad plight is the world in when it contains a thousand million well-fed people, a thousand million under-nourished people and a thousand million starving people!

Every one of us knows his place in this sombre catalogue, but whatever the group to which we may belong, we are gathered together in this hall, I am sure, to help each other to escape from this degrading situation, and I am no less convinced that with good will all round we shall succeed.

The task perseveringly carried through during the past two years by the General Assembly of the United Nations and its Economic Committee, by the Economic and Social Council and by the Preparatory Committee, augurs well for a successful outcome. We must pay a well deserved tribute to those who have preceded us in this task and to Mr. Raúl Prebisch, the Secretary-General of the Conference.

I am under no illusions, however, about the difficulties that face us, and I would add that to be better able to surmount them, we must tackle them frankly and sincerely. For the moment I shall only touch on the more salient problems which confront us.

During the colonial period, now happily ended, the occupying Powers were able, through their economic



policy, to fix as they wished the prices of commodities supplied by the under-developed countries. This was manifestly done with an eye to industrial profits. Can that state of affairs be perpetuated in this new era, when the all-powerful and absolute master has given away to an equal partnership in which both parties are anxious to preserve their legitimate rights? Naturally, if we speak of two partners we exclude any idea of prices being imposed in one way or another and of one party obtaining the lion's share; instead there must be free negotiations to reach an equitable agreement. That is only logical, and is a corollary of the principles of equality and justice embodied in the United Nations Charter which we wish to enforce in all fields; political, economic and social.

Commodity prices, which are already abnormally low, are furthermore exposed, as everyone will agree, to more or less prolonged cyclical fluctuations which are disastrous for the producer. In the last few years, commodity prices have again fallen, and the consequences of this have been aggravated by a concomitant rise in the prices of manufactured goods produced in general by the industrial countries.

A policy of price stabilization to remedy this situation has already been initiated. It must be pursued without reservations or hesitation, with emphasis on the fair price envisaged by the pioneers of economic science. It must be implemented through general agreements between the importing and exporting countries. These agreements could be prepared, if not actually drafted, at this Conference where all the interested parties are present. I would add that long-term contracts are to be encouraged without, of course, excluding other adequate measures. In any case, they must be extended to other commodities, the list of which can be added to from time to time. That list must be open to products from the temperate zones as well as to those from the tropical zone. The Food and Agriculture Organization of the United Nations (FAO), as we know, is in a position to play an effective role in this regard.

The second problem which confronts us is that of the infant industries in the developing countries. The manufactured and semi-manufactured goods which these countries are beginning to produce cannot compete with similar articles produced by the countries which have been long industrialized and which possess great and hard-won technical "know-how". Would it be right to allow this unequal competition to continue to the detriment of the weak, especially when this inequality is largely due to the old colonial system and is further accentuated by the protectionism of the highly-industrialized countries? The products of the latter countries are invading the under-developed countries whilst the products of the under-developed countries are held up at the solid customs barriers of protectionism.

If it is the intention today to take the loftiest possible view of things, from the standpoint of all mankind, any domestic measure adopted by a particular country, or

as a result of regional economic agreements, for the purpose of stimulating production, in the form of specialization through the division of labour, should be capable of progressive application on a world-wide scale. In this way the division of labour would be adapted to each country's possibilities, on the understanding that the production of manufactured goods is within the capacity of the countries in process of industrialization. Industrialization and economic diversification are the essential conditions of economic and social progress.

In any event, since the international division of labour is a long-term undertaking, we must consider the pressing danger protectionism in the industrial countries means to us. These countries are in a position to facilitate, through a general reduction of their tariffs and the abolition of import restrictions, the access to their markets of products from the countries in process of industrialization, thus enabling them to increase their resources and consequently to finance their development projects. Such a policy, which could be applied equally well to agricultural products, would assist in raising the standard of living and strengthening the purchasing power of the under-developed peoples, and would consequently open up fresh scope for exports from the industrial countries themselves. Both sides would benefit. Paradoxical as it may seem, one side does not in this case become rich at the expense of the other, and it cannot be too often repeated that prosperity is indivisible.

I should now like to link the points which I have just made with the general principle of equality and justice which should govern human relations.

The basis of economic relations, as of political relations, should be equality. In economic life, that equality appears under the name of balance of trade or balance of payments.

The balance of trade and the balance of services of the non-industrialized countries are becoming more and more adverse. That was the conclusion of the GATT group of experts in 1958. It was confirmed just before the opening of this Conference by our Secretary-General. The deficit may be expected to grow still further if the trends of the last ten years are not curbed. How is this to be done? Can you see any remedies other than the measures proposed by the developing countries, which constitute the under-nourished and the starving two-thirds of the world? Whether those measures concern the products of their nascent industry or raw materials, they are the most effective and the most equitable means of restoring a balance which is very heavily weighted in favour of the wealthy countries, making them still more wealthy. The social evolution which has taken place in more than one nation here should be extended to the human family as a whole.

It is not enough to eliminate the obstacles to the free inter-play of forces in international economy. Those forces are manifestly unequal. The general reduction of customs tariffs, the abolition of quotas and the

most-favoured-nation clause, though useful in themselves and indispensable to the promotion of world trade, are not sufficiently effective when applied to countries with little or no development. The disparity of forces demands special treatment, which can be achieved only in a preferential system.

It so happens that the wealthy and prosperous countries, with very high standards of living, which belong to certain international groups, grant each other advantages which they refuse—if I may so put it—to the international proletariat. Those somewhat aristocratic preferences must be extended to a world based henceforth on the democratic concept of equality among individuals and peoples. The Commonwealth, we hear, is progressing in that direction. But the statement of intention which has just been made in London has a condition attached which makes it virtually inoperative. If the consent of all the industrialized countries is required, is it not clear that what is being given with the one hand is being taken away with the other? The veto of a single industrial country would be enough to paralyse action on a world-wide scale.

Preferences have been granted without reciprocity by a great industrial country to a limited number of African States. We congratulate that country sincerely, but we ask it and the members of the Commonwealth not only to maintain these advantages but to extend them to all the developing countries, if only to avoid any pretext for the undesirable use of the veto.

I agree with the French memorandum, so rich in ideas, particularly concerning the organization of the international market, that preferences, considered as an exception to the principle of non-discrimination in trade and to the most-favoured-nation clause, should be limited geographically—to the undeveloped countries, of course—and in duration to the ten-year transition period (open to renewal) proposed in the memoran-

dum by the Secretary-General of the Conference. This would follow the example given by the GATT Ministerial Meeting last May, which granted tariff concessions without reciprocity to the developing countries and sanctioned preferences among those countries themselves and their association on the preferential footing essential to their growth.

Lastly, it should be noted that the two problems of protectionism and preferences have been solved in a fairly satisfactory manner in our relations with the socialist countries through trade agreements on a clearing basis, which ensures that the volume of transactions is kept in balance. But a point which should not be neglected is that of the fair price to be paid in order to ensure a real balance of trade.

The expansion of trade admittedly takes first place in the promotion of the economies of countries which are anxious to develop, but technical and financial assistance is nevertheless essential to accelerate the effects of such expansion. A balance of trade should be matched by an appropriate levelling of technical development. Like the Marshall Plan which helped a Europe in distress, a plan for recovery on a world-wide scale is needed. One world would be created from the two worlds which are now set against each other.

This Conference, which is linked with the United Nations Development Decade, has been happily convened in a spirit of co-operation. A good start has been made, which must be pursued to the end in the interests of all.

Equality and justice must, I repeat, be the aim or ideal to be attained, and should be embodied in resolutions or agreements preparing the way for a new organization of economic relations between the nations of the world, or better still, for a new charter of mankind at work, in order to achieve recovery, welfare, progress and peace.

**STATEMENT BY H.E. Mr. A. ROMEO HORTON,  
SECRETARY OF COMMERCE AND INDUSTRY,  
HEAD OF THE LIBERIAN DELEGATION**

at the twentieth plenary meeting, held on 7 April 1964

[Original text: English]

On behalf of the Government of Liberia, my delegation congratulates Mr. Kaissouni for his preference to the high position of President which associates here assembled have bestowed upon him.

This is the highest position which this Conference offers and it is a fitting tribute and a mark of great confidence that his colleagues have chosen him to preside over their deliberations.

His election to this esteemed office has given my delegation confidence and great expectations in so far as our work here is concerned.

We are confident that in the course of this Conference, he will pilot our deliberations into calm seas of mutual interest, respect and understanding, and that he will finally direct the course of this Conference into harbours of complete agreements, sound, worthwhile and enlightened achievements for all concerned.

We are confident that he will not permit our debates to become an extension or a prolongation of the East-West cold war or any regional feud or quarrel. We are here to deliberate sanely, dispassionately and with frankness and conviction on issues, problems, situations, circumstances and conditions that relate directly to universal understanding, human justice, international prosperity and world peace. These are objectives we all here acclaim; these are the objectives we seek to achieve.

Both East and West can work here together at this Conference for the achievements of our common objectives and in an atmosphere of mutual tolerance and co-operation.

It has been made clear to all, including journalists, that it is not the purpose of this Conference nor the intention of the so-called poorer or under-developed or developing countries to declare war on the richer nations, nor to seek measures whereby the developing countries may re-exploit them or even put them on the defensive.

My delegation feels that it should be crystal clear to everybody that this is a Conference in search of higher standards of living for all of the peoples of the world, not one at which superior advantages are sought in favour of one group of people at the expense of any other group of people or nation or groups of nations.

Every enlightened nation today must know and be prepared to accept the principle that development is a matter of universal concern and is directly related to national and international security and world peace. The days for the "haves" to reside comfortably at the top of the ladder while the "have-nots" perish at the bottom are past. Prosperity must either be for all mankind or there will be no mankind.

Maybe at this point it might be wise to indicate that the circumstances and stages of development of some countries might be similar and perhaps even closely related. But it is only in rare cases that one finds two or more countries with identical problems. The point here is that even among the under-developed countries we are at very different states and levels of development. Therefore, whilst our deliberations should proceed in the light of our common problems, we must all bear in mind and be sympathetic toward our respective individual problems and peculiar circumstances realizing fully that economic situations are not always black or white, but sometimes they cover the entire spectrum of greys.

Some speakers at this Conference have implied that the problems of development are primarily the responsibility of the developing countries and that these nations must take the initiative in finding the proper solutions in these problems. I am convinced that the developing countries realize this fully and would have it no other way.

In Africa, our preoccupation has been with self-determination, freedom and independence on the one hand and economic development on the other. African leaders and the African peoples have struggled relentlessly to secure for themselves their right of self-determination. Now that the fortresses of political colonialism are on the verge of complete destruction our leaders and our peoples are turning their attention with the same dynamism and determination and with the same vigour, intelligence and imagination, to secure for their respective countries economic development.

In Africa we have made some progress toward economic development. This progress has been made at the regional, national and continental levels. On the continental level we have established the Organization of African Unity. One of its purposes being to co-ordinate and intensify the co-operation of all the African States in order to achieve a better life for all their people. The Economic and Social Commission of that organization met last December in Niamey, Niger, and prepared an economic blueprint for African development which our Heads of State will approve at their forthcoming meeting in Cairo within a few months.

The Economic Commission for Africa is another medium through which the African States are working together in search of economic development. The Economic Commission for Africa is engaged in several important studies and projects that will bring economic blessings to our continent. They have undertaken on the regional and sub-regional levels projects that include co-ordination of development in transportation, telecommunications, iron and steel works, housing and the eradication of pests as well as other projects.

Among the outstanding projects and efforts of the Economic Commission for Africa at concerted action are the African Development Bank, the Development Planning Institute and the effort at the harmonization of industrialization plans. For example, taking only one of these projects of the Economic Commission for Africa, the continental interest manifested by the African States in the establishment of the African Development Bank is an earnest of their determination to co-operate and to pool their human and financial resources for purposes of development. The African Development Bank will bring together some of the best minds and technical "know-how" from countries all over Africa and from outside of Africa to plan, promote and arrange the financing of multinational development projects in Africa. These projects are to include both infra-structural as well as self-liquidating

schemes. The African Development Bank will of course begin its life with many problems, some of which will offer severe challenges to its success and its survival. However, there is little doubt that the African leaders have an abiding faith in the usefulness of this institution and will make every effort to ensure its survival.

Aside from what the African countries are trying to achieve through the Organization of African Unity, through the Economic Commission for Africa and the African Development Bank, many countries in Africa, if not all, are working together at sub-regional and national levels. They are seeking to remove trade barriers, they are working to develop larger markets, they are undertaking on a joint venture basis the establishment of infra-structure projects and the promotion of industrial enterprises.

In my own country—Liberia—we are not relying entirely on loans from the World Bank or the International Monetary Fund or regional institutions or aid from industrialized countries whose Governments are friendly to us or other types of foreign assistance to carry out our development plans. As a matter of national priority No. 1, the Liberian Government has launched "Operation Production". This operation has as its principal objective making the country more and more economically independent and self-sufficient in so far as certain products we produce are concerned. Under Operation Production, our President, by radio and by travel throughout the nation, has called upon every man, woman and child to produce. Production is now the nation's first priority. Government is providing the proper incentives and assistance to those who are willing to produce and are in fact producing.

The Liberian Government is also in consultation with its neighbours with the view of establishing a free trade area in our section of Africa for the purpose of industrializing our several economies to our mutual benefits. Studies will soon be initiated as to how best we and our neighbours can pool our efforts and resources and develop larger, sounder and more profitable markets to support substantial industrial enterprises.

But we have met here not simply to discuss our individual national endeavours as such, or our development plans except as they relate to the problems of world trade. Nevertheless, the point ought to be made here repeatedly so that it is properly understood that the rapid deterioration in terms of trade is neutralizing, indeed invalidating the development efforts and schemes of the developing countries. Because the prices of the primary products continue to fall while those of manufactured goods are constantly rising, the under-developed countries who depend mainly on their exports of primary products accumulate less and less foreign exchange from their exports with which to finance their long-term development plans. In numerous instances these countries

are unable to meet even their usual budgetary requirements due to this situation.

What seems to be happening, or what is really happening, is that the main exporters of primary products are subsidizing the economies and development of the industrialized nations who buy primary products at low prices and sell finished goods at increasingly higher prices.

Because of this pattern in the terms of world trade and the effect it is having on developing countries, they have to request aid from industrialized countries in order to compensate for the severe losses they have sustained as a result of this imbalance in international trade. The removal of this most unfortunate trade gap would reduce the need for aid, would make developing countries more self-sustaining, would enable them to plan more accurately and put them in a better position to carry out their development plans. There are several approaches to this question of the inter-relationship between aid, loans, trade and compensatory financing. These are all means of financing that directly relate to the over-all problems of development. I trust that we shall carefully explore, here at this Conference, each approach and in doing so let us keep each of the means of financing in its right perspective.

The issues that we face at this Conference—such as stabilization of prices of primary products, narrowing the trade gap, and seeking a minimum of 5 per cent annual rate of growth for developing countries—are not issues that can be resolved by one country or one group of nations, whether they be Afro-Asian, Eastern European, Western European, the Organization of African States or the Commonwealth countries. These problems require combined international efforts and can only be resolved in a forum such as this. Thus we are here.

The main task before this Conference in the opinion of my delegation is the establishment of a framework for world trade in which all countries can achieve a rapid rate of economic growth, fair and equitable return for their produce and more advanced standards of living.

My delegation therefore proposes that this Conference:

(i) Support all measures aimed at enabling the foreign exchange resources of developing countries to increase at a rate proportionate to the needs of their development;

(ii) Accept the principle that the developed countries should, in any programme they adopt for reducing the barriers to trade, give appropriate emphasis to the trading needs of the developing countries and refrain from insisting on the principle of reciprocity in their trading relations with the developing countries;

(iii) Impress upon the developed countries acceptance of the principle that the developing countries should be accorded preferential treatment, including recognition of the necessity for protecting infant

industries realizing that with complete liberalization of trade the developing countries would not be in a position to compete on even terms with the industrialized countries;

(iv) Request the developed countries, jointly and severally, to abolish all discriminations on their imports from the developing countries;

(v) Give full support to co-ordination of plans for the development of transport and communications aimed at expanding continental and inter-continental trade;

(vi) Take concrete measures for the improvement of the terms of trade of the developing countries and the maintenance at equitable and remunerative levels of the relationships between prices of primary commodities and industrial goods;

(vii) Consider the establishment of multi-commodity schemes for the stabilization of prices of primary commodities so that international arrangements will take into account existing levels of production over a wider spectrum of commodities;

(viii) Request that the General Agreement on Tariffs and Trade be reviewed and revised in order to create an international trade organization under the United Nations adjusted to meet the needs of the developing countries and that its membership be more permissive and inclusive;

(ix) Further request that the economic groupings formed by the industrial countries should avoid taking any actions which might have an adverse effect on the economies of the developing countries;

(x) Support the setting up of an international machinery for compensatory financing to stabilize the export earnings of developing countries in order to aid them in meeting their short-term requirements and their long-term development schemes.

These are the ten points which my delegation proposes to this Conference.

Heads of delegations to this Conference who have already spoken have spoken long, clearly and well. Many of us have repeated each other because the broad and general problems we enumerate and allude to are basically and essentially the same. There have been differences in approach and emphasis. However, most of the aspects of the problem of world trade and its relationship to development have been profoundly and logically outlined by those delegations who have preceded me and particularly by our esteemed Secretary-General.

I must now pay tribute to our Secretary-General, Mr. Raúl Prebisch. As we listened to his very brilliant

speech and, I may add, one of the most profound utterances of any man associated with the United Nations, we knew that his profound knowledge of international economics and politics, and his long and rich experience in handling economic problems which affect the region from whence he has come, as well as his gifts as a man, constitute the most satisfactory guarantee that the secretariat of this Conference is in capable hands.

As developing countries, we shall listen carefully to all the ideas, suggestions and proposals which the representatives of the industrial and developed countries are going to advance. But we are also going to speak out as firmly and as unequivocally as we can. We are all here to talk frankly and in a businesslike manner. We are not here with hats in hands begging. We offer our natural resources, our markets and our primary products, manufactured and semi-manufactured goods and we ask for fair and equitable prices for what we offer, and a fair opportunity to trade our products in the markets of the developed countries, as they trade their products in our markets.

My delegation is enheartened and encouraged by the fact that we have met over one hundred and twenty independent nations, large and small, industrialized and developing, from around the world and have at least, voluntarily or reluctantly, recognized and resolved to come to grips with the nature, scope, magnitude, hazards, inequities, evils and dangers that lie in the existing terms and patterns of world trade.

What my delegation feels is of primary importance is that we be determined to set up before this Conference closes a permanent machinery under the United Nations that will help settle the issues of international trade. Among other things, such an organization could be made to serve as a clearing house for handling problems of international trade, and assist in implementing practical and concrete solutions which will be found from time to time for the problems of international trade and development; that this organization will provide a permanent forum where we can establish new patterns and practices of international trade.

While we may not find at this Conference definitive solutions to all the complex problems that have been posed for us, while many of these problems may not be solved even for a long time to come, but in the profound words of a great statesman of our time, "*Let us begin*", let us begin anew, let us begin here, let us begin now to grapple with issues and problems the solution of which is the difference between starvation and plenty for millions of people and between peace or the annihilation of mankind.

STATEMENT BY H.E. Mr. SALEM LUTFI AL-QADI,  
MINISTER OF FINANCE AND NATIONAL ECONOMY,  
HEAD OF THE DELEGATION OF LIBYA

at the seventeenth plenary meeting, held on 3 April 1964

[Original text: English]

I am pleased to begin my statement by expressing to Mr. Kaissouni our sense of honour and pleasure for his unanimous election to the presidency of this great Conference—a Conference in which I am honoured to represent my country. I am certain that his abilities and wisdom will guarantee that the conduct of the affairs of this Conference will be made in the best possible way. On behalf of my delegation and in my personal capacity I wish to extend to the Vice-Presidents and the Rapporteur of this Conference our most sincere congratulations. May we wish them all the best of luck in leading this Conference to a level of success equal to our expectation.

I also wish to take this opportunity and express the gratitude of the Libyan delegation to the Secretary-General of our Conference, to his assistants and to the Preparatory Committee for the great efforts which were made in the preparation of this Conference. The fruitful results of their efforts are clearly reflected in the skilful organization of our agenda as well as the many documents and reports which may be regarded as basic references for facilitating the study and discussion of the various items in our agenda.

The common consensus that this Conference represents a historic event in the field of international co-operation is a fact to which the developing countries have given special attention in all their international and regional relations. They have made recommendations and passed resolutions which were aimed at strengthening the realization of this historic Conference.

During the past two weeks, we have listened with great interest to the valuable statements of the heads of various delegations and international organizations. We believe that the one single conclusion which was common to all these statements was that the developing nations will not be able to reach their desired goal of economic development within the prevailing system of international trade.

The developing countries have felt the necessity of holding this Conference not only because it represents an international forum for the exchange of viewpoints among the nations of the world, but also because of their faith and belief that there is an urgent necessity for making certain decisions as well as laying down the basis for a suitable machinery, whether existing or to be created, which will be able to assume the responsibilities arising out of the evolution of trade policy and other policies connected with economic development.

The developing countries also hope that we will be able to reach solutions in this Conference that will assist them in attaining the maximum degree of sustainable economic growth.

The world of today is not what it was yesterday. The struggle for emancipation by the people of the developing countries was crowned with the realization of liberty and political independence. However, the road before us is still long and difficult in our struggle for economic independence and the elimination of the idea that the developing countries can only be agrarian countries, and that their conditions and circumstances are far removed from allowing them to transform themselves from backward agrarian countries into developed countries which are both agricultural and industrial, and which enjoy prosperity and high standards of living.

The necessity to change the scope and concept of present-day trends and economic relations is one of the prerequisites for this transformation to take place. In fact it is fair to say that the problem of trade relations between developed and developing nations is the first concern for which this Conference was convened.

The dependence of the developing countries on the production and export of a few primary commodities has subjected these countries to deteriorating terms of trade resulting from falling prices of their exports, while the prices of manufactured goods produced by industrially advanced countries have been moving in the opposite direction. Another important factor in this connexion is that the requirements of the developing countries for the growth of their economies and the expansion of their exports have made it necessary for them to import substantial and increasing quantities of capital equipment and technical "know-how" as well as other services. This is taking place at a time when their export earnings are insufficient to pay for these requirements. In order to cope with this situation the developing countries are trying hard to diversify their exports by producing manufactured and semi-manufactured goods. The Libyan delegation believes that this cannot be achieved unless the developed countries respond by lessening and even removing the many restrictions and discriminatory practices which are now imposed on the exports of the developing countries, especially in the case of manufactured and semi-manufactured goods and that they do not demand reciprocal treatment. The developed nations can also participate effectively in the activation

and expansion of exports by assisting the developing countries to formulate export promotion programmes and by adapting their home markets to the exports of the developing countries. In addition to this important line of action we believe that international commodity agreements play a vital role in the organization of international markets for primary commodities. Undoubtedly, the effective realization of the objectives of such agreements depends on the extent of co-operation among the contracting parties as well as the inclusion of as many producer and consumer countries under the terms of these agreements. Such wide participation in international commodity agreements would facilitate the effectual supervision of the supply of the commodities subject to agreement, in such a way as to recognize the interest and the prevailing conditions of all countries concerned.

On discussing the trade problems of the developing countries there is another important aspect which cannot be overlooked, and that is the issue of the invisible trade of these countries. As we all know, a substantial part of the export proceeds of developing countries is depleted by invisible trade transactions such as freight, insurance and other services. In many cases these expenditures account for a large part of the balance-of-payments deficits of the developing nations.

My country feels that any movement for particular economic groupings should aim to serve the mutual interests of all parties concerned. Since the world is one indivisible unit, it is essential for such grouping to avoid actions which could harm the trade and

development of the economies that are not included in these groupings. Moreover, we believe that it would be wise to reflect carefully upon the existing institutional arrangements with regard to international trade, with the object of determining the extent of their suitability and ability to keep up with the political and economic developments which have taken place and are now taking place in a world characterized by dynamic forces in all vital spheres of human endeavour.

This brief review of the problems of developing countries does not in any way mean that these problems are of no concern to the developed countries. In fact, these are matters to which all nations of the world must pay their full attention and find solutions which will guarantee the realization of mutual interests. The problems of international trade are common to developing and developed nations alike. It follows therefore, that solutions which will promote international trade will serve the interests of all parties concerned and not just one group of nations. In this spirit, the Libyan delegation hopes that the discussions and opinions of all participants will contrive to aim at finding adequate solutions to the basic issues facing this Conference. Such discussions and opinions, we trust, will always be characterized by co-operation and understanding.

In conclusion, my country hopes to see this Conference reach positive results and practical solutions which will constitute a point of departure towards a better future and the realization of peace and prosperity in all parts of our globe.

STATEMENT BY H.E. Mr. VICTOR MIADANA,  
MINISTER OF FINANCE, HEAD OF THE DELEGATION  
OF THE MALAGASY REPUBLIC

at the fourteenth plenary meeting, held on 1 April 1964

[Original text: French]

Allow me, first of all, to congratulate Mr. Kaisouni on his election to the presidency of this historic Conference, which is also an honour paid to all developing countries and especially Africa.

I also congratulate the other officers of the Conference and I take this opportunity to thank the delegations which honoured the Malagasy Republic by electing it to the office of Vice-President.

I also thank the Swiss Confederation for its renowned hospitality.

Others before me have spoken of the historic nature of this Conference. The circumstances in which it was convened and the meticulous work attending its

preparation have already aroused great hopes among the new nations which note with satisfaction that the entire world has become aware of the problems of under-development.

High though our hopes are, however, they do not cause us to lose sight of reality. We, the developing countries, are going boldly to ask the industrialized countries for a greater contribution. But the solutions we reach should endeavour to reconcile the different interests involved.

I must admit that, so far as I am concerned, these hopes are accompanied by some apprehension. In view of the magnitude and complexity of the questions



with which we are to deal, I cannot help fearing that our debates may bog down in ideological polemics or abstract considerations.

For this reason, our delegation will try to avoid abstractions and to illustrate the positions we shall adopt by examples taken from the conditions affecting our own country.

If the developing countries can be termed "peripheral", my country might almost be said to be "beyond the periphery".

With a population of six million and a national income of \$600 million—an average of \$100 per inhabitant—Madagascar is certainly among the tail end of developing countries.

Agriculture accounts for 90 per cent of Madagascar's economic activity and for an even greater proportion of its export earnings.

Industry, on the other hand, is in its infancy and, with very few exceptions, Madagascar has not yet reached the stage of industrial exports.

Our problem, then, is not whether we can export manufactured goods to industrialized countries, but, to produce such goods first for our home market in competition with imported products. It will probably be in our interest to enlarge the home market by combining it with that of neighbouring countries at a comparable stage of development. Such a grouping, I may say in passing, might require the indulgence of international bodies, for it is not certain that it could be accompanied by a true customs union or free exchange area.

In any case, for us, as for many developing countries, including our friends of the Afro-Malagasy Union of Economic Co-operation (UAMCE) and those associated with the European Economic Community, the export of industrial products is a thing of the future, not of the present.

Though our country is an island, we are not self-centred, and we shall be genuinely glad to see the more advanced developing countries obtain the advantages they seek for their industries.

Those advantages should not, however, be allowed to hinder either the immediate or the long-term industrialization of the least-advanced countries, which need to protect their industries from all competition from whatever source. Furthermore, I fully endorse the idea that any preferences enjoyed by the industries of developing countries should be temporary, so that one day countries like my own will also be able to enjoy them in their turn, under similar conditions.

In any case, these preferences seem to me to be particularly justified when they are applied to articles produced by the transformation by developing countries of the products of their soil. Primary commodities generally pay a low customs duty when imported into developed countries. Should a heavier duty be charged if they have undergone preliminary industrial processing in their country of origin? Such action would penalize the effort of developing countries to utilize the resources which nature has given them.

This brings me to what is for us, as for all developing countries, the key problem: primary commodities.

Madagascar exports coffee, rice, sugar, spices (vanilla, cloves, pepper), sisal, groundnuts, cocoa, pulse and meat and also some mineral products. This list shows that, at least in agriculture, the Malagasy Republic has achieved the diversification which is so strongly recommended to us today.

Contrary to what is generally thought, however, this diversity in our production has not improved our position at all. Let us review the statistics for recent years.

Over the past fifteen years, we have made considerable investments. Our exports have doubled in volume, whereas their value in dollars has remained stationary. If the depreciation of the currency, on the one hand, and the increase in our population, on the other, are taken into account, this stagnation represents a loss in purchasing power and a decline in the average income. The position would have been even worse if market organization in the franc area had not absorbed a considerable share of our exports.

This is proof, if proof were needed, that it is not enough to invest and to produce but that it is necessary to sell, and not merely to dispose of products at any price.

But what is proposed? To increase our export earnings, the solution generally recommended is the elimination of restrictive quotas and tariff barriers.

We consider that the elimination of these obstacles—so far as they exist—is desirable. But is it sufficient?

Tropical products are said to be expensive, and can hardly be bought by any but the developed countries. They are bought mainly by countries with a market economy. Can these countries further increase their consumption? It is to be hoped that they can, but I fear that their consumption is rapidly approaching the upper limit.

On the other hand, countries with a planned economy, which buy very few tropical products at present, could consume more. In their case as well, however, the present low level of imports is due not to traditional trade barriers but to a restrictive policy embodied in the plans. It is in this policy that changes should be made which, without affecting it unduly, could have beneficial results for tropical countries.

I therefore express the hope that our trade with the planned-economy countries can be shifted from the narrow framework of bilateral agreements, on a strictly compensatory basis, to a broad multilateral basis.

I realize that some, in urging the elimination of obstacles to trade, are thinking of the preferences enjoyed by countries associated with the European Economic Community.

These preferences are criticized as hampering exports to the European Economic Community by countries which are not associated with the Community, and so of interfering with the natural flow of world trade. Since that criticism was expressed, we have been waiting for factual data to justify it. Statistics show, on the



contrary that imports by the European Economic Community from non-associated countries have definitely increased faster than those from associated countries. Moreover, the reduction of the common external tariff on tropical products is expected to reduce to a competitive level the actual effect of the preferences granted to associated countries.

Though these preferences may not be of great account, we cannot waive them unconditionally. We have long been swimming in a comparatively quiet stream, and we shall not abandon it for the torrent of international trade until that torrent has been tamed. The only real solution, in our opinion, is that a fair price should be guaranteed for our products, in increasing quantities, on a world-wide basis—a price which would ensure a decent income for our producers and adequate receipts for our budget; in other words, the means of financing our development plan.

It must be recognized that this fair price will not come about spontaneously solely by virtue of the law of the market.

We know that the hazards of production and fluctuations in stocks in importing countries cause considerable variations in commodity market prices.

It is hardly conceivable in an industrial country that family incomes should be cut by half from one year to the next. Such unstable conditions make normal budget operations and the financing of development plans impossible.

The worst is that, aside from the short-term fluctuations, there is a basic downward trend in the prices of tropical products.

The law of the market, then, means an inevitable decline in the prices of tropical products.

For this reason we are in favour of an international organization of markets with regulating machinery and price supports. In this connexion, we endorse the ideas contained in the French memorandum, those expressed here by the Chairman of the Council of Ministers of the European Economic Community.

In making the foregoing remarks, we fully appreciate that not every price can be supported and that

excessive prices should not be allowed to encourage over-production or the use of substitutes, or to discourage consumption. The control of product names and suitable publicity can also play a part. The fact remains that prices ought to be such as to satisfy both producers and consumers.

It will not suffice merely to fix these prices at a given moment; provision should also be made for equitable increases. These prices cannot be immutable; they should at least take account of the progressive depreciation of currencies and should so far as possible keep pace with the rise in incomes in the purchasing countries.

The objection will naturally be raised that it is difficult to reconcile the divergent interests of producers and consumers. That would be a valid objection if they were merely left confronting one another and there was no moral authority capable of composing their differences.

This will be our only suggestion regarding the question of institutional arrangements to give effect to decisions adopted by this Conference. We have no preconceived ideas on the subject; our position will depend on the outcome of our deliberations.

The circumstances are at present more favourable than ever before for the definition and application of a form of international co-operation capable of promoting the profound economic and social change which is ardently desired by the under-developed countries.

At the same time, our delegation is aware of the magnitude of the difficulties which our Conference will have to overcome.

Allow me on behalf of the Government of the Malagasy Republic to express the hope that the decisions which we take here will be not only the expression of the wishes of a majority—which might therefore remain unimplemented—but will reflect the willingness of every country represented here, whatever its state of development, to assist other less-advanced countries.

In this spirit I assure you that, for our part, we shall endeavour with our modest means but with all our will to contribute to the success of our work.

STATEMENT BY H.E. DATO' ABDUL HAMID,  
AMBASSADOR, DEPUTY HEAD OF THE DELEGATION OF MALAYSIA

at the ninth plenary meeting, held on 30 March 1964

[Original text: English]

This Conference is indeed a proud moment for the peoples of the developing countries of Asia, Africa and Latin America. And prouder still for us all, when we look at this platform and see three distinguished

sons of our three sister continents—the President himself, who guides our proceedings with such grace and lucidity, and who has been such an inspiration for the convening of this Conference, our

Secretary-General, Mr. Raúl Prebisch, whose pioneering and devoted labours over so many years have cleared many clouds and crystallized our vision, and our Rapporteur, Mr. Georges Hakim, who brings now to this Conference the vast experience of his long and brilliant career in academic and public life. In congratulating them all we are indeed congratulating ourselves.

Yet, of course, this is not a Conference of or for the developing countries only. This is a Conference involving all the countries of the world, demanding the earnest co-operation of the rich industrialized North as well as the poor agricultural South, the centrally-planned economies as well as the free-market economies, the newly emergent nations as well as the established Powers. At the same time, the specialized agencies in their various statements have already shown the very real contribution they can make to the success of this Conference.

We are met here not just to further the isolated interests of one group of countries against another group. At stake here in these historic halls is whether we can demonstrate the moral solidarity and the political will to confront and destroy the ancient scourges of mankind—poverty, hunger, disease and ignorance—and whether we can maintain a dialogue to explore in a spirit of mutual co-operation the means to arrive at our goal.

These last twenty years and more have witnessed the rise to political sovereignty of so many nations of the world. Unfortunately, because of the deterioration in their terms of trade, these countries have found overwhelming difficulty in casting off the chains of economic bondage. Political independence would be a hollow irony without economic independence. We cannot be content with the shadow of sovereignty, with the pomp and ceremony of political independence, which are meaningless without the substance of economic sovereignty.

Malaysia has come to this Conference with high hopes. We have been closely associated with the work of the Preparatory Committee, particularly at its second and third sessions. The work of that Committee and the monumental efforts of the Secretariat have now cleared the decks for a fruitful dialogue. We are fully aware that the problems facing the developing countries are highly complex and the solutions for them both technically and politically far from easy. But there is now a profound realization that the world cannot afford the agonizing disparity in living standards between the developed and the developing halves of the globe, still less can it tolerate that this disparity should become even more pronounced. The achievement of a new pattern of world trade aimed at a better distribution of prosperity through accelerated economic growth is an urgent necessity, for upon it the peace of the world will ultimately depend. The lack of adequate preparations and above all the lack of the necessary political will

manifested at Havana, must not stand again in the way of success.

The line between success and failure at this Conference is a thin one. To achieve concrete and lasting results, we here must approach the problems which face us in a pragmatic and practical manner. The way before us is long and arduous. But my delegation believes most profoundly that with understanding, good will, and thorough application on the part of us all—from developed as well as developing countries—realistic and fair arrangements can be achieved. Malaysia comes to this Conference in that spirit—without recrimination—expecting not charity but the just fruits of our labours, eschewing ideological niceties which have little relevance to the hungry and the poor, and with a sombre sense of our responsibility to contribute to the success of this Conference.

This Conference is concerned with the phenomenon of a persistent tendency to external imbalance of developing countries, which seriously impedes their development process. The exports of primary commodities, generally, have been expanding relatively slowly. On the other hand, the demand for imports of manufactured goods has been growing rapidly, keeping pace with increases in the rate of development. The consequent imbalance has created serious obstacles in the way of sustained economic growth. To realize the minimum objectives of the United Nations Development Decade—an annual growth of 5 per cent in the incomes of the developing countries by 1970—this imbalance must be rectified.

After the many searching and thoughtful statements which have preceded mine, I propose to restrict myself now to some of our more immediate and urgent preoccupations. This should not be taken to imply any lack of interest in, or support for, the general position of developing countries on the question of regional groupings, of preferences, and of manufactures and semi-manufactures.

The problems facing Malaysia are no different from those of the majority of developing countries. The Malaysian economy is export-dominated and the production of primary commodities for export constitutes about 40 per cent of her gross domestic product. Rubber and tin are the pillars of our economy. Tin yields 25 per cent of the total value of exports. Rubber, our largest single crop, employing 30 per cent of the economically-active population, accounts for 60 per cent of the total value of exports, representing the largest source of Government revenue. It is quite apparent that changes in the level of prices of these two products must necessarily affect the general prosperity and economic well-being of the country. Upon these export earnings depend the successful implementation of the development programme and the provision and maintenance of the social services.

We are not, of course, reconciled to this state of affairs. The broad programme of economic development on which my Government embarked in 1961,

providing for a total expenditure of \$US1,700 million, has as its main aims the diversification of agricultural production and the acceleration of the rate of industrial growth. Manufacturing activity still represents a very small part of the total activity in Malaysia accounting for less than 10 per cent of gross national product. My Government believes in the policy of free enterprise and has in addition provided various incentives, such as tax exemptions, tariff protection and the establishment of industrial estates, in order to create a favourable investment climate to stimulate economic growth. Nevertheless, while the long-term objectives must be the attainment of greater industrial production, Malaysia in the immediate future will have to continue to rely on the production of primary commodities for export.

Malaysia therefore very categorically requires international trade policies which will enable her to sustain her economic and social development based on the production of primary commodities while permitting her industrial ventures to achieve viability. The natural rubber industry, on which Malaysia so largely depends, is subjected to external pressures that not only threaten the industry itself but also the well-being of our people, indeed of millions in South-East Asia. What we demand is fair competition. We are fully conscious that the competitiveness of natural rubber must be increased and to this end, replanting of no less than 2 million acres, that is about half the area under rubber, with improved planting material has been undertaken since 1945. At the same time, a research programme costing \$US4 million annually is being undertaken. All this expenditure has resulted in higher productivity so that since 1960 Malaysia's output has increased by 11 per cent. Yet the revenue so derived fell by 25 per cent because of the fall in the world price. Since 1960, the f.o.b. price of rubber has declined from US35.7 cents a pound to US24.3 cents a pound. So as to leave no doubts regarding the magnitude of the problem, I need only inform this Assembly that a fall of one cent per pound in the price of rubber over a year results in a loss of export earnings of approximately \$US18 million.

It may be argued that this falling price follows from an increasing preference by consumers for a technically superior synthetic substitute. This is not the case. Indeed, as a result of our research programmes, we have begun to produce and market technically superior natural rubbers, which have however been subject to tariff barriers in certain industrialized countries on the grounds that these are semi-manufactures. Furthermore, in sharp contrast to synthetic rubber, every single pound of natural rubber produced has been consumed. The basic feature of the dilemma is the excess capacity deliberately brought into existence in the developed countries by producers of synthetic rubber. It is one thing for natural rubber to compete with synthetic rubber marketed at a fair economic selling price. Such competition we will meet. But it is quite another thing to compete with dumped material

selling at substantial discounts. Measures must be taken, therefore, to establish a fair basis of competition between synthetic and natural rubber producers and to guarantee a fair share of natural rubber in total world rubber consumption. These objectives can be achieved through fair and remunerative prices and through the removal of discriminatory tariff and non-tariff measures in the consuming countries. The International Rubber Study Group has submitted a memorandum for consideration by this Conference. My delegation proposes to elaborate further on this matter, in the appropriate committee, where we shall exert our every effort in co-operation with all interested parties to arrive at a fair and realistic solution.

Turning now to our other basic commodity, tin, it is the experience of the Malaysian Government that the International Tin Agreement has brought some measure of stability to the tin market. Nevertheless certain modifications are essential in order to make the agreement more effective. The buffer stock of the Tin Agreement is solely financed by the producing countries who happen also to be the less-developed countries. Thus scarce financial resources are frozen which could otherwise be utilized for development. It is the view of the Malaysian delegation that there should be an exhaustive examination of the possibilities of inducing the consumer countries to participate in the financing of the buffer stock.

A further problem causing grave concern relates to the disposal of surpluses from non-commercial stockpiles. My delegation supports the recommendations contained in Mr. Prebisch's report that it is essential to ensure that there is no disruption of world markets or a downward pressure on the prices of the exports of developing countries as a result of disposals from these non-commercial stockpiles held by the developed countries. The general principles which should govern the disposal of surplus raw materials, which are important to the economies of the developing countries should cover, *inter alia*, the following fundamental principles:

(i) Disposals should not depress prices or prevent the development of a healthy price trend. Under certain price situations disposals should be temporarily suspended.

(ii) The quantity of disposals should be closely related to the ability of the market to absorb the volume being disposed. While consumer requirements must be reasonably met in a period of shortage, the quantity disposed should not be such as to inhibit the natural play of economic forces.

(iii) Disposals should take into account the marketing habits peculiar to the commodity and should follow and not lead the market.

These are only our preliminary thoughts on this subject, which we shall elaborate and discuss further in the appropriate Committee. The United States Government has given at the twenty-first session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) a comprehensive and detailed list

of criteria which ought to govern the formulation of a long-range disposal programme. Many of these criteria are relevant, as well as acceptable, to Malaysia and, we believe, to other developing countries. These criteria are meant primarily to apply to American producers in the United States. Our plea is that these should form the basis for an international body of principles and procedures having universal application.

One of the suggestions aimed at assisting developing countries which suffer from fluctuations in their export earnings relates to various schemes for compensatory financing. Malaysia, has naturally studied these proposals with the keenest attention. Indeed Malaysia, when serving on the Commission on International Commodity Trade, participated actively in the deliberations during the eleventh session when the report of the Group of Experts appointed by the Secretary-General and the proposals of the Organization of American States were exhaustively discussed. We continue to have an open mind on this subject and we look forward to receiving the studies which the Secretariat and the International Bank for Reconstruction and Development, together with the International Development Association, have undertaken at the request of the Preparatory Committee. We hope that these studies will examine in depth the special longer-term problems of primary exporting countries whose exports show a persistent decline, which are of fundamental concern to us.

In order to consolidate the results of this Conference, we must consider certain institutional arrangements to supervise the implementation of the decisions which are likely to emerge from this Conference. In this connexion, I wish to refer in particular to the remarks of the Head of the Indian delegation who in his address made a number of valuable and realistic proposals. My delegation welcomes wholeheartedly

action on the lines proposed by him. To reiterate, my delegation would like to see GATT reconstituted to serve the interests of both the industrialized countries and the developing countries. To enable GATT to be effective, the centrally-planned economies should be admitted to membership in GATT. GATT's action programme for the developing countries should be adopted as a uniform policy applicable on a wide basis. We must also examine the structure of all international institutions dealing with the questions of international trade, financing and economic aid and co-operation. Action should be taken to make such changes as may be found necessary, or, alternatively, to set up new institutions in order to serve in more meaningful terms the urgent needs of the developing countries. At the same time, we think it important to emphasize that existing international organizations having gained valuable experience should continue to be utilized. It is our view that it is neither wise nor desirable to abandon these institutions in the vain pursuit of elaborate and grandiose schemes which cannot be realized.

I began my statement this afternoon by saying that this Conference is a proud moment for the peoples of the developing countries of Asia, Africa and Latin America. It is also a moment of promise. We have worked many years for this Conference, to bring about a more harmonious and equitable international economic order, to use the instruments of trade to assist the developing process so that the goods of life may be available to our peoples. We must fulfil that promise. We do not expect any final, dramatic solutions, any simple answer to the infinitely complex problems which face us. But we expect results. We do expect that the initial steps will be taken to attain our goals. Malaysia has already committed itself to these ends. It is that commitment that I wish once again to pledge this afternoon.

**STATEMENT BY H.E. Mr. HAMACIRÉ N'DOURÉ,  
MINISTER FOR TRADE AND TRANSPORT OF THE REPUBLIC OF MALI,  
HEAD OF THE DELEGATION**

at the seventeenth plenary meeting, held on 3 April 1964

[Original text: French]

Let me begin by congratulating Mr. Kaissouni very warmly, both on behalf of the Government of the Republic of Mali and on my own behalf, on his unanimous election to the office of President of this Conference. All the under-developed countries, and particularly those of the African continent, take

legitimate pride in it. With his outstanding abilities as an economist and as an organizer, he was the architect of the success of the Cairo Conference. We are convinced that his election to the office of President of the present Conference enhances its chances of success.

The presence at his side of Mr. Prebisch, in his capacity of Secretary-General, who in preparation for this meeting carried out work the importance of which has barely begun to be assessed, will, we are sure, be of great assistance to him.

The Republic of Mali regards the opening of the United Nations Conference on Trade and Development above all as a hopeful sign.

No doubt, it would be idle to deny that since the Second World War, and more especially since the establishment of the United Nations, the international community has become more anxious to co-operate and more conscious of the demands of international solidarity in the true sense of the term.

Yet on the other hand, we can hardly fail to stress that the timid efforts made in this direction seem more inadequate each day and that public opinion in many under-developed countries has for some time past been evincing increasing scepticism regarding the ability of the international organizations to produce bold solutions for the problems facing our economies.

The United Nations Conference on Trade and Development has come just at the right moment to arouse among the peoples of the developing countries the hope that, for once, the stage of generous statements of intentions will be passed and the elements of a fresh policy for international economic co-operation capable of helping us to solve the problems of foreign trade and under-development will emerge.

If foreign trade, which at the moment more often than not acts as a brake on our development, is to become an instrument for its promotion, it seems to us essential that every country without exception should agree first to formulate a new philosophy of action and then to carry it into effect.

Every country without exception, we said.

In this connexion, we can only deplore the fact that the People's Republic of China, which alone covers nearly a quarter of the human race and is one of the most important of potential markets, should be absent from this meeting in which we are discussing the economic future of the world, while States so inobservant of the United Nations Charter as South Africa and Portugal are represented at it.

We were saying that if foreign trade, which at the moment more often than not acts as a brake on our development, is to become an instrument for its promotion, it seems to us essential that every country without exception should agree first to formulate a new philosophy of action and then carry it into effect.

In the current international practice which we have inherited largely from the last century, everything happens as though all the States which are equal in law were also equal economically. The conventions, the bilateral and multilateral agreements which we sign, most of the acts that we all perform in international life reflect this belief. That this is far from reality is one of the truths of which our century has become

poignantly aware, especially since the Second World War and the entry of new States into international life. Without mentioning the disparities between the stages of development reached by the developing countries themselves, we can hardly remain blind to the fact that at the present time, alongside these countries, there are the "developed" countries and that between the two the differences are no longer differences of degree but of kind.

Hundreds of millions of people in the so-called under-developed countries have certainly become aware of the enormous gap which separates them from the industrialized countries.

This international disequilibrium is characterized by the enrichment of the rich countries and the impoverishment of the poor countries.

Surely it is paradoxical that, at a time when some countries are stockpiling or burning surpluses, others are dying of hunger.

Such a state of affairs cannot continue indefinitely. We believe that this gulf between developing countries and industrialized countries is not inevitable and that the international community has the duty to translate into deeds the international solidarity of which there is so much talk. The time has come for this international community, in other words for us all, to draw the inferences—and all the inferences—from this state of things. The principle of reciprocity at all costs, which is ordinarily the basis of international agreements concluded between developed countries and those which are not yet developed, should be abandoned. States parties to an agreement cannot and should not grant to one another reciprocal advantages except in so far as their resources are substantially equal.

It is, moreover, most desirable that the most-favoured-nation clause, which now appears in almost all the agreements entered into between the two broad categories of countries, should be revised in such a way that the developing countries will no longer be harmed by its application.

In the light of these essential principles, which constitute the basis of this new philosophy of action, the experts on our delegations ought to start seeking concrete and practical solutions. We wish to stress that what is wanted are solutions, for the facts regarding all these problems have long been familiar to all of us.

It is known, broadly, that our economies, which in most cases depend on the sale abroad of one principal commodity, in some cases on the sale of two or three so-called primary commodities, are growing—under optimum conditions—in a disorderly manner, with the consequence that, owing to the short-term instability of export earnings, they suffer from ever-worsening distortions.

This instability in itself causes considerable difficulties because, for one thing, it makes planning impossible.

But what so greatly adds to the seriousness of the problems of foreign trade, and hence those of under-development, is undoubtedly the fact that this short-term instability is further aggravated by the long-term deterioration of the terms of trade.

For the combined effect of these two evils is not only that export earnings fluctuate—and in fact steadily decline—from year to year, but also that the capacity to import, which depends on export earnings, is precarious and constantly waning.

When it is realized how important is the connexion between the capacity to import and the prospects of development, when it is known how seriously bottlenecks can hamper development that is not harmonious, then one cannot fail to perceive immediately that our aspiration to development has less and less chance of being fulfilled if this Conference does not succeed in changing present conditions in a way that is more favourable to our interests.

At the present time, the problem of the limited outlets for the products of the developing countries undoubtedly gives cause for the utmost concern, and the narrowness of the market is the consequence of the excessively low demand for our commodities or of some other circumstance. It is not enough, however, to lower customs barriers. In addition, we ought to endeavour to establish a virtual market organization which would solve the problems of the disposal of both agricultural and industrial products from the under-developed countries that compete with synthetic or similar products manufactured by the industrialized countries.

Such an organization is the more necessary as, firstly, so far as manufactured goods are concerned, our labour force, though plentiful, is unskilled and, secondly, our agriculture seldom has either sufficient or adequate equipment.

All this helps to explain our low productivity and the consequent inability of our agricultural and industrial products to compete in world markets.

My delegation considers that, if the struggle for development is to have some chance of success, it will probably be necessary to study very thoroughly a programme of measures and actions with a view to removing the obstacles hampering the broadening of the markets open to exports from the under-developed countries.

Nor can there be any doubt that a mere lowering of customs barriers would be no more than a partial solution, for it would not touch upon the basic problems vitally affecting all the developing countries, namely the short-term instability of the earnings derived from the export of primary commodities and the long-term worsening of the terms of trade.

For these reasons, accordingly, it seems indispensable and a matter of pressing necessity that the Conference should take measures to organize the markets for primary commodities on the basis of stable and remunerative prices.

The Conference will have to lay down precisely what these "measures and actions" should be, but before we attempt to inquire what form they might or should take, we ought to find out and evaluate what has already been done in this direction.

Firstly, at the internal level, within developing countries, and then at the international level.

At the national level, our countries have employed a number of schemes. But whether these take the form of marketing boards or stabilization funds, like the Groundnut Stabilization Fund in Mali, all these bodies are endeavouring to neutralize the impact of external fluctuations on the national economy by paying to the producers a fixed price which is decided upon, as a rule, at the beginning of the season.

Since the Second World War several under-developed countries have tried to achieve the same purpose by insisting that a price should be fixed which would be valid for the entire duration of long-term bilateral agreements signed with a number of large consumers of primary commodities.

But it is obvious—and recognized by almost every one, exporting and importing countries alike—that all the measures mentioned above are, at best, palliatives which cannot solve a problem that is attributable essentially to international conditions and international factors.

What has been done so far at the international level?

We know that a number of committees and working parties have studied this problem in the United Nations and its specialized agencies.

The Food and Agriculture Organization of the United Nations (FAO), in particular, through its Committee on Commodity Problems and the various working parties which it has set up, has done a great deal to increase our knowledge of these questions.

Nevertheless, since the Second World War, a good many under-developed countries have placed most hope in inter-governmental agreements.

The outcome has been the conclusion of the agreements on wheat, sugar, tin, olive oil and coffee with which we are all familiar.

Now that we are preparing to move forward again, thanks to this United Nations Conference on Trade and Development, we ought to stop for a few moments to appraise the value of the work done so far at the international level.

No one thinks of questioning the usefulness of the commodity studies carried out by international groups. They have collected data which certainly had to be collected.

It would be wrong to criticize these groups of experts for having failed, in most cases, to achieve any result, for what accounted for the failure was largely the absence of the will to succeed in the politicians of the developed countries.

The international commodity agreements are open to criticism in many respects. We shall refrain from

mentioning a good many of their objectionable features and shall speak only of those which we regard as material. In the first place, they are inadequate.

Of the five agreements concluded, only three—those relating to tin, coffee and sugar—are actually of some value to the non-industrialized low-income countries.

In any case, the aggregate value of the trade in the five commodities in question accounts for barely 10 per cent of the world trade in primary commodities.

Secondly, and above all, it is significant that all these arrangements are concerned solely with short-term fluctuations. No attempt has been made to try to neutralize the adverse trend in the terms of trade.

All the agreements take market prices only as the base, without any attempt to provide for an increase in those prices.

In addition—and this we think is the most serious criticism of those agreements—they seem to have been concluded without any thought of their capacity to deal with the fundamental problem of “development” which our States are facing at the present time.

The delegation of Mali submits for your consideration a number of basic ideas, which follow naturally from the resolutions adopted at Niamey in November last at the Conference of the Organization of African Unity.

Two extremely simple facts lie behind the ideas which I wish to submit to you.

First, as the defects of the agreements of the traditional type are manifest, others ought to be worked out that would be truly consistent with the objectives—surely shared by all countries—of the Development Decade.

Secondly, since there is no reason to believe that, if things remain as they are, the present anarchy will cease to be prejudicial to the interests of the developing countries, the Conference cannot evade the necessity of organizing the primary commodity markets on a rational basis.

To be effective, this organization should cover the markets for the essential primary commodities, i.e., those which, after a study of a list of all the commodities traded internationally, are declared to be essential.

The Conference could decide to raise the prices of the commodities in question by a minimum percentage above their present level. Naturally this increase would not be linear and would have to vary according to criteria to be agreed upon.

We believe, moreover, that the interests of all the developing countries, and particularly of those of the African continent, would be better protected under agreements covering several commodities than under single commodity agreements.

Under this type of agreement, guarantees should be given both to the countries at present producing a primary commodity and to those indicating their intention to produce it and considered capable of producing it within a given period, as regards both

stability of prices—which would first have to be raised—and the quantities that could be disposed of.

All this necessarily implies the setting up of a quota system under a world-wide scheme or, at the very least, on the basis of agreed production policies, a matter to which we shall refer later.

The agreements of the conventional type have been much criticized for having helped to maintain the present pattern of trade and for having debarred new or potential producers from the world market by protecting the present producers who are frequently accused of operating on a far from rational basis.

These defects, which in many instances are real, might be considerably reduced under a new type of agreement if, in the fixing of quotas, allowance were made not only for the level of production achieved by each country, but also for such criteria as the capacity of each under-developed country to produce the foodstuff or raw material involved, the gross national product or *per capita* income, and also the probable increase in world consumption of the commodity involved.

Such a system of agreements should be put into effect for a period short enough to prevent the position from becoming too rigid and long enough to enable our countries to plan their growth.

A period of five or seven years, for example, which is the duration of most development plans, might be adopted.

Such agreements might of course be renewed at the end of that period and modified, if necessary, in the light of changes in the world economy.

The new agreements which we advocate would, no doubt, play an important part in halting the continuing deterioration of the terms of trade and also in enabling our countries to plan their development on a sound basis.

It would be unrealistic, however, to rely on them exclusively for the attainment of objectives of such magnitude.

It seems essential to undertake a complete reappraisal of the present policy of international financial co-operation.

In this connexion, the minimum goal towards which we should strive remains, without a doubt, the development of international machinery to offset short-term fluctuations in export earnings.

In that regard, we noted with interest the announcement of several proposals and plans by various Governments and specialized bodies.

We are sure that the committee concerned will not fail to consider these proposals carefully and we hope that it will take constructive decisions on them.

However, I shall not conceal the fact that my Government attaches far greater importance to the establishment of a financing system to arrest the long-term deterioration in our terms of trade.

All possible methods of achieving this should be explored methodically by the Conference. In this



connexion, a passage from one of the resolutions adopted at Niamey by the Organization of African Unity is worth quoting:

"The principle of the parity of prices in international trade ought to receive serious consideration and practical measures should be worked out to ensure that the principle can be applied. In other words, the world community should accept a collective responsibility for the maintenance of acceptable relationships between the prices of industrial goods and those of primary commodities".

In addition, a more rational system of international financing for development, a system more in keeping with our needs, ought to be devised in the context of this new policy of financial co-operation.

No one denies that the volume of capital (loans, private investment and Government grants) transferred to the developing countries is insufficient. The report by the Secretary-General of the Conference brought out a fact which we had long suspected: namely, that the amount of such transfers is still far from the 1 per cent of the over-all income of the developed countries, which the United Nations General Assembly set as the target to be achieved during the Development Decade.

All the developing countries hope for basic reforms in the terms of the loans made to them.

Their creditors can no longer remain impervious to certain logical arguments. How can it be claimed that our countries are really being helped to emerge from under-development, if on the one hand, the repayment periods and interest rates imposed are such that compliance with them is made so difficult that it cancels the immediate economic benefits anticipated, or even makes recourse to further loans necessary, and, if on the other hand, no means are envisaged for enabling our countries to arrest the continuing deterioration in their terms of trade, which so vitally affects their capacity to repay?

Although the Republic of Mali already has investment legislation which affords far-reaching guarantees to foreign private investment, it is prepared to help in drawing up an international investment code which will take into account the particular situation in each country. It would also not oppose the establishment of an international guarantee fund designed to cover non-commercial risks.

We believe, however, that the effectiveness of loans, grants and investment depends largely on the extent to which they fit in with national development plans.

Mali believes furthermore that foreign aid, if better co-ordinated, would be more effective for carrying out major regional or sub-regional projects such as those for the development of the Niger and Senegal rivers, where the cost exceeds the capacity of the countries concerned. It should also be recognized that external aid ought genuinely to promote the development of our countries. For example, there must be an end to the present paradoxical situation where, too frequently, we see firms set up in our countries take advantage of the

loans granted to us, do profitable business and then transfer abroad most of the profits they make, without contributing in any way to the development of the local economy.

All this, as well as many other solutions and proposals which I have not mentioned owing to lack of time, but which our delegation will put forward in the committees, will do much to overcome the under-development of our countries. Many internal reforms, including social reforms are conceivable which would foster the economic growth of many poorer countries and for which the aid provided by the international community cannot fail to be of great assistance.

We realize that there are no magic cures for the problem of under-development.

Far-reaching internal reforms are certainly essential in the countries which have an antiquated economic structure, but in our opinion such reforms will always prove inadequate if they are not combined with adequate external aid.

What can scarcely be denied is that the under-developed countries are most likely to remain under-developed as long as they continue to sell only primary commodities.

Consequently, if under-development is to be eliminated, the richer countries will have to agree to a different international division of labour, and this implies planning on the world scale. As a first step, it would be necessary to apportion world production between the developing and the developed countries.

The developing countries should be allowed not only to maintain their agricultural production—and this should not exclude either diversification or rationalization, or, of course, adjustment to the prospective growth of world consumption—but also to embark upon industrial production of certain goods, independently of the developed countries.

As a second step, the division of labour should be effected as between the various continents forming the developing world. However, if this new international division of labour is to be achieved, the developed countries will, of course, have to accept collective responsibility for the transfer of the necessary capital, both technological and financial, as well as of their annual productivity gains.

It is not sufficient, however, to formulate policies and to propose measures: there must also be institutional machinery capable of implementing them.

The existing bodies, such as GATT, the Common Market and the Council for Mutual Economic Aid (CMEA) do not appear at first sight to be suitable for this purpose, for each one has well-known defects to which many informed persons have already drawn attention.

All these organizations appear to suffer from the defect that they are not universal and do not appreciate the problems of certain regions and certain blocs.

Will it be necessary, therefore, to establish an organization concerned specifically with trade, or



should adjustments be made in the existing agencies to adapt them to their new tasks?

In principle, the answer should depend on the nature and importance of the decisions taken by the Conference and on the approach it advocates.

At the present stage, we feel that arrangements should be made to set up, immediately after the Conference, a standing committee of representatives of different geographical regions and of the existing economic organizations such as GATT, the Common Market and CMEA.

This committee would be given the task of making a comparative study of the existing institutional machinery, of preparing periodic conferences similar to that now being held, and of supervising the general implementation of the decisions of those conferences.

The desirability of and need for an international organization will very soon become evident from the work of this committee.

We would repeat, in any event, that everything, even including the success of this Conference—which means, ultimately, the fate of several hundred million people—will depend on the nature and importance of the decisions we take.

To sum up therefore, the Republic of Mali considers it urgently necessary for the Conference to take steps towards an organization of the primary commodity markets, on the basis of stable and remunerative prices.

This organization, which would embrace the markets for essential commodities, should be effected by means of agreements relating to several commodities.

This implies the establishment of a system of quotas in the determination of which account should be taken, not only of the level of production achieved by each country, but also of criteria such as the capacity of each under-developed country to produce the commodity in question, its gross national product of *per capita* income, and the prospective growth of world consumption of the commodity concerned.

These agreements might be concluded for periods of five to seven years, which is the duration of most national development plans.

These are some of the principal objectives we should like the Conference to achieve. However, the Republic of Mali wishes to stress that it fully supports the resolutions adopted by the Organization for African Unity and the Economic Commission for Africa in connexion with this Conference. It hopes likewise that, after the Conference, relations between under-developed and other countries will be guided by a new philosophy of action implying, among other things, the dropping of the principle of reciprocity and a careful review of the most-favoured-nation clause.

Mali further considers it necessary to set up a compensatory financing scheme to stabilize the prices of primary commodities in the short and in the long term. In its view, the international community ought to assume collective responsibility for establishing fixed relationships between the prices of manufactured goods and those of primary commodities.

In addition, it will be essential to establish machinery for the financing of development. In any lowering of tariff barriers within the framework of an organization of markets, the rich countries should accord priority to the under-developed countries.

The developed countries, either individually or within the groupings to which they belong, should adjust their tariff and non-tariff policies in such a manner as to facilitate further the import into their territories of primary commodities, manufactures and semi-manufactures from the under-developed countries.

In our view, the Conference will have been truly successful to the extent that it achieves those objectives.

Some have called this the “last chance” Conference. It is my hope that the work we do here during the coming months will prove to future generations that our age was indeed the age of human solidarity.

STATEMENT BY H.E. MR. BA BOCAR ALPHA,  
MINISTER OF FINANCE, LABOUR AND ECONOMIC AFFAIRS,  
HEAD OF THE DELEGATION OF THE ISLAMIC REPUBLIC OF MAURITANIA  
at the ninth plenary meeting, held on 30 March 1964

[Original text: French]

The most striking feature of our times is the irruption on the international scene of a large number of States with hopes of development. Scarcely freed from the absorbing task of liberation, they one and all find

themselves confronted with poverty, hunger and deprivation. Their peoples realize that they have given much and suffered much for the enrichment of our world of today. They are also aware that one-third

of mankind possesses 85 per cent and will soon possess 95 per cent of the world's resources. At the same time, as everybody knows, the developing countries are seeing their share of world trade dwindle in spite of all their efforts. There are several reasons for this, some of which I will mention:

Instability of the prices which the most highly developed countries are willing to pay for primary commodities, and the fact that these prices are becoming less and less remunerative;

Instability of the quotas for products which the less-developed countries are able to sell in a world market plagued and distorted by merciless middlemen and groups of parasites;

The impossibility of manufactures or semi-manufacturers from the developing countries to enter into competition with those from the developed countries.

Finally various obstacles and artificial barriers placed in the way of imports by the more-developed countries.

This carefully arranged combination of factors provides a picture of our world—that of a group struggling desperately against under-development and seeing all its efforts brought to nought by the manœuvres of the group that has already attained development. It is an image of a growing and frightening disequilibrium which, if it were to be perpetuated, would divide our world into two halves which would soon cease to speak the same language. That is why the problems which we propose to solve here are posed in terms of the coexistence of men and of philosophies, and, in the final analysis, in terms of removing inequalities. That is why this Conference should, over and above the findings of the exact sciences, pay particular attention not only to the advantages which the more-developed countries can obtain through the progress of the less-developed ones, but also and more especially to the implications of a world divided into two opposing factions, the haves and the have-nots, those who have reached a certain level and those who are striving to reach it.

We already have reason to believe that the movement has been set going and that with a little good will it could continue to gather momentum. The moving speech made by Mr. Prebisch cannot fail to receive a favourable response.

The members of this most important Conference have unanimously elected as their President Mr. Abdel Moneim Kaissouni. It is a matter of pride for the under-developed countries, and in particular for Africa, as a whole, that the choice has fallen on the distinguished economist who has for several years been in charge of the amazing development of the United Arab Republic.

The fact that it is Switzerland and this city of Geneva which have welcomed us here for this Conference is also a happy augury. His Excellency the President of the Swiss Confederation has exhorted us to

work “to improve the lot of mankind and ensure the dignity and wealth of the human person”. To enable us to do so, we have today all the necessary facts and figures before us—and it is only fitting that we should congratulate the Secretariat and the experts on the mine of documents that have been placed at our disposal. We can avail ourselves, too, of the results of certain experiments that have been made which, although still sporadic, can have a snowball effect. Among them I should like to mention especially the original and now conclusive experiment of the European Common Market. The African countries associated with it can only pay tribute to the anonymous and disinterested aid they have received from it which already covers all sectors of their development—light and heavy infrastructure, diversification of production, training of middle grade and senior officials, to be followed shortly by long-term loans at a very favourable rate. These are results in the face of which any dogmatic opposition would have to yield. The fact that countries, which are not yet members, are trying to find ways of benefiting from the Common Market confirms this tribute which, although modest and sometimes indirect, is no less an appreciable proof of its effectiveness.

The African common market must come into being as quickly as possible in order to play the regulating and co-ordinating role which our peoples desire and hope for. Just as the European Common Market has been for the countries of Europe the most effective approach to a union that politics could not impose, so too African unity needs an African common market. Such an organization should see to it that among the developing countries the more advanced do not crush the less advanced.

The fact that a country like Mauritania should receive substantial aid for its infrastructure and for its most vital development problems from a fund financed by countries like Belgium, Luxembourg or the Netherlands, although Mauritania exports nothing to those countries and imports only a small quantity of milk from one of the three, is ample proof, if proof were needed that this aid and assistance are completely disinterested. We would be the last to deny the value of the idea and principle of a necessary “evolutivity” embodied in the European Common Market associated with eighteen African countries. It is self-evident that some of its structures must be recast in order to give more scope to other countries and other spheres of human activity. But we can certainly not endorse the hazy principles and gratuitous statements of those who criticize an organization which has given proof of its vitality and effectiveness. From the developed countries, we expect concrete and rapid action rather than statements of intention. Sterile criticism will not help us to solve our problems. Here as elsewhere we shall give evidence of our maturity and our independence.

There are other valuable ideas which show that helpful advice is not lacking. The basic documents that

have been put before us suggest solutions which need to be co-ordinated and readapted in general discussion in order that a truly effective remedy may be found. I have mentioned the Prebisch report and the magnificent address that Mr. Prebisch made. The French memorandum also contains lofty sentiments, and the lucid, bold analysis it makes of the situation in which we are all involved and concerned should receive the full attention it deserves. Some of the views it put forward were expounded in detail by several delegations at the eleventh and twelfth sessions of FAO. I should like to congratulate the Director-General of FAO on the solutions he suggested in his letter No. 88 of February 1964.

Since we are here to discuss development, the under-developed countries should devote their close attention to the serious problems posed by hunger and malnutrition. We must consider the products of agriculture, stock-raising and fisheries for improving the diet of our peoples before regarding them as a factor of prosperity. In this connexion, I will take the liberty of quoting the words of Mr. Sen, Director-General of the Food and Agriculture Organization of the United Nations:

"In a prospering world", he writes, "it should be possible to find ways of increasing imports into developing countries without jeopardizing the economic objectives of their present farm policies, although clearly these policies will need to be adapted to the requirements of a more progressive international outlook. Indeed some readjustments in the farm policies of the developed countries are desirable for purposes of their own economic growth".

In this, as in other fields, and in the present state of our levels of development, it is unjust to leave the settlement of the problem of competition between the exports of the developing countries and of the developed countries to the free play of market forces. The advocates of complete liberalization do not pay sufficient attention to detail. The breaking down of barriers should not produce flooding. There are two principles—admittedly difficult to impose on the developed countries—which would make possible a rapid growth in the standard of living of our peoples: one is to reduce as much as possible the subsidies and various forms of trade assistance which are common practice in the developed countries, more, it should be added, for political than economic reasons; the other is to reduce as much as possible the tariffs and internal taxation which limit the consumption of tropical products in the developed countries; it is possible to reconcile through a carefully worked-out price system the requirements of market expansion and of fixing sufficiently remunerative prices.

Once this is conceded, it should not be forgotten that the difference in levels in the developing countries calls for the establishment of precise criteria for varying degrees of under-development, and a graduated system of priorities for aid and assistance, a body of measures aimed at preventing the weaker falling prey

to the stronger. To forget this would be tantamount to institutionalizing the laws of the jungle.

A comprehensive system of levies on agricultural and livestock products applied by the industrialized countries would make a development fund available to the countries which are still poor. The object of such a fund should be to subsidize the Governments of the exporting countries—I repeat Governments, not individuals nor private companies—in order to avoid adding to the cost of production, which is a source of disorder at the planning level, and also to prevent the formation in our countries of a moneyed middle class more concerned with getting rich than with making a real contribution to raising the general standard of living. How this should be done would, of course, be a matter for individual Governments to decide for the benefit of their peoples.

Agriculture, livestock and fisheries. A trade policy for farm products designed first and foremost to combat hunger and malnutrition; selective preferences on a product-by-product basis, each case being dealt with on its merits; and close co-ordination in the field of trade and bilateral and multilateral international aid. There we have the basis for action in the developing countries.

Next we must protect the manufactures or semi-manufactures from the developing countries.

I would make special mention of minerals, which are bought and sold far from the places where they are produced, i.e., far from the interests of the producing countries. The producers should endeavour to process them locally in order to provide employment for a greater number of people. That is one of the most powerful levers of development.

To put these solutions into proper form, we would say from this rostrum that we have great faith in regional groupings and regroupings designed to take their proper place in larger structures. Universal solidarity should be achieved through increasingly greater and increasingly more consistent regional solidarities. Affinities created by time and by common interests, duly recognized, far from being obstacles to unity, should provide the best bond.

These few reflections do not claim to contribute anything new to a debate which is to last three months. Far from it. My statement is intended as a warning cry among so many others which have been uttered by more qualified speakers than myself. Mr. Prebisch has said that the developing countries had a message to give, the message of wisdom. Thank goodness we have progressed beyond the era of wordy warfare. Our statement is intended to convey an observation of which we should all take note here and now. The business world has acquired the world-wide reputation of having only narrow sectional interests in view: the interests of one man or a small group of men, or of one country or a small group of countries. And such interests ultimately meet with violent opposition and

very often the uninitiated learn to their cost what a ruthless and absurd struggle the unseen giants are engaged in. We have today the unique opportunity of ushering in a world built wholly on solidarity, fraternity, co-operation and planned co-ordination through the pooling of resources and ideas. The Secretary-General of the United Nations, U Thant, said: "This Conference is designed for action". We must now find concrete measures which will dispel the feeling among the developing countries of being

condemned to stagnation in an increasingly prosperous world. If our Conference succeeds in doing so, it will have justified the hopes placed in it by 2,000 million people. Were we to break up without paving the way for universal solidarity through clear and courageous decisions, our Assembly would have failed, and all our subsequent efforts would be tainted with a bitterness which would soon be shared by 3,000 million people towards those who had cheated them by evading the realities of our time.

**STATEMENT BY H.E. Mr. RAÚL SALINAS LOZANO,  
SECRETARY OF INDUSTRY AND COMMERCE OF MEXICO,  
HEAD OF THE DELEGATION**

at the thirteenth plenary meeting, held on 1 April 1964

[Original text: Spanish]

This Conference has had a most auspicious beginning. Mr. Kaissouni's unanimous election by acclamation is most reassuring to us all and we are fully confident that his great qualities as a statesman and his wide experience with international meetings will enable him to guide this important assembly to the concrete, positive and useful results we all aspire to. On behalf of my country and of my delegation, and on my own behalf, may I congratulate him upon his election to so lofty a post, while we, in turn, congratulate ourselves upon so wise a choice?

Mexico comes to this Conference imbued with the highest degree of optimism. This is our first statement. Our optimism is not the fruit of a thoughtless or romantic attitude, but rather stems from analysis of three factors that lend it strength.

The first and most significant of these factors is the gigantic magnitude of the effort, the intelligent devotion and the efficient and exhausting work preceding the Conference. The road has been long and wearying. It has brought us here, not to initiate the study, analysis or consideration of the interacting factors hindering development, with which we are all familiar, but rather to show that we have not come with our hands and minds empty of possible remedies for all our evils. Our beginnings are far different from the poor and feeble start made at the Havana Conference.

May I be permitted at this juncture to express our gratitude to those delegations which enthusiastically attended the various preparatory meetings? I shall first mention the memorable meeting held in Cairo, and then those held respectively in Ethiopia, Iran and

Niamey. In our own Latin American region, I must mention Chile and Brazil where, at the Brasilia meeting, the Latin American approach to this Conference began to take shape, and finally Argentina, where the position of Latin America was clearly defined in the Alta Gracia Charter.

The outstanding work carried out by the Secretariat—and here we wish specially to single out Mr. Raúl Prebisch—has also undoubtedly to a large degree contributed to determine the broad differences setting us so far apart from all other similar conferences. Mexico warmly welcomes this document, which embodies the results of much research and gives an accurate picture of the problems of the developing countries, while at the same time setting forth, in concrete terms, a series of solutions that will no doubt be the object of study and discussion at this Conference. To our congratulations to Mr. Prebisch we add the expression of our highest admiration for the work he has done.

As a Mexican and a Latin American I must also stress the significance of the excellent work done by our regional institute, the Economic Commission for Latin America (ECLA). No sooner had the United Nations approved the resolution for the convening of this Conference than ECLA set about the task of forming a group of experts who, assisted by the Institute's research body, produced the document which served as a basic paper for the Brasilia meeting and culminated in the Alta Gracia Charter.

The work of preparing for this Conference was on an immense scale, but it has also been effective: therein lies the first ground for optimism.

The initial meetings and work, together with the studies and efforts made individually by each country, despite the bitter moments through which we developing countries passed when we compared our own efforts on the domestic front with the powerful efforts being made outside, constitute the second ground for my delegation's optimism. There has taken root among all developing countries—African, Asian and Latin American, plus Yugoslavia in Europe—a general and firm consensus regarding the causes of our problems, their magnitude and significance, possible remedies for them and, above all, the urgent need for appropriate decisions to be taken for their solution, and of the undeniable justice of our claims.

I do not think I am mistaken when I state this general view, since it is easily discernible in all the preparatory documents and has been explicitly analysed at each and every one of the conferences to which we have made reference. It is the voice and the stand of two-thirds of mankind which cannot go unheeded by the remaining third.

This general consensus which took twenty-five years to develop in the conscience of some nations, and to which those peoples that have recently acquired independence are hastening to associate themselves, with intelligence and vision, makes me glad to state, as a Mexican and a Latin American, that we are one family, united by our common misfortune—the poverty of our people—and our common hope—the awakening of a new era. This conjunction of facts, feelings and criteria is bound to bring positive results and is undoubtedly another factor to inspire confidence and optimism.

Finally, we see gathered here the representatives of 122 countries and of the most important international economic agencies. We have behind us our Governments and with them, our peoples. The representatives of the specialized agencies have the full support of all the qualified persons who for years have been studying world economic problems.

In all countries, large and small, rich and poor, there is a profound desire to relieve the tensions that beset them. All the talent, knowledge and enthusiasm gathered here cannot, I am sure, fail to help us find a satisfactory solution to existing problems.

For the above reasons, Mexico feels justifiably optimistic and wishes to share this feeling with all the other countries of the world.

I shall not dwell here on the problems that have brought us together. They have already been brilliantly and abundantly set forth in the studies and preparatory meetings to which I have referred and in the most eloquent interventions of those who have spoken before me from this rostrum. Those statements have shown with clarity of thought and a wealth of information that the trade-gap problems have been aggravated in the post-war years and above all in the last decade, and that they emerge as the main negative

factor affecting the development of our respective countries.

Two conclusions, with which we are deeply concerned, emerge from such studies and statements. First, that there is no single solution that we might describe as natural or spontaneous, since research has shown that economic dynamics, as it appears in our time, does not tend, in itself, to solve the existing trade gap, but rather that the play of certain factors, especially technological factors, tends to aggravate it. We must all act together in an orderly manner if we are to reduce the undesirable effects and even put an end to them, and that is why we have always believed it indispensable to convene this Conference. We must leave it with a plan for joint action and a common resolve to implement it.

The second question that gives us reason for concern is that, the need for action having been demonstrated, decisions must be taken with the necessary promptness and care; otherwise, as the Secretary-General of the United Nations, U Thant so aptly said—and here we quote his words, to which we fully subscribe—“... the Conference may very well become a mere manifestation of political futility, or an abstract dialogue between distinguished statesmen and learned economists from different parts of the world”.

We must not forget that the patience of human beings whose resources are scanty or inadequate is exhausted as fast as means of communication increase, and that the time allowed to correct inequities has undergone profound changes: that which in the past could be settled in a decade, must now be settled in five years. True, as a great statesman whose voice unfortunately is no longer heard among us was wont to say, patience is not at odds with evolution, but today the emphasis on the time element emerges as a new factor of undeniable force.

Very often, at meetings such as this, attended by representatives of the industrialized countries, and even in this very hall, we have heard voices advising us to make profound changes in our internal structure as a condition for obtaining satisfactory results from decisions or assistance from abroad. In this connexion, I believe Mexico can make some useful contributions, and at the risk of “putting the cart before the horse”, I shall state what we are trying to convey: that those domestic changes effected in the developing countries notwithstanding, it is essential for the industrialized countries to change their policy, so that the efforts of the developing countries shall not be brought to nothing by the outer wall that is strangling them.

I shall endeavour in a few sentences to sum up the measures we have adopted as I do not wish to weary my hearers with details, although behind each measure lies a considerable amount of effort and devotion.

Mexico is a developing country. This is clearly demonstrated by its *per capita* income—approximately \$350 per year—the breakdown of its exports being 80 per cent raw materials and 20 per cent

manufactured goods; the content of our imports is 80 per cent capital goods and raw materials and 15 per cent consumer and luxury goods; our degree of annual capitalization is 15 per cent of the national gross product. We quote only the most representative figures. Mexico, then, falls within the category of a developing country.

But on the other hand we must emphasize that we are not offering ourselves as an example but as a country that has fulfilled or is fulfilling those premises that the industrialized countries usually put forward as necessary or essential for the achievement of a speedy and effective development.

Ours is an internally and externally diversified economy; we do not depend on either one or five export products; with great effort and extraordinary single-mindedness, we have been carrying out our land reform, and to date 100 million hectares of land have been distributed among two-and-a-half million heads of families. We have started currency reform on modern lines. We have achieved monetary stability, and over the last ten years there has been no change in the value of our currency; in the last three years, the price index has not risen by more than 2 per cent per annum. We have been carrying out a broad general educational programme with special emphasis on technical training. One out of every four pesos in our federal budget and four out of every ten pesos in our local budgets are ear-marked for this endeavour. We realize that there can be no raising of the living standards of the population, neither can there be an increase in productivity or industrialization, without the human element required for the fulfilment of such tasks.

With great effort we have implemented a policy of import substitution which is indispensable if our currency is to be used only for essential goods; although we know that the dividing line between a good and a bad policy of import substitution is very thin and that the consequences of a mistake may be unfavourable or even disastrous. However, the inadequate foreign trade policy of the industrialized countries, running counter to our own efforts, has often impelled us to overstep the limits of a sound economic policy.

In the field of foreign investments, we offer nothing abroad that we would not offer our own nationals—discriminations in favour of foreigners are improper and run counter to Mexico's fundamental laws. We want our own nationals to contribute the largest share of investment in any industrial enterprise, so as to avoid trouble in the future and, save for a very few limited cases—such as oil, electric power and some branches of petro-chemistry—we do not refuse investments from abroad.

Lastly, we are happy to report that we have complied with yet another of the requirements we are generally advised to fulfil. Mexico is an integral part and active member of a regional community—the Latin American Free Trade Association. We warmly applauded its creation and now more than ever we have high hopes

and certainty of its success, despite the countless problems it and we, its members, face together.

Notwithstanding the difficulties we had to overcome to accomplish all this, we in Mexico undertook to do so because we consider that the development of our respective countries is and essentially should be our own concern and responsibility.

Although we have fulfilled these basic requirements we find that our development possibilities are hampered and do not command the necessary understanding of the industrialized countries, whatever their economic or political system. In the case of primary commodities also produced by the industrialized countries, the barriers to imports by such countries and their competition for markets—at times by methods that could be described as unfair—are enormous; in the case of exports of semi-manufactures and manufactures, customs barriers or the absence of some treatment reducing the inequality between countries, or the established import quota systems greatly hinder our foreign trade. In both cases, these circumstances are prejudicial to our domestic development.

It is for these reasons that Mexico considers that, although each developing country must make an internal effort, in the long or the short run this is not enough, and it becomes necessary for the industrialized countries to introduce changes in their economic policy, such as those so fittingly proposed by the Secretariat.

Mexico wholeheartedly supports all the developing countries in their appeal for such changes, and associates itself closely with their demand that the appropriate specific measures be adopted at this Conference.

Given all of the above, we assert that there is no doubt that the existing structure and principles of international trade have produced a widening gap between the living standards of nations, and for this very reason Mexico is convinced that international trade must be the basic instrument for the elimination of such differences and must not become an obstacle preventing the steady and adequate flow of external resources for those countries' development needs.

Furthermore, developing countries, in their efforts to attain and maintain a satisfactory rate of economic growth, cannot continue indefinitely to utilize international financial resources to supplement domestic savings, since the prevailing conditions of world trade increasingly limit their payment capacity. Without belittling the assistance which can be secured through a prudent use of external financial resources, it is necessary, for the continued and increasing economic growth of the developing countries, to expand and diversify their exports.

It is the responsibility of both the industrialized and the developing countries—and more so of the former than of the latter, in view of the benefits they derive from the present state of international trade—to seek and lay down the principles for a restructuring of international trade which would allow accelerated

growth of the developing countries, thereby reducing the enormous difference in living standards in the world today.

We, the Latin American countries, are aware that the repeated claim of the developing countries for fair and equitable treatment in the field of international trade must find concrete expression in specific and realistic procedures and practices capable of effectively contributing to the achievement of that objective.

Bearing in mind all the ground that Mexico has covered together with the other Latin American countries, we repeat our unreserved support of the Alta Gracia Charter, and consider that the United Nations Conference on Trade and Development should, and I quote:

(i) "Formulate the principles and operating regulations that should govern international trade, for the essential purpose of transforming it into an effective instrument for the economic growth of the developing countries;

(ii) "Establish . . . adequate institutional mechanisms and procedures and to ensure the implementation of the decisions of the Conference particularly the systematic, full and continuing consideration of the trade problems of developing countries, and

(iii) "Adopt concrete measures that will contribute, within the shortest possible period of time, to increase the foreign income of developing countries".

No doubt the African and Asian countries and Yugoslavia have progressed as far as, or even further than we Latin Americans in the understanding and identification of their problems, which, when all is said and done, are the same as ours. We are prepared jointly

with them to put forward our just claims to the industrialized countries.

The new structure we advocate for world trade must be based on preferential treatment for the developing nations, without reciprocity, and on a new definition of the "most-favoured-nation" concept.

We deem it necessary to point out that, apart from reducing or eliminating the restrictions and tariffs which compress world demand for primary commodities, other measures should be taken to increase the foreign earnings of the developing countries. One such measure, of special relevance to these countries, is the facilitation of their exports of manufactures and semi-manufactures which are also subject to serious limitations in respect of their access to the industrialized countries, thus dimming the dawning prospects of the developing countries in this field. In the case of manufactures and semi-manufactures, it is essential to avoid a repetition of our unfortunate experiences with the export of raw materials.

I began my intervention by stating that we come to this Conference filled with optimism. I hope that I may be able to say the same thing at the close of our work. Let us hope that sufficient intelligence, capacity, audacity and generosity will be shown here to allow concrete and positive results to be achieved. It would be a pity if it were not so.

The peace of nations and between nations must stem from a feeling of tranquillity in each inhabitant. So long as there are vast numbers of people lacking the bare necessities, the peace attained by the industrialized, the powerful countries, will be an unstable peace. Let us seek a universal and lasting peace, and thus fulfil one of the essential aims of our time.

**STATEMENT BY H.E. Mr. D. GOMBOJAV,  
MINISTER FOR EXTERNAL TRADE OF THE MONGOLIAN PEOPLE'S REPUBLIC,  
HEAD OF THE DELEGATION**

at the nineteenth plenary meeting, held on 6 April 1964

[Original text: Russian]

On behalf of the delegation of the Mongolian People's Republic and on my own behalf, I should first like to congratulate Mr. Kaissouni on his unanimous election to his high office. We are confident that, in close co-operation with the representatives of all countries striving to strengthen their economic ties and expand international trade, he will successfully discharge his responsible duties.

The delegation of the Mongolian People's Republic also wishes to express its appreciation of the extensive preparatory work carried out by the secretariat of the Conference under the guidance of Mr. Prebisch, its distinguished Secretary-General.

The Government of the Mongolian People's Republic attaches great importance to this Conference, which it regards as an important event in international life



and as a fresh victory for the policy of peaceful co-existence.

My delegation is taking part in this Conference in a spirit of optimism and earnestly hopes that it will be a favourable starting point for the normalization and expansion of international trade. The strengthening and development of economic ties between States, particularly of international trade, are vital to economic and social progress throughout the world and to the consolidation of peace and friendship among nations.

The delegation of the Mongolian People's Republic notes with regret that, as a result of the discriminatory policy pursued by certain Western Powers towards the socialist countries, the German Democratic Republic was not invited to this Conference. As everyone is aware, the German Democratic Republic is a country which has great economic potentialities and which maintains extensive economic relations with many countries of the world.

We also consider it necessary to state that only the Government of the People's Republic of China legitimately represents the Chinese people.

Furthermore, we cannot but regret that representatives of the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam were not invited to this Conference.

The delegation of the Mongolian People's Republic fully supports the statement made on behalf of the Afro-Asian countries concerning the Republic of South Africa and Portugal, which should properly be excluded from this Conference, since their policy conflicts with its aims and principles.

We followed with close attention the statements of the previous speakers, who stressed the urgent necessity of solving pressing problems of international trade and economic development. This approach is entirely natural and, indeed, dictated by life itself.

In recent years, far-reaching changes have occurred in the world. The collapse of the colonial system has led to the emergence of many newly-independent States, which are making efforts to overcome the harmful economic consequences of colonialism.

The role of the socialist countries is steadily growing in international economic relations and world affairs, and their national economies are developing apace. All this urgently necessitates radical changes in the present inequitable relations in international trade.

After gaining their political independence, all the new States were faced with the major problems of consolidating their freedom and independence, overcoming their centuries-old backwardness and improving the living standards of their peoples.

The Mongolian people, too, faced the same problems when it embarked on the course of independent development.

To some degree, the history of our country's economic development has much in common with the process of economic development in the newly independent and developing countries.

Pre-revolutionary Mongolia was one of the extremely backward countries of Asia with a one-sided natural economy based on extensive animal husbandry. It had no industry.

The entire external and internal trade of pre-revolutionary Mongolia was in the hands of foreign merchants and usurious capitalists.

After achieving national independence in 1921, the Mongolian people chose the path of non-capitalist development to remedy their centuries-old backwardness and to improve living standards in the shortest possible period. Experience of the development of the Mongolian People's Republic, which proceeded straight from feudalism to the construction of socialism, clearly demonstrates the correctness of the path it chose.

Since then, the Mongolian people, with manifold assistance from and in co-operation with the socialist countries, especially the Soviet Union, have completely transformed their country and built up their present diversified economy.

With the full co-operation of small peasant farms on a strictly voluntary basis, the entire system of the national economy has been reorganized on socialist lines and the basis for any form of exploitation of man by man has been eliminated.

Since 1959, a radical change has taken place in agriculture, which has become an independent branch of the rural economy. As a result of the expansion of the area under crops, the mechanization of cultivation and harvesting, and the application of scientific advances and techniques, the Mongolian People's Republic has become self-sufficient in grain and has a considerable surplus for export.

One of the most important achievements of the Mongolian people during the years of people's power is the establishment and development of a national industry. The volume of industrial production in 1962 was five times greater than in 1950. The average annual rate of increase in industrial production is steadily rising. The average annual rate of increase during the first Five Year Plan (1948-1952) was 2 per cent, but was already 18 per cent during the first two years of the third Five Year Plan.

In addition to light and food industries, specializing in the processing of livestock, raw materials and products, industries such as power, mining, oil extracting and processing, building materials and metal-working have also been developed in the post-war period.

As a result of planned development of the national economy, Mongolia has passed from the stage of extensive nomadic animal husbandry into the agrarian-industrial stage.

Thanks to the growth of the economy, the cultural and living standards of the population are constantly rising. During the last three years, our national income has been increasing at the rate of over 10 per cent per annum. Every citizen of the Mongolian People's Republic has a right to free medical attention and education irrespective of sex or race. Illiteracy among



the adult population has been eliminated. In 1962, 1,220 per 10,000 of the population was attending general education schools, including 66 studying at higher educational institutions. In the same year there were 11 physicians and 100 hospital beds per 10,000 of the population.

At all stages of the economic development of the Mongolian People's Republic, foreign trade has always played an important part in the political and economic life of the nation. At present Mongolia, maintains trade relations with all socialist countries of Europe and Asia and has also established relations with a number of developing and developed capitalist countries of the world.

As a result of the successful development of the national economy and a broadening of economic ties with the outside world, the foreign trade turnover of the Mongolian People's Republic is growing from year to year. For example, in 1962 the volume of its foreign trade was 30 per cent higher than in 1957. The all-round development of the national economy and the rise in the living standards of the population have led to significant changes in the structure and nomenclature of Mongolia's exports and imports. Over 30 per cent of our exports at present consist of manufactured and semi-manufactured goods, while over 50 per cent of our imports consist of machinery and industrial equipment.

Although the Mongolian people have made great progress in the development of their economy and culture, much remains to be done in order to overcome fully through successful socialist construction the backwardness inherited from the age-old colonial régime.

Co-operation with socialist countries, in particular with members of the Council for Mutual Economic Assistance, open up wide prospects for the rapid development of our country. I have dwelt on certain aspects of our development in order to illustrate our growing capacity for economic co-operation with other countries.

The developing countries are becoming increasingly aware of the need to gain economic independence so as to guarantee their independent development. Normal international trade would greatly contribute to speeding up the economic growth of the newly-independent States. Nevertheless, as is evident from the report by the Secretary-General and the statements of many representatives at this Conference, the developing countries of Asia, Africa and Latin America are still facing grave trade difficulties. Many speakers have already mentioned the deficits on their balance of trade, shortages of foreign currency, price fluctuations, the instability of commodity markets and many other factors adversely affecting their countries' trade. All this is a direct consequence of the unequal trading conditions and discrimination practised by the trading monopolies of developed capitalist countries against the developing countries.

This Conference can and must devote particular attention to the urgent problems of the economic growth of the developing countries and take the necessary steps to normalize the development of international trade.

The normalization of international economic ties and of international trade is a single process. It is therefore impossible to eliminate the discriminatory and unequal treatment received by the developing countries and to take effective steps to promote the development of their national economies without at the same time normalizing economic and trade relations between East and West and without removing the artificial barriers and obstacles set up by the Western Powers. Hence, there should be no room in international trade for discrimination and artificial barriers and obstacles. The use of methods of economic pressure to achieve unilateral economic or political advantages to the detriment of other countries is equally inadmissible. It is well known that an expanding trade has long been regarded as a favourable sign in international relations. Indeed, the large-scale expansion of international economic ties, including trade ties, provides a basis for improving the international situation, and for strengthening mutual trust and understanding among States.

The delegation of the Mongolian People's Republic considers that, unless the question of the elimination of barriers and discrimination in international trade is settled, a complete solution of other problems relating to world trade is impossible. It is essential that universal principles acceptable to all countries should be established. In this connexion, the delegation of the Mongolian People's Republic fully supports the draft "Principles of international trade relations and trade policy", submitted to this Conference by the delegation of the Soviet Union, the Polish People's Republic and the Czechoslovak Socialist Republic; it considers that the draft principles can serve as a basis for the constructive solution of the problems before us.

In the opinion of my delegation, the draft principles take account of the vital interests of the developing nations, in particular, the unilateral granting of trade preferences, the stabilization of commodity markets, and the improvement of the commodity structure of the exports of the developing nations. These principles reflect the ideas embodied in the Joint Declaration of the seventy-five countries and correspond to the vital interests of the countries struggling for national economic independence.

The adoption by this Conference of new and equitable principles for international trade relations and trade policies would undoubtedly promote the normalization of world trade in the interests of all the countries of the world.

The delegation of the Mongolian People's Republic welcomes the fact that economic co-operation between the socialist and the developing countries is steadily expanding. Certain delegations have already spoken

of the benefits derived from trade with the socialist countries and of the wide prospects for its expansion.

Long experience of all-round co-operation between the Mongolian People's Republic and the socialist countries proves the disinterested and genuine nature of this co-operation, which is based on the principles of equal rights and of mutual advantage for the partners.

One of the important factors is the expansion and promotion of world trade and in economic progress as a whole is general and complete disarmament.

Disarmament will benefit all countries and will act as an important stimulus to the expansion of world trade.

If the decisions and recommendations adopted by this Conference are to be successfully carried into effect, we must first take certain steps of an organizational nature. In their Joint Declaration, the representatives of the developing countries rightly drew attention to the need for the improvement of institutional arrangements, including, if necessary, the establishment of new machinery and methods of implementing the decisions of the Conference.

Certain representatives in their statements referred to the General Agreement on Tariffs and Trade (GATT) as an international organization dealing with trade problems.

But it is common knowledge that GATT was concluded in the interests of the developed Western

countries and that it does not meet the requirements of the developing and socialist countries or the need for normalizing world trade as a whole. GATT is neither universal nor free of discrimination and cannot serve as a substitute for an international organization based on the principles of universality, equal rights, mutual benefit, respect for the sovereignty of the partners and non-interference in each other's internal affairs.

Therefore, one of the important results of this Conference, in the opinion of our delegation, should be the establishment of a universal international trade organization under the auspices of the United Nations. The main function of such an organization should be to promote the expansion of international trade through the study of ways and means of solving world trade problems, and the preparation of recommendations and measures which correspond to the interests of all nations.

The delegation of the Mongolian People's Republic hopes that this Conference, in which authoritative representatives of various countries are participating, will display sound judgement, wisdom and good will in solving long outstanding problems to the advantage of all States and peoples without exception.

The delegation of the Mongolian People's Republic is ready, in co-operation with the delegations of other countries, to make its modest contribution to the successful solution of all world trade problems under consideration at this Conference.

**STATEMENT BY H.E. Mr. DRISS SLAOUI,  
MINISTER FOR ECONOMIC AFFAIRS, FINANCE AND AGRICULTURE,  
HEAD OF THE DELEGATION OF THE KINGDOM OF MOROCCO  
at the fourth plenary meeting, held on 24 March 1964**

[Original text: French]

Permit me, on behalf of the Government of H.M. the King of Morocco, to express my wholehearted congratulations to the United Nations and to all those who have promoted and organized this Conference, one of the greatest that history has ever known. I hope that it will prove worthy of that description by its results.

The election of Mr. Kaissouni as President of our Conference, that of Mr. Georges Hakim, as General Rapporteur, and the appointment of Mr. Prebisch, a distinguished economist, as Secretary-General, have given us cause for satisfaction, hope and enthusiasm.

We have learnt with satisfaction and gratitude of the election of Morocco to the Vice-Presidency of this Conference, and we warmly thank the assembly.

Morocco is perfectly conscious of the exceptional importance which the outcome of our deliberations must—and will—have. I am sure that we all hope that these deliberations will at no time degenerate into arguments having no direct connexion with the purpose of our meeting in this hall.

That purpose has now been clearly defined; we are here in order to attempt to solve the fundamental problem that is preventing the harmonious develop-

ment of the world economy: the problem of the profound inequalities which are causing a deterioration in the relations between developed and developing countries; the problem of underdevelopment, which is economic in substance and human in essence.

The time has come when all nations, united by common interests, must lay solid foundations for the construction of a more balanced world.

The coexistence of very rich with very poor nations is no longer permissible and our goal is to reduce the excessive differences existing between the incomes of these two groups.

For it has been realized that, in spite of the assistance provided by the advanced countries to accelerate the economic development of the low-income countries, and in spite of the latter's increasing efforts, the gap between two groups continues to widen.

This Conference is therefore going to provide the industrialized countries with an exceptional opportunity to re-examine their economic policies towards the developing countries. To that end, it will be necessary to take specific measures to settle the problems which have accumulated and have assumed increasing seriousness in the field of international economic relations.

We are witnessing a rapid growth in wealth, prosperity and comfort in some zones of our planet, whereas in others we find sometimes a retrograde movement, most often stagnation or, at best, a scarcely perceptible improvement. And it might even be asked whether the remarkable acceleration in the economic expansion of the rich countries has not directly or indirectly acted as a brake on the development of the poor countries.

Today, the advanced countries are quite aware that economic co-ordination produces prosperity and peace. The healthiness of world economic development now depends in part on the new advantages that will be granted to the countries which are still under-equipped.

We are, indeed, fully aware of the fact that efforts, reforms, and great sacrifices must, in the first instance be accepted or carried out in our own countries. However, such measures would be vain unless the rich countries become acutely aware of our difficulties, and it depends mainly on them whether this Conference is to be successful, i.e., whether it is able to define specific and realistic measures by which the backward countries can be economically developed.

Morocco, by means of considerable and sustained efforts, has been able to emerge from a state of total under-development, characterized by the lack of domestic capital, an extremely low national income and the absence of vocational training.

It has thus developed its agriculture and established and diversified its industry; nevertheless, it continues to suffer from the evils common to several developing countries.

The first problem facing us is undoubtedly the deterioration in the terms of trade. Wide fluctuations

in primary commodity prices and the decline in these prices as compared with those of manufactured goods impose on us a heavy handicap.

Our production potential is hampered by a bottleneck unknown to the Western countries at the time of their industrial revolution—namely, the lack of markets both domestic and foreign, for primary commodities and manufactured goods.

We are primarily an agricultural country, but we are encountering increasing difficulties in exporting our products, particularly cereals.

Thus our exports of hard wheat to Western countries, which amounted to 18,539,000 dirhams in 1962, totalled only 5,215,000 dirhams in 1963.

In the mining sector, in four years only, from 1958 to 1962, our terms of trade dropped from an index of 136 to 118. The decline was to some extent slowed down by the relative stability of the price of phosphates. Leaving the latter out of account, the fall was even greater for other ores, the indexes declining from 139 to 111 in the same period.

Hence, it is necessary to remove once and for all the burden placed on our economy by the almost constant decline in the world prices of primary commodities.

Thus far, international primary commodities agreements have been reached only on very rare occasions. It is true that some bodies have studied the problem of such agreements but without any conclusive success.

We earnestly hope that at the close of this Conference international commodity agreements will be in sight, that higher prices will have been accepted, and that machinery will have been devised to maintain those prices. Consideration has already been given to some aspects of such machinery, namely:

the fixing of "reference prices". The choice of the level of such prices depends on the policy adopted by the developed countries;

the setting-up of an international compensatory financing body to deal with the loss of export earnings by primary producing countries;

specialized commissions will have to work out the most effective and adequate machinery.

But the settlement of this problem of primary commodities cannot alone provide a solution to our troubles.

Our industry, also, is experiencing difficulties.

At present, any industrialization project quickly runs into trouble because, at the start of industrial production, productivity is not sufficient to meet international competition.

At the domestic level, our manufactured goods are hampered by the narrowness of the market which is the result of the very low individual income.

It should be remembered that the total income of my country, with its 13 million inhabitants, amounts to 4 per cent of that of France, for example.

If we consider a larger market, say the Maghreb market, this figure would have to be multiplied by

about 2.5; and if the whole of Africa was viewed as a single market, account being taken of the average income and of the total population, it would be equivalent to Belgium as a market for the consumption of industrial products.

It is therefore essential that the industrialized countries should give us wider access to their markets. Thus far, measures to expand the markets of developing countries have been taken only slowly. They have now become extremely urgent.

The Conference will have to draw up a programme of action, fixing a gradual rate of increase in our exports of manufactures to the industrialized markets. That would make it possible for the products of our developing industries to be smoothly integrated into permanent and regular trade flows.

This implies the removal by the rich countries of all or some of the existing customs, fiscal or quota barriers to our products, without, however, automatically involving us in the obligation to offer the same advantages to the developed countries.

For it must be realized that, while certain principles may remain applicable to relations among the advanced countries, they can no longer govern relations between those countries and the developing countries.

Within the context of our Conference, it is not paradoxical to discard, *a priori*, the principle of reciprocity. On the contrary, it would be paradoxical to set ourselves the objective of establishing a co-ordinated and balanced world economy, while refusing to create the optimum conditions for the rapid development of the under-developed countries.

That is particularly relevant to the question of improving our "invisible" trade, which is a major factor in our development and one to which I would draw particular attention.

In our opinion, insufficient emphasis has been placed on this problem. Such trade constitutes, however, a very heavy burden on our balance of payments, whereas, on the contrary, it should and could be a very valuable source of revenue.

Although foreign trade plays an important part in accelerating our economic progress and although the serious problems affecting the export of our goods (stagnation of commodity exports; pressure on the prices of traditional exports; reduced volume and unfavourable pattern of industrial exports) are responsible for the deficit in our balance of payments, the problem of "invisible trade" is no less typical and illustrative of the gap that separates us from the rich countries.

An analysis of the balance of "invisibles" of the developing countries for 1961 shows that, taken as a whole, those countries paid \$10,395 millions for non-commercial services (marine transport, insurance of imported goods, reimbursement of debts and profits to foreign investors, etc.), while they received \$6,371 million for services and benefits provided by them; in other words, they had a deficit of \$4,000 million.

Realistic co-operation at the world level, both in regard to marine insurance and freight charges, would undoubtedly lead to a very rapid alleviation of these burdens. In this connexion, a restriction of the monopolistic practices of the shipping companies of developed countries would have particularly favourable effects. It could pave the way for the establishment or extension of the national merchant marines of developing countries.

This is a field in which the advanced countries can make a financial and technical contribution. Without their aid and support, our merchant navies will never be able to develop sufficiently. An increasing percentage of international freight should be reserved for us, we should be allowed access to certain lines, and the protection of our new flags should be ensured without risk of incurring reprisals.

Lastly, our invisible balances could be improved if the industrialized countries opened their financial markets to loans to the under-developed countries, particularly loans guaranteed by the State.

All these measures have two objectives: to remove the artificial barriers which might hinder their expansion; to enable the insufficiently developed countries to make rational and full use of their economic potentials.

But it is quite obvious that large amounts of foreign capital and some foreign technical assistance will still be necessary for some time to come, particularly as our population growth converts any increase in our present national income into a minus quantity.

More than 90 per cent of the national income of the developing countries is absorbed by consumption, and the remainder is devoted to investment, i.e., to increasing productive capacity. Optimum investment, however, should represent 25 per cent of the national income. In order to accelerate our economic development, we shall have to take steps to produce additional compulsory saving. However, our peoples are already making heavy sacrifices, and the more advanced countries must establish more equitable relations with us and grant us their aid on the human and intellectual plane in order to break the vicious circle.

This Conference might entrust an international body with the task of studying the trends of world trade and the economic situation of the different developing countries in order to ascertain their needs and to improve the position of those countries on the world market. It should not be forgotten that, although we speak of the problem of under-development in general, this problem changes its aspect from one under-developed country to another. Each one has its own difficulties, which must be solved by appropriate means. The work of such an international body could make an effective contribution to the choice of these means.

Thus, the assistance of the more advanced countries will assume a different form according to the country to which it is given. Foreign capital, for example,

can be provided for carefully determined operations, forming part of judicious programmes drawn up for the various sectors.

I shall take the liberty of quoting Mr. George D. Woods, President of the International Bank for Reconstruction and Development, who considers that "the multilateral method is the most effective for providing development aid on an objective and non-political basis".

This only implies a preference and does not exclude recourse to other forms of assistance, as long as it is provided without any conditions or political designs.

Investment operations and financial aid can only serve to stimulate our development process, for, in the last analysis—and we are well aware of this—it is on the quality of the peoples themselves that expansion possibilities often depend.

Lastly, the economic equality towards which the present world aspires is incompatible with the brutal and disorganized clash of free competition. It requires the formation of a few large, co-ordinated markets within which spontaneous and planned complementarities can develop.

Such regional re-groupings, which are particularly valuable to the under-equipped countries, make possible the establishment of large-scale industries which would be beyond the powers of a single developing nation (steel works, for example).

It is therefore to our advantage to re-group ourselves, to organize and to plan our economies as an integrated whole.

It is thus that the idea arose of an African Common Market, of an African integration that should be approached, as suggested by the Economic Commission

for Africa (ECA), from a pragmatic viewpoint. It would be necessary, as a first stage, to move towards free trade among African countries and as a second stage towards the co-ordination of development plans for complete integration.

But, in any event, the industrialized countries should promote the expansion of trade among the developing countries by making special adjustments, in particular, with respect to the most-favoured-nation clause.

It will no doubt be very difficult to reconcile the inevitable and understandable differences of view regarding the choice of methods to be adopted.

We shall succeed in doing so, however, for I am convinced that all the nations represented here intend to approach this Conference without any preconceived ideas, with complete good will and with a sincere desire of co-operation.

H.M. Hassan II has said: "It is a truth which has become tangible that any economic development can be achieved only on condition that it transcends itself and renounces any egoistic or autarkic conception".

Indeed, much generosity, allied with a great deal of realism, is necessary to formulate, in a spirit of equality, the details of an international co-operation which, while respecting the legitimate rights and interests of every people, will enable international economic problems to be solved to the greatest possible extent.

Industrialized and developing countries should work in concert and solve the basic problems hampering their relations. They will thus be able to achieve a more rapid rate of growth than they have so far known.

In this way, sustained by the rich nations and exerting all our national energies, we shall finally be able to discover the secret of growth and development.

**STATEMENT BY H.E. Mr. VEDA NANDA JHA,  
MINISTER OF COMMERCE AND INDUSTRY,  
HEAD OF THE NEPALESE DELEGATION**  
at the fifteenth plenary meeting, held on 2 April 1964

[Original text: English]

It is my proud privilege and distinct pleasure to represent Nepal at this important Conference on Trade and Development sponsored by the United Nations. At the outset, I would like to congratulate the President and all the Vice-Presidents on their election to these high and most responsible offices. Under the guidance of the President and with the assistance of the

most devoted Secretary-General, Mr. Raúl Prebisch, I am confident that this Conference will achieve a lasting success.

Nepal is now actively engaged in developmental works under the dynamic leadership of His Majesty King Mahendra, who has granted to his people a Constitution based on the principles of democratic

decentralization, which we call the Panchayat system. This decentralization of authority, along with the programmes of basic land reforms and agricultural reconstruction, has been very effective in infusing enthusiasm in our people to aspire and work for a better standard of living. Recently His Majesty King Mahendra personally granted tenancy deeds to peasants in Eastern Nepal. Thus Nepal is forging ahead, and she will be able in years to come to achieve better progress and to contribute more for the general human happiness.

In this space age the destiny of our planet is one. If the majority of its people remain under-nourished, a volcanic eruption is inevitable, that will devastate not only the developing countries but also the developed countries of the world. For the general progress of all the people of this planet, there can be nothing less than an integrated growth of the world economy as a whole.

The three Preparatory Committees of this Conference have done good and extensive work in the study of problems of trade particularly as a ground work preparation for this Conference, and for this the members of the Preparatory Committees as well as the able Secretary-General of this Conference and his staff deserve our thanks and commendations. Because of their efforts, we, all members of the United Nations family, have been able to gather here in this famous and historical city of Geneva to discuss matters of far-reaching importance, the basis of all human relations—namely, the economic growth of the world. The objective of this Conference is to achieve the highest goal—human happiness—and to bring about much closer relations and understandings between man and man. The urgency of this type of Conference is more felt at this stage because the gap between the economic growth of the developed and the developing countries is widening day by day. This widening gap between the developed and the developing countries cannot lead to peace and harmony. The bridging of such a gap is therefore essential.

What are then the obstacles in the way of the economic development of the less-developed countries? All these have been explained well in the report of the Secretary-General of the Conference on Trade and Development. The United Nations, with its high ideals and with a sense of great urgency, has fixed a minimum target of increasing the income of the developing countries by 5 per cent every year during the Development Decade ending by 1970. To obtain this goal which is considered very modest, the less-developed countries are required to import machinery, spare parts, some essential raw materials, and even technical “know-how”, for which exports are to be made. In fact, it is our experience that the access to the market of the developed countries has been rendered more and more difficult: and the international price for our products has been continuously falling.

There are groupings of some developed countries with mutual preferential treatment amongst themselves and their associates. They have their own common dis-

crimatory tariff policies and non-tariff understanding, all leading in effect to the restriction of imports from the less-developed countries. Further, in many developed countries the policy of providing heavy subsidies to farmers to produce their own food and other agricultural products at higher cost than the international price, has not only adversely affected trade, but also production in the developing countries. Thus, even the agricultural price support or agricultural subsidizing policy of the developed countries is far from being helpful in fulfilling even the modest target set by the United Nations for the Development Decade.

The developing countries have often been told that the General Agreement on Tariffs and Trade (GATT) will effectively deal with such matters as tariff restriction in order to develop international trade. But GATT, as it stands now, in the opinion of some of its less-developed members has failed to look into the real need of the less-developed countries; and in spite of its long existence, the gap between the import needs and the export earnings of the developing countries is widening every year. The need of the day, as it has been explained in the Teheran resolution of the countries of the Economic Commission for Africa and the Far East (ECAFE), also by the resolutions of other Commissions, is to provide easy access for the produce of the developing countries into the market of developed countries with preferential treatment without demanding reciprocity.

For achieving these objectives, a broad-based organization is essential. Such an organization should be closely associated with the United Nations as is reflected in the Secretary-General's report. Such an organization can also be created by expanding the GATT itself and making it more capable of meeting the needs of the developing countries.

The other most important consideration to be made in favour of the developing countries, in the opinion of my delegation, is the question of prices for their exports. The prices of primary products tend to decline gradually because the rise in their demand is slower in comparison to that of the finished products. It has been very wisely considered that the consumption of imports from the less-developed countries should not be restricted but rather be encouraged in the developed countries. Further, the prices to be paid for such exports should be stabilized and made remunerative. This arrangement is essential and should be a basis of international trade for the economic growth of the developing countries.

It has been suggested by ECAFE and other agencies that substitution of import policy should be implemented while planning industries. They have, however, issued an adequate warning that the import substituting industries of the developing countries will not be able to reduce the foreign currency components of any development plans of the less-developed countries, as these very industries need machinery, some essential raw materials and even technical services which have to

be imported from the developed countries. Further, if industries, with a view to substitute imports only were established, it may lead to waste, and may even compel the provision of unnecessary protection in favour of the non-remunerative industries. Such a situation must be avoided; and industries must be able to stand on their own feet after a certain period, say ten years as suggested in the Secretary-General's report. This clearly indicates that industries to substitute imports must be well thought of and planned, and they cannot be started at random.

Another important question which has always been in the minds of thinking people is the regional co-operation in the development of trade and industries among the developing countries. My country has been a party to the ECAFE resolution on regional co-operation during the Ministerial Conference held at Manila in December last year. In the opinion of my delegation, regional co-operation is essential and should be aspired after, provided there is mutual benefits and respect for the points of view of participating countries. However, regional co-operation alone will not solve the entire problems of the developing countries for many reasons, such as the problems of meeting the needs of machinery and technical services. But it will not be very desirable to form regional groupings merely as a reaction to the groups formed by the developed countries.

I would like now to draw the attention of this Conference to the problems of free and unrestricted right of transit of land-locked countries. Besides Afghanistan, Laos and Mongolia, Nepal is one of the four land-locked countries in Asia. There are a few more land-locked countries in the continents of Europe, Africa, and South America also. For the proper growth of international trade, every land-locked country would like to enjoy, as a right, free and unrestricted transit in the practical sense of the term.

Recently, at the Ministerial Conference on Asian economic co-operation at Manila, Nepal along with Afghanistan and Laos stressed the importance of free and unrestricted transit facilities for the development of trade of land-locked countries. The Ministerial Conference recognized this right of land-locked countries and considered the importance of the relationship of these problems to questions of regional co-operation and the expansion of intra-regional trade. The Conference had requested the assistance of the ECAFE secretariat in preparing the draft convention on the lines of, but amplifying and modernizing, the Barcelona Convention for preliminary consideration by the Governments of Nepal, Afghanistan, and Laos. Nepal requested the Secretary-General of the United Nations for the inclusion of the problems of land-locked countries in the agenda of the United Nations Conference on Trade and Development, and consequently a Nepalese observer participated in the Third Preparatory Committee meeting.

At the twentieth session of the ECAFE in Teheran, a resolution was adopted requesting the Conference

on Trade and Development to give utmost prior consideration to the problems of land-locked countries in order to provide their unrestricted freedom of transit, and access to seas, and to form a separate committee to deal with this matter. These land-locked countries have to suffer various types of difficulties including a long process of examination of goods in transit and have to pay high costs of transportation including the shipping rates, road and railway freights. Even these freights sometimes are subjected to further levies and taxes. Besides, at times, the transit-giving countries subject the goods in transit to delays and other impediments. So these hardships of the land-locked countries deserve the utmost sympathetic consideration. They should have the unrestricted freedom of transit which should mean freedom from delays, freedom from all taxes, including taxes on freight charges, and also freedom from unnecessary examinations and freedom from theft. The safety of goods in transit should also be guaranteed under the principle of the bailment.

The Nepalese delegation would like to impress upon this Conference that international trade cannot expand to its full scope if the interest of seventeen or more land-locked countries is ignored. The people living in these land-locked countries constitute potential consumers.

The Barcelona Convention and statute and the General Agreement on Tariffs and Trade, though they do not cover fully the special nature and problems of the land-locked countries, have recognized the right of freedom of transit. Recent experiences of some of the land-locked countries have shown that the sanctity of the spirit contained in these multilateral agreements has not been maintained fully and the land-locked countries have faced great difficulties in diversifying their trade. Leaving aside transit facilities, even flying over the shortest routes to other countries has not been permitted in some cases.

The delegation of Nepal would like to suggest that transit facilities should not be a subject of bargaining; rather, they should be granted as a matter of right. Numerous complaints have been heard in land-locked countries regarding delays in the movement of goods in transit. It hampers the pace of development of these lesser-developed countries. For the fulfilment of the objective of integrated growth of the world economy as a whole, it is the duty of transit-giving countries to see that the pace of development of land-locked countries is not hampered simply because delays in movement of transit goods have taken place in their territory.

These are some of the problems of land-locked countries which need both a thorough understanding and universal recognition by this Conference. Even if this Conference resolves to help the under-developed countries in their effort for economic growth—which we are confident it will do—the problem of lesser-developed land-locked countries will remain unsolved unless real efforts are made to open their doors and



help them enter into the field of international trade so that they might also attain the same pattern of economic independence and growth as is conceived by this Conference for all under-developed countries. But the door of land-locked countries cannot be opened unless their right of free and unrestricted transit is recognized by this Conference.

At this point, I would like to refer to the letter addressed by Nepal, Afghanistan and Laos to the Secretary-General with a view to drawing his attention to the Teheran resolution on land-locked countries. We have also submitted draft charters along with it. I would like to request you to form a separate committee to study the problem of transit trade of the land-locked countries in relation to the general development of international trade of the developing countries.

The United Nations Conference on Trade and Development is of special importance to us as land-locked countries. Nepal has recently started making efforts in the direction of diversifying her trade with a view to having better opportunities for economic growth and international co-operation. The land-lockedness of our country has been a great stumbling block, and if this problem is solved, the progress of our development work will undoubtedly be much faster, as international trade has a direct bearing on planned economic growth. With a view to overcoming the difficulties due to land-lockedness of our country, as well as to develop an internal transportation system, my Government is engaged in the construction of a network of roads of which the six-hundred-mile East-West highway is the main axis. Nepal is developing her trade with neighbouring countries, including India and Pakistan, and the network of roads under construction is designed to provide easy access to these neighbouring countries. The Kathmandu-Kodari road to our northern Himalayan border adjoining the Tibet region of China is also under construction. With the completion of these roads, Nepal hopes to develop her traditional trade which till now has been carried on ponies or human back over the bridle path.

My delegation endorses the view expressed by the Secretary-General of the United Nations Conference on Trade and Development regarding the preferential treatment for the manufactures of the less-developed countries by the developed countries. In such preferential treatment, special consideration must be given to the available exportable products of the less-developed countries. In planning industrial ventures, my country is giving priority to such industries which can utilize the available resources; but the progress is slow because of the lack of capital including foreign exchange, and also technical "know-how". Our industrial productivity is low. Our manufactures can mostly be sugar, cigarettes, vegetable oils, lumber, plywood, fruit processing, textiles, both cotton and woollen, paper and pulp, cements, etc. Besides, we are expanding the production of jute manufactures and

matches. There also exist possibilities of mining iron, mica and copper. All these products at remunerative prices can be exported by us; and ten years of preferential treatment, as suggested in the Secretary-General's report, will certainly aid in accelerating the economic growth of our country.

My delegation feels that the "Kennedy round" of negotiations will provide great relief and help to expand international trade. My delegation also considers that its results can be supplemented if the problems such as the preferential treatments on imports from developing countries be settled by this Conference on Trade and Development. Further, in view of the difference of intensity of development among the developing countries themselves, my delegation fully subscribes to the recommendation made by the Secretary-General in his report to grant more preference to the least-developed countries. This very same principle should be applied in activities of regional co-operation among the developing countries too.

His Majesty's Government of Nepal has formulated a very clear industrial policy; and this policy has been enacted under the Industrial Policy Implementation Act, which provides income tax exemption for ten years and offers a nominal 1 per cent *ad valorem* import tariff on machineries and spare parts. This Act also provides for foreign investments by allowing repatriation of profit and also investments in foreign exchange. The Central Bank of Nepal provides foreign exchange for industrial plants and equipment, and also for the services of foreign technicians on the recommendation of the Government. The Nepal Industrial Development Corporation has been working for the last five years to finance industrial ventures. Such investment can be obtained in the form of equity and/or in the form of loans. As a result of these facilities provided under the Act, both local and foreign investors have made several inquiries, a few important industries have already been established and a few more are under construction; more industrial projects are at the stage of investment surveys. All these developments are encouraging. However, it has come to our notice that private industrialists are not interested in some industries like the manufacture of fertilizers and mica mining. Even in industries in which they are interested, private industrialists want to meet a large part of their investment by way of loans.

Bearing this in mind, my delegation feels that the developed countries, in order to assist the developing countries, can provide not only adequate aid but also sufficient loans, on the one hand, and, on the other hand, encourage their nationals to invest more in the developing countries.

Because of the magnitude of the problems of the developing countries, the Secretary-General of this Conference in his report has emphasized the need of compensatory financing for the exports of the developing countries. This is a suggestion worth considering by the developed countries in order to enable the



developing countries to build up their national economy.

Now, coming to invisible trade, my country, with Mount Everest and other high Himalayan peaks, has a great potential for the development of tourism, and is now engaged in increasing hotel accommodation and the extension of airports. My delegation hopes that this Conference will adopt some concrete measure for closer international co-operation for the development of tourism.

As I pointed out earlier, the reduction of shipping and railway freights and other charges connected with transport of goods should be aimed at; and such reduction will go a long way to assist the developing countries to save substantially a good amount

of foreign exchange which can be utilized in some other developmental works.

In conclusion, I would like to stress once more that my delegation attaches great importance to the outcome of this Conference; and in fact the economic destiny of the world depends upon it. We have come to attend this Conference to generate international co-operation for the happiness of all mankind. Everything can be achieved through mutual co-operation and understanding—nothing can be coerced. I assure you, on behalf of my delegation, we will do our utmost to make this Conference a success in order to achieve integrated growth of the world economy as a whole—and to drive out poverty, hunger and misery from this earth.

**STATEMENT BY H.E. Mr. J. E. ANDRIESSEN,  
MINISTER OF ECONOMIC AFFAIRS OF THE NETHERLANDS,  
HEAD OF THE DELEGATION OF THE KINGDOM OF THE NETHERLANDS  
at the sixth plenary meeting, held on 25 March 1964**

[Original text: English]

May I first of all congratulate Mr. Kaissouni on his deserved election.

The importance which my Government attaches to this Conference is reflected in the fact that the three constituent parts of our Kingdom are represented in our delegation. Surinam, the Netherlands Antilles and the Netherlands are situated in different parts of the world and each of them is at a different level of economic development.

This Conference, as I see it, could hardly have chosen a better theme than trade and development. We come to realize that to achieve economic development it is necessary not only (1) to expand and diversify production; (2) to ameliorate the infrastructure and the directly productive investments; (3) to combine self-help with aid from others, but also to create marketing opportunities for increasing and more varied production of the developing countries.

It is a curious phenomenon that only in this Development Decade do we start to stress this. We have known it already for a long time. If we go back into history, we see that the industrial revolution in Western Europe in the nineteenth century could succeed only thanks to a strengthened free trade, which opened markets to new industrial products. Trade is an essential condition for development.

What about our own days? Many countries find themselves in a crucial phase in their existence. They have acquired political independence—they try to achieve economic independence. It is hardly ever possible to bring about a parallel growth of production and of purchasing power within one individual country. Only the very large countries can try to achieve this. The other countries need one another. They concentrate on the production of goods for which they are relatively most apt and they procure themselves the other products by means of exchange.

This exchange and this division of labour are essential to our world economy. But we have lived too long in the belief that in the international division of labour there was a place specially reserved for the developing countries, namely the production of raw materials and tropical products, whereas the old countries' domain was that of industrial goods. We have to realize that this is an idea of the past. A fundamental change in the international division of labour is needed. The new countries will have to devote themselves not only to the production of raw materials and tropical products, but also more and more to the production of industrial goods. Initially, these will be simple products, whereas the "old" countries will continue to furnish the more complicated industrial products. But in due course the developing countries will improve their productive

structure. In this way a change in the international division of labour will take place: the West must learn to accept and to appreciate the manufactured goods from Asia, Africa and Latin America.

What are we expected to do, if such a starting-point is accepted? I should like to submit the following points:

(a) We should try to achieve prices of primary commodities which are justified and as stable as possible;

(b) We ought to give technical and financial assistance to further the diversification of the economies of the developing countries;

(c) We should endeavour to create realistic opportunities for the outlet of industrial manufactures and semi-manufactures from the developing countries.

Allow me to comment briefly on these suggestions.

(a) *Prices of primary commodities.* It is well known that cyclical and structural fluctuations in the prices of primary commodities and, consequently, in the terms of trade have created great difficulties to many developing countries. We all know that in the past ten years the deterioration in the terms of trade has absorbed approximately half of the development aid. What can be done about it? A broadening of the number and scope of commodity agreements and a certain compensation for serious worsening of the terms of trade. The Netherlands delegation is open-minded concerning the form in which this can be achieved. At the time, we were favourably impressed by the United Nations plan for a development insurance fund. However, we are prepared to consider other solutions.

But we must warn against stabilization of prices on too high a level. In the short term, it looks attractive to the developing countries. In the long run, however, it may lead to over-production, and may hamper diversification in the producing countries and consumption in the importing countries. An unduly-high price level may also stimulate the production of substitutes.

(b) *Technical and financial assistance.* I will be short on this. Assistance is given on a considerable scale, but in view of the magnitude of the problems, it is nevertheless too little in relative terms. It is certainly worthwhile to study whether a more rational way of expenditure is possible. Better adaptation to local circumstances is needed; transplantation of advanced production techniques is not always meaningful; aid should stimulate initiatives of the developing countries themselves. It is not only the spectacular projects, the

pride of donor and receiving countries alike, that matter. Much more important are the many widespread incentives toward self-help. That is why I attach the greatest importance to educational and vocational programmes, technical advice, improvement of agricultural techniques and research, and the transfer of "know-how" in certain branches of industry. Also, the improvement of the transport system is highly important in most cases.

(c) *Opening up of markets.* To give real marketing opportunities to a greater variety of products of less-developed countries must be an essential part of our programme. There are real opportunities in this field. The share of these countries in world production of manufactured and semi-manufactured industrial goods continues to be modest. Expansion of this share should be possible without seriously endangering established industries in the developed countries. Protectionist arguments against such expansion reflect shortsightedness and selfishness.

This is the reason why the Netherlands delegation takes a positive view of the Action Programme which was launched in the framework of GATT. We must seriously study how markets can be created or broadened. For example, the granting of tariff preferences in favour of the less-developed countries should be considered; one could think here of a kind of advance payment in the "Kennedy round". It goes without saying that the rules of GATT, in particular those on most-favoured-nation treatment, should not be departed from without purpose. But exceptions to these rules, provided they are clearly formulated and specified, must be allowed to take a place within the GATT system.

In the coming three months we shall be confronted with a number of complicated problems. Accelerated development of the less-developed countries is the central social and economic problem of our time. Our world faces the challenge of finding a solution to this grave problem, with a view to create an acceptable standard of living for more than half of its nearly three thousand million inhabitants. We shall not be able to bridge during the Development Decade the gap between rich and poor in this world; we will need the rest of this century as well. But we can give a powerful push in the direction of a solution. This is the aim of our Conference. May the next generation be able to say that the 1960s have laid the foundations for equal economic prosperity in all the countries of the world.

STATEMENT BY H.E. MR. B. E. TALBOYS,  
NEW ZEALAND MINISTER OF AGRICULTURE, HEAD OF THE DELEGATION  
at the eleventh plenary meeting, held on 31 March 1964

[Original text: English]

May I ask you to convey to our President, Mr. Kaisouni, congratulations upon his election to his high office? The New Zealand delegation is confident that under his able guidance we may look forward to a successful outcome to this important Conference. We pay tribute also to the thorough preparatory work undertaken by our distinguished Secretary-General, Mr. Prebisch, and his staff, and in particular we acknowledge the great value of the report submitted by him to this Conference. It crystallizes the nature of the urgent problems of economic and social development which are of such particular concern to the peoples of the world and so to the United Nations, and points the way to practical measures for their solution.

I have been asked by the Government of Western Samoa, with which New Zealand is linked by a Treaty of Friendship, to express their regrets that they were not able to accept the invitation to be represented here. They have however asked me to assure you that they will follow the proceedings of the Conference with close interest.

This Conference on Trade and Development has before it many major and complex problems which must be defined as quickly as possible. It must also seek to resolve these problems by selecting measures which can progressively form the basis of a realistic programme of international co-operation. The poverty and misery which afflict two-thirds of mankind cannot be abolished from the face of the earth by States acting in isolation, or even by limited groups of States. An immense co-operative effort is required. Mutual understanding, not the confrontation of opposing groups, should be our rule.

Our aim must be to avoid at all costs the tendency for trade and development to be pursued in exclusive water-tight compartments. We must reject the beggary-neighbour policies so widely adopted in the 1930s, for a divided world economy is a weak world economy. All parts of the world are interdependent and if all are given the opportunity to progress within an integrated trade system, the world as a whole will have the strength to surpass the all-too-modest aims of the United Nations Decade of Development.

We should recognize, too, that this Conference represents a further step in an evolutionary process of international thought and action. After the Second World War, important new policies were adopted which offered the possibility of reversing trends towards

discrimination and restriction which had been set in motion fifteen years earlier. Since then great progress has been made in freeing trade in industrial goods and in avoiding the levels of unemployment which blighted the 1930s. A further step must now be taken. We must find the means to help those countries which have been left behind in the process of development. New attitudes and new policies are already emerging and it is the function of this Conference to bring them into focus within the framework of international co-operation.

The co-operative effort to which we aspire demands as its first priority the expansion of international trade. The Joint Declaration of Developing Countries made at the eighteenth session of the General Assembly and signed by seventy-five countries, including New Zealand, placed at the very head of the expected achievements of the Conference the "creation of conditions for the expansion of trade". To this end, the Declaration called for the "progressive reduction and early elimination of all barriers and restrictions impeding the exports of developing countries". This is a view which my country endorses wholeheartedly. Access to markets is the prime requirement for the expansion of trade and for the attainment of new levels of income which trade permits.

It is an encouragement for the future that some countries, have practised liberal trade policies for many years and have thereby contributed largely to the development of other parts of the world. It is worth remarking that the contribution of the United Kingdom is noted in the Secretary-General's report, while that of the United States and some other countries must also be recognized. It is more than ever important that these liberal trade policies should be maintained and that pressures to raise the level of protection for domestic production, both industrial and agricultural, should continue to be resisted.

Certain other countries, although making a valuable contribution to the total volume of world trade, have, in some sectors at least, tended to follow inward-looking policies. There are unwelcome signs that the restrictions these place upon world trade are to be intensified, and indeed extended through the adoption of certain policies by regional groupings.

Some of the centrally planned economies have placed their faith in self-sufficient economic development. There have been indications among them, however, of a readiness to participate more fully in international

trade and to match the performance of the market economies. We look forward to an acceleration of this trend.

While liberalization of trade and freedom of access should be the watchwords of the Conference, my country fully recognizes the additional need of "special assistance and protection for the less-developed parts of the world economy" advocated in the Joint Declaration of Developing Countries. Without such special measures, developing countries will find it difficult to break away from their present dependence upon an export trade limited to primary commodities, when they are faced with the competition of industrially advanced countries already well established in international trade.

At the same time, New Zealand is aware that it would not be sufficient for developing countries to rely for their economic progress only on international trade and the measures taken by the world community to stimulate it. On the basis of our own experience, we would endorse the views expressed by Mr. Prebisch on the urgent need for developing countries to adopt appropriate policies of land tenure, education and the distribution of income. In many developing countries, population is outstripping food production. In parts of Asia, for example, where population has increased by nearly 2.5 per cent a year, the corresponding increase in domestic food supplies has been less than 0.5 per cent. To break out of this dilemma, rural communities must produce more food, but this goal cannot be achieved in the absence of appropriate social policies.

Economic progress in the countryside will not only have the effect of relieving the plight of hungry people, but will create a domestic market for the products of new industries and will permit the more rapid formation of domestic capital. It is these considerations which reinforce New Zealand in its long-held belief in balanced economic and social development, and in the need to match policies of industrialization with a progressive agriculture. This was argued with great cogency by Dr. Sen, Director-General of the Food and Agriculture Organization of the United Nations (FAO), in his most valuable statement on 26 March.

My country must view its participation in this Conference in the light of its own economic situation. As our position differs in many ways from that of industrialized countries, I should like to describe it very briefly. Some 95 per cent of New Zealand's exports consist of agricultural products, the prices of which have continually suffered from violent fluctuations. We import from abroad the machinery and raw materials needed for our developing industrial sector. We are entirely dependent upon the shipping services of other nations for the carriage of our trade. New Zealand's terms of trade have deteriorated by some 15 per cent since 1955 and for many years we have been faced with chronic balance-of-payments difficulties. In addition to this, our trade with industrialized countries has been hindered by all the devices

of agricultural protectionism, while at the same time we have had to compete with the dumped and subsidized products of these countries in other markets. New Zealand imports from developing countries as a whole nearly twice as much as it exports to them. Finally, it should be noted that my country is a net importer of capital required for its development. For all these reasons, New Zealand cannot be classified as an industrially developed country.

On the other hand, although New Zealand is a primary exporting country, it is distinguished from most other developing countries by the high *per capita* incomes enjoyed by its citizens. One of the reasons for this situation is the progressive social policies in the fields of land tenure, housing, health, education and income distribution that have been followed in New Zealand for many generations. These have also created a climate of stability which has assisted us in obtaining the overseas capital needed for our development.

Having said all this, let me make it clear that despite the close similarity between its trading problems and those of developing countries, New Zealand does not expect to benefit from all measures of "special protection and assistance" proposed in the Joint Declaration. Indeed we intend to do all we can to assist countries less fortunate than ourselves by maintaining and expanding our volume of imports and our aid programmes. New Zealand has nil or low tariffs and no internal taxes on primary commodities imported from developing countries. Indeed, just before coming to the rostrum to speak, I received a telegram from my Government asking me to inform this assembly that the New Zealand Government has decided to eliminate the already low customs duties on bulk tea and to exempt this commodity from import licensing, to reduce substantially the duties on packaged teas, and to grant duty-free entry to sawn tropical hardwoods. These decisions will provide increased benefits for the trade of the developing countries. Despite our balance-of-payments situation, import licences for primary commodities are issued to the full extent of demand in nearly all cases; for some products, our per capita consumption is extremely high and we provide an important market for the products of many other developing countries, particularly those in the Pacific. Furthermore, New Zealand's increasing industrialization offers the prospect of a significantly expanded import demand for many primary commodities from developing countries. In addition, we shall assist their trade in manufactured goods to the extent that the development of our own similar industries permits.

As regards aid programmes, New Zealand contributions under the United Nations, the Colombo Plan, the Special Commonwealth Aid to Africa Plan and other schemes, as well as assistance to islands in the Pacific, has increased more than five-fold since 1950-51, a period during which our terms of trade deteriorated sharply. None of this aid has been in the form of reimbursable loans. I would add that my country,

which has considerable experience in the field of agricultural production, continues in its readiness to assist other countries through technical advice and training facilities.

I emphasize, however, that New Zealand's ability to contribute by way of trade and aid to the progress of developing countries will depend essentially on the extent to which the trading policies of the industrialized countries afford us opportunities for the sale of our own products.

Although New Zealand will seek some amelioration of its own trading problems within the context of this Conference on Trade and Development, we are keenly aware that the more immediate problem is to increase the trading opportunities and thereby the export earnings of the low-income developing countries. Accordingly, we expect that priority will be given to the search for means to deal with their problems, and we shall certainly play our part in seeking sound and equitable measures designed to assist them.

We shall oppose measures likely to cause any further deterioration in New Zealand's terms of trade or any further contraction in our access to markets. Equally, we shall oppose attempts to legitimize the dumping and subsidizing of agricultural products. We repeat that we believe access to markets is the key to an expansion of world trade. Schemes of a kind already suggested which would have the effect of reducing the volume of trade, restricting consumption in the great industrial markets and placing efficient producers at a disadvantage cannot, in our view, contribute to the objectives of this Conference.

Such a stand would be in keeping with our existing policies. My country has continually urged the improvement of access for trade in agricultural products, for example in GATT, where there has been some, though regrettably little, progress. The majority of countries with centrally planned economies are, however, not represented within GATT, and we therefore welcome the opportunity to meet them in this international forum and to urge them also to improve conditions of access to their domestic markets. Too often in the past their trade has been conducted on the basis of meeting sporadic short-falls in their domestic requirements. What is needed is access on an assured and continuing basis for a wide range of goods which can be produced on terms competitive with their own production.

I should now like to offer comments on some of the specific matters coming before this Conference.

On commodity problems we believe that the nature of the demand for and supply of individual commodities differs so much that it would be futile to try to devise schemes of general application. However, we agree that it would be valuable to prepare general guidelines which would reflect the basic approach to be adopted in determining measures for dealing with the problems of individual commodities or groups of commodities.

As regards reciprocity, we agree that the demand for industrial products by developing countries is so great that any improvement in their market outlets and hence in their export earnings will immediately be matched by increased imports from industrialized countries. There is no likelihood that developing countries will accumulate large reserves of gold or convertible currencies. Thus the normal tendency for developing countries to import industrial goods up to the limit of their export earnings provides an automatic reciprocal advantage to industrial countries which extend trade concessions to them. This tendency should receive due weight in the course of future trade negotiations.

Because of the nature of its economy, my country receives no benefits from this automatic reciprocity. Indeed, developing countries as a whole enjoy a substantial favourable trade balance with New Zealand.

In the light of the acknowledged need of developing countries for special protection and assistance, New Zealand is ready to join with others in examining sympathetically the case for the establishment of some temporary preferential arrangements for manufactured goods. We recognise that this concept of deliberately introducing new elements of discrimination into world trade, is one which raises considerable political difficulties both at the national and international level. Mutual understanding will be especially necessary in the examination of this question. Mr. Prebisch has indicated in his report the kind of difficulties which may be expected in certain cases and has rightly counselled a degree of caution and flexibility in the approach to proposals for new preferences.

New Zealand agrees that aid should be co-ordinated with trade, but not in such a way as to limit the expansion of trade. Suggestions made for granting aid by raising the prices of commodities will, for reasons indicated earlier, need to be approached with great caution, not least by developing countries who should be the beneficiaries of such schemes. For our part we consider that, whatever their value may be in particular cases, they are not susceptible to general application.

Compensatory finance as a means of dealing with the long-term deterioration in terms of trade of primary exporting countries raises a series of grave problems to which New Zealand is prepared to give its closest attention. Generally speaking, we consider that automatic schemes are likely to lead to serious anomalies.

Whatever new institutions may be established to give effect to the decisions of this Conference, they should be such that they will strengthen the United Nations by being placed firmly within its existing framework. We do not want to have the United Nations weakened by being deprived of one of its most vital functions —namely, economic development. Despite its shortcomings, the General Agreement on Tariffs and Trade (GATT) has served a useful if limited purpose, and there are now signs that attitudes of

member Governments are evolving in ways likely to result in a more even distribution of benefits and in particular to meet more fully the needs of developing countries. Any new institutional arrangements should not be permitted to weaken GATT or interfere with its further growth.

The great economic power of regional groupings of industrialized countries places upon them a special responsibility to follow liberal trading policies in both primary commodities and industrial goods. On the other hand, groupings of developing countries can be of real assistance in facilitating their own development process, but would normally need to be of a less comprehensive nature than those appropriate to

countries which share a high level of industrial development.

Lastly, I would wish to say that New Zealand considers that any new international trade policy should not be based upon the definition of exclusive categories of countries. The countries of the world comprise a long range of gradations from the least to the most developed. Any attempt to force the multiplicity of different economies into arbitrary categories is likely to distract attention from the far more important task of identifying measures which can be adopted to expand trade. Only thus shall we achieve and surpass the targets of the United Nations Development Decade and increase the well-being of the peoples of the world.

STATEMENT BY H.E. Mr. ABDOU SIDIKOU,  
AMBASSADOR OF NIGER, PERMANENT REPRESENTATIVE  
TO THE UNITED NATIONS

at the eighteenth plenary meeting, held on 6 April 1964

[Original text: French]

The delegation of Niger desires to express its great pleasure at the choice made in selecting those who are to direct and co-ordinate the work of our Conference.

It is on account of his great competence, the manner in which he directed two years ago the Conference of developing countries in Cairo and the high esteem in which he is held throughout the world that Mr. Kaissouni has been requested to assume today the heavy responsibility of presiding over our work, and I congratulate him very sincerely.

The Secretary-General has been working for many years to bring about an understanding of the problems of the under-developed countries and has been engaged for many months organizing the work of the present Conference, a work which will not come to a stop when our present debates are ended: his analyses and ideas bear the imprint of lucidity and have been expressed with a realistic passion to which I pay sincere tribute. I hope he will accept the hearty thanks of Niger for the efforts which he has made so far and for those immense efforts which he will not fail to make during the weeks to come in the service of a common faith.

I offer the congratulations and thanks of Niger also to all those who are associated with the work of the Conference: the Vice-Presidents, Assistant Secretary-General and Rapporteur of the Conference, the Chair-

men, Vice-Chairmen and Rapporteurs of the Committees; I am convinced that they will all contribute to the success of this great Conference.

I wish also to express to Mr. Ludwig von Moos, President of the Swiss Confederation, the great pleasure felt by the delegation of Niger in listening to the speech which he was good enough to make at the opening of the Conference, and I wish also to convey our thanks for the welcome and hospitality accorded to us by the City of Geneva, for long the traditional site of international meetings.

The United Nations Conference on Trade and Development has met because all our countries in their different ways have become acutely conscious that the international economic order is faced with increasingly serious problems. Thus an apparently flourishing free enterprise economy and a socialist economy whose sphere of influence has increased remarkably during these last years have been led under an appearance of stability to change the direction of their policies more and more under pressure of growing needs. As far as the free-enterprise zone is concerned, Keynes' theories are permeating more and more the measures of national policy and international co-ordination. In the socialist States, foreign trade, previously considered to be a secondary aspect of economy, tends more and more to be considered an activity if not essential at least of primary importance.

The organizational effort which is being made by the more industrialized States is found to be more and more indispensable if we consider the States whose development is less advanced.

What should be the basis of this search for a new order marked by closer international economic co-operation? It is to be found in the universal ambition to grow in peace and dignity, and its manifestations are the tangible signs of the interdependence of all countries.

It has been repeated many times that this Conference must be a source of help to the developing countries if they are to overcome their difficulties and make possible the co-ordinated expansion of their potentialities for development and economic and social progress.

While keeping its full value, this remark needs to be completed by the realization that the advanced countries also need to maintain an acceptable rate of growth. In this respect, the Conference of Geneva must not become a dialogue between donors and beggars. Quite on the contrary, it must be a meeting-place where all participants, without exception, discover the bonds of solidarity which will lead each one to the full utilization of its potentialities. The developing countries certainly have to make good a leeway which for some of them is considerable. But they can only make a substantial advance along this path to the extent to which the world in which we live is uniformly directed towards expansion. It is desirable that the growth of the advanced countries and of the developing countries should evolve in such a way as not to perpetuate a situation of grave inequality tending to become organic: we would like the growth of the two categories of countries to be such that the gap which separates them should not be increased but reduced.

This hope will not become reality if it results in a reduction or even a stagnation of the economic level of the advanced countries.

We are grateful to Mr. Prebisch for his clear exposition of this fact in his general report and for thus throwing a new light upon this situation which, over and above its essential technical aspects which are sometimes rather difficult for public opinion to grasp, must define the terms for a symbiosis of world economies leading to a new division of labour among nations, a division which will give positive shape to the new international economic solidarity, the need for which is felt by every understanding.

I will now explain as briefly as possible the position of my Government towards the principal problems which have been submitted for examination at this Conference.

Regarding the expansion of international trade and its importance for development, my Government thinks that it is undeniably necessary to stop the growing imbalance between exports and imports in the developing countries and to increase the currency resources of these countries in relation to their develop-

ment needs; this requires a transfer of income between advanced countries and developing countries, whereas the reverse situation is evident at present.

These objectives require that a general harmonization of production and trade be ensured by various means (commodity agreements, the determination of objectives with respect to the importation of industrial products, etc.) balanced relationship between production and trade; that trade should be stimulated by broadening the import policies of the advanced countries; by giving priority to the needs of the developing countries by the reduction of customs barriers and the suppression of quotas; by abstaining from unnecessary or merely artificial development of the flow of trade between advanced countries; and by further ensuring respect for the interests of the developing countries by suppressing automatic reciprocity clauses which are at present borne by them.

In the application of all these principles, it will be necessary to make a selection tending in every way possible if not to equalization, at least to the reduction of the differences in production conditions between developing countries in spite of the very wide range of these and the diversity of their conditions.

On international problems relating to primary commodities, we are of the opinion:

That it is impossible to separate the problems relating to agricultural primary commodities originating in temperate and tropical zones. Solutions are therefore required that will deal not with one commodity only but with a whole group of commodities and the relations existing between commodities;

That the best procedure regarding primary commodities is the conclusion of international agreements which make it possible to state in detail: production targets, consumption forecasts, measures likely to ensure the rehabilitation of the market by suppressing disturbing factors (whether subsidized production or liquidation of stocks), commitments relating to the expansion of consumer markets (suppression of duties, taxes, quotas, etc), and price mechanisms;

That commodity agreements should cover medium-term prospects (at least five years);

That the revalorization of the prices of primary commodities exported by the developing countries is an absolute necessity in order to put an end to the process of deterioration of the terms of trade; and that this revalorization must be carried out without prejudicing the rate of development of consumption, both in the developing countries and in the advanced countries; the latter must adjust domestic taxes as compensation for any increase in the prices of commodities.

To meet the requirements, it is proposed to establish a fixed relationship between commodity prices in developing countries and the prices of manufactured goods exported by the advanced countries; by calculating a mean index of manufactured goods imported by the developing countries; by fixing for the primary



commodities of the developing countries a reference price for each season in relation to the evolution of the index forecast during the previous year; and the application of the reference price will be ensured on entry into the *advanced countries only* by deduction on importation of the difference between the reference price and the price resulting from the play of normal market forces.

The product of this deduction will be paid into an international fund and subsequently refunded to the developing countries to help finance the development of trade. On a purely commercial basis, the developing countries need more flexible conditions for financing their trade, involving the expansion of arrangements for advancing credit and an easing of the terms of repayment and interest charges on loans.

But, above all, it is necessary to establish an efficient system for covering longer term requirements entailed by the execution of the development plans.

The system of the price revalorization of commodities advocated above should meet these requirements by stabilizing resources at the level of the evolution of costs of the principal factors in the realization of development operations. For the utilization of the international fund constituted by the deductions made on goods imported by the advanced countries, the following regulation would be essential: separate accounts should be kept for each product.

The amount of the deductions made during a season to promote this product will be distributed among the exporting developing countries on the basis of a share to be determined in function of the tonnage exported, and that the residue *pro rata* of the difference between the over-all value c.i.f. of the exports of the product in question by each country and the over-all value of this same product at the producer's level.

The total amount of the repayments made would be put at the disposal of the beneficiary countries, these funds being earmarked in principle for general development projects.

The twelfth item on the agenda, "Trade in manufactures and semi-manufactures in the developing countries," leads our delegation to make the following suggestions: manufactures and semi-manufactures produced by the developing countries should enjoy preferential treatment when imported into the advanced countries. This treatment should include the abrogation of restrictions and artificial obstacles to such imports. It will consist essentially of the allocation of selective and temporary customs preferences, the minimum tariff being the rule for all products of this kind not enjoying special preferences.

To allow production targets to be determined in the developing countries, the advanced countries will decide on the over-all value of their import targets, including both goods to be granted preference and those that should be subject to the normal régime. The allocation of preferences will be effected under multi-

lateral control by an appropriate international body in accordance with the character, more or less competitive, of the products in the various developing countries. Among the latter exemption would be granted as a priority to those goods the conditions of production of which are at the start the least favourable, particularly as a result of more developed social legislation.

The thirteenth item on the agenda (Improvement of invisible trade) takes on a special importance in the eyes of my country.

International transport and insurance constitute heavy charges for the economy of the developing countries and are a significant factor in increasing the commercial imbalance, since their tendency to rise, combined with the low level of present-day world prices for commodities, further decreases the producers' remuneration.

Regional economic groupings should constitute the aids that are essential for the development of organizations likely to reduce the disadvantages caused by invisible trade with respect to the deficit of the balance of payments of the developing countries.

The problem of shipping freights requires special attention. The unilateral and often unjustified nature of the tariff alterations fixed by the Conferences of the ocean-going lines makes necessary the adoption of a regulating mechanism that might be based on a reorganization and reorientation of the work of the Inter-Governmental Maritime Consultative Organization.

In view of the growth of regional economic groupings, my country considers that realistic and statesmanlike steps are required.

Owing to the limitations of the African domestic markets, the Niger, since it achieved independence, has always been in favour of regional groupings. We recognize the particular importance attaching to the strengthening of commercial and fiscal relations between the developing countries within an appropriate geographical area. It is for this reason that the Niger has been among the first in the creation of regional groupings.

My country enjoys the benefits of such regional groupings as already obtained in West Africa: customs union, the monetary union, the conference for the co-ordination of programmes of industrial development, the point conservancy boards for the Niger and Senegal, the Chad basin development organization. It stresses the dynamic character of these agreements which must remain open to all the countries affected; they should help to solve the problems of co-ordinated development and strengthen the position of the trade and currency.

This orientation far from excluding on the contrary invites co-operation between these groupings and similar ones established in other continents. It is in the light of this profound conviction that the positive effect needs to be pointed out of the association of my



country with the European Common Market and its taking over in this essential respect of certain tasks which until then had been carried out by France alone.

The over-restrictive regulations of GATT in regard to such primary groupings should be amended in order to permit the development of relations not only within regional economic groups but also between such groups, with a view to the expansion of international trade.

It is for this reason that we consider that the reform of GATT corresponds to a realistic necessity primarily in regard to the abolition of the reciprocity clause

with a view to the allocation of preferences within regional economic groupings to the developing countries.

These are some of the reflections which the agenda of this important Conference leads us to make.

The Niger hopes that, after these historic meetings, the rigidity of some and the systematic opposition of others will be replaced by readiness for frank and fruitful discussions, so that positive and happy solutions for the well-being of all mankind may come out of our debates and the lucid exchanges made by men of justice and good will.

STATEMENT BY H.E. Mr. ZANNA BUKAR DIPCHARIMA,  
FEDERAL MINISTER OF COMMERCE AND INDUSTRY  
OF THE FEDERAL REPUBLIC OF NIGERIA, HEAD OF THE DELEGATION

at the ninth plenary meeting, held on 30 March 1964

[Original text: English]

I bring you the warm greetings and best wishes of my Government and the peoples of the Federal Republic of Nigeria. I would add my own and my Government's hearty congratulations on the unanimous election of Mr. Kaissouni to the very important post of President to this epoch-making Assembly. As those who have spoken before me, I too have no doubt that under his constructive guidance, our deliberations will be fruitful.

I would also like to join the other distinguished delegates in expressing my own and my Government's appreciation of the Secretary-General's monumental efforts in organizing this Conference, and especially for his objective report "Towards a New Trade Policy for Development". This report is an eloquent testimony to the magnitude of the trade and development problems facing developing countries. I do sincerely hope that the concrete proposals contained in this report will help this Conference in arriving at unequivocal decisions to the glory of sanity and the benefit of mankind.

In his opening address, the Secretary-General of the United Nations drew our attention to the affirmation in the Preamble of the United Nations Charter, and reminded us in the words of that preamble that this Conference was conceived "to promote social progress and better standards of life in larger freedom and for these ends . . . to employ international machinery for the promotion of the economic and social advancement of all peoples . . ." We are all aware that among the "all peoples" referred to in that Charter are

the poor and under-privileged who comprise two-thirds of the world's population. We are also aware that because of the scientific marvels of the twentieth century, the two-thirds of the world's population know that their lot is not inevitable. We, the under-developed people, refuse to accept the idea that our poverty is ordained by an inscrutable Providence.

The rich nation will therefore enjoy its affluence uneasily so long as the poor nation refuses to accept its lot passively. Herein lies the danger and the opportunity of this modern age. Except for those who refuse to see, or are blind and insensitive to them, the problems and challenges of today could be seen and appreciated by all. The many economic and social problems confronting us, and positive attempts to solve them, have been dealt with in the many reports prepared by the United Nations Secretariat and the various United Nations agencies, the Joint Declaration made by the Developing Countries at the eighteenth session of the General Assembly, in the submissions by the different Governments now participating in this Conference, and in the objective report prepared by the Secretary-General to this Conference. What is lacking is not the identification to those problems, but the will, courage and imagination to face up to them and solve them.

But since it is necessary to reconcile ourselves with these facts of economic and social life of the twentieth century, however unpalatable, and as we have to make these facts part of our psychological make-up if we are to survive, I will state a few of them. We can

competently and wisely set our course ahead only in relation to the course we have left behind.

The attempts of developing countries in economic development are accompanied by a rapid expansion of imports, with exports lagging far behind in value. The historical development of world prices has been against primary commodities. Since as much as 90 per cent of the export earnings of developing countries come from primary products, this trend has meant a serious deterioration in their terms of trade. The hazards of this situation are apparent from the fact that while the export price of manufactured goods registered an increase of 9 per cent from 1953 to 1960, the export price of primary products declined by about 6 per cent during the same period. This negative trend of the terms of trade is sufficient to offset most, if not all, of the effects of foreign aid given to any developing country.

Again, while the share of the developed countries in world exports is increasing, that of the developing countries is decreasing. So that while the relative share of these two groups of countries was respectively 68 and 32 in 1951, it had changed to 72 and 28 by 1959. The developing countries are clearly not gaining from the expansion of world trade and the accelerated growth of the advanced industrialized countries. Among themselves, the advanced industrialized countries increased their trade by 85 per cent during 1953 to 1960. During the same period, these countries took only 23 per cent more of exports from developing countries.

To those who may be complacent and unimaginative enough to argue that these are global figures based on uncertain statistics, I would underline the case by reference to my own country.

Between 1948 and 1961, for instance, while the value of our exports increased by only 173 per cent, the value of imports increased by about 447 per cent. The position is even worse when we take the more important export commodities of my country. Between 1954 and 1964, for example, the unit value of our exports of cocoa and groundnuts have been on the decline, falling from £80 to £61 and £399 to £171 per ton respectively. When in 1954 we exported 428,000 tons of groundnuts for £30 million, by 1958 an increased export of 513,000 tons yielded the lower value of less than £27 million. And yet, some people say that the developing countries are not working hard enough. We are exhorted to work hard. We do. But unlike the developed countries, the harder we work, the less we get. Four hundred thousand tons: £30 million; 500,000 tons: £27 million. Who benefited? The developed countries, of course.

I may add that when in the mid-fifties the price of cocoa soared to around £500 a ton, the major consumers grew panicky and pointed out that prices must be stabilized at a more reasonable level if things were not to get out of hand. We the producers shared their concern and were quite willing to co-operate with

them. When, however, prices tumbled to £200 a ton and below and we sought the co-operation of the developed countries to stabilize prices at a more productive level, then we were told that we must leave things to the normal working of market forces. The argument still continues.

Things like this raise honest doubts in the minds of the people of developing countries. It is hoped that this Conference will evolve a satisfactory formula to deal with these strange economic forces. We do not believe that these forces are as blind as we are at times led to believe. The scope and range of commodity agreements should be expanded with a view to securing stable and remunerative prices for primary commodities.

The foregoing are cold facts and figures which expose the peoples of the developing countries to grave social and economic perils. The average *per capita* income in the developing countries is barely 100 dollars a year so the affluent societies of the world do not have to exercise their imaginations too much to appreciate what this means in terms of under-clothing, under-feeding, malnutrition and even in some cases starvation for a large proportion of their fellow human beings.

I must here pause to remind the advanced industrialized nations of the world that the developing nations are not invoking pity, nor are they asking for charity. Unlike quite a few of the world's advanced industrialized nations, many of the developing nations are rich in natural resources waiting to be exploited in their national interests. They feel that they have been subsidizing and underwriting the economic growth and rising standard of living of the advanced industrialized nations. We, the developing nations, want to help ourselves—we are in fact helping others. But the economic disparity between the industrialized advanced nations and the developing nations is so glaring and irksome that they have to call upon those who, for historic reasons, are better placed to join with them in a constructive effort to share the economic benefits to which they contribute so substantially. For any impartial student of history will no doubt admit that the glories, affluence and influence of those countries which today comprise the advanced industrialized nations were in fact built with the resources of those which are now the developing countries. The developing countries are only asking that this fact be recognized, and that they should not continue to be excluded from the full enjoyment of their own resources. They conceive this as a combined operation for the benefit of all participants. Humanity is one, and we cannot afford not to be each other's keeper.

With regard to their responsibilities, Mr. Paul G. Hoffman, of Marshall Plan fame, reminds the advanced industrialized nations of which he is a valued, experienced and very knowledgeable member, that "Morally, we cannot escape concern; politically, the seething unrest (in the developing countries) demands it; economically, we will gain from it. The

bluntest and most accurate answer to why we should be concerned is that we must be if we are to survive.”

The tasks before the leaders of the developing nations are indeed formidable. In his book *Diplomacy of Economic Development*, Mr. Eugene Black, the former President of the World Bank, wrote: “Few, if any leaders in history faced a more ambitious task or one whose outcome was more uncertain . . . [They] are driven to try to leap over the many contradictions in the economic development process, to try to settle once and for all the inevitable conflicts between growth and justice, growth and equality, growth and national power and prestige. No leaders in the early stage of the West’s development faced anything like the range and complexity of choices which are faced by the new leaders in the under-developed world today”. We the under-developed countries of today, do not shirk—we cannot afford to shirk—our tasks and responsibilities, for we are irrevocably committed to raising the standard of living of our peoples.

I would here like to say a few words about overseas capital. But before doing so, I would refer briefly to the United Nations agencies like the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade. These institutions have been operating for several years. But it is surely idle to pretend that they were designed for the economic well-being of the developing countries. As with colonialism, such benefits as accrue to developing countries are largely incidental. It is true that some efforts are being made to take the interests of developing countries into account as in, for instance, the recent decision of the International Monetary Fund to offer increased help to countries in temporary difficulties in their terms of trade. But these, you will no doubt agree, are merely palliatives.

What is required is machinery which will not only go to the roots of the problems of the trade gap, but will cater fully for all countries. It is hoped that this Conference will be able to recommend the creation of such an effective institution, if it will not be possible to adapt or reorganize any of the existing institutions to fulfil this most important and urgent task.

Now to overseas capital. There is hardly any developing country which does not welcome foreign investment and the skills which accompany it. Many countries have gone to considerable trouble to offer very generous incentives to the foreign investor. Procedures may at times be slow and frustrating. But they were designed to ensure the orderly progress and security which the prudent investor rightly expects. And efforts are made to facilitate things in the light of experience.

But for historic reasons the tariff structures of developing countries were largely designed to earn revenue to sustain the economy. For most concessions given the country loses badly needed revenue. It will therefore wish to be assured that the revenue lost will be gained in ascertainable savings in foreign exchange, and in definable benefits in economic and social

growth. Foreign investment will otherwise be negative, if not harmful. Industrialization will only be meaningful if the industries are competitive, and if they offer a healthy stimulus to the economy.

The developing countries welcome overseas capital. They recognize that stable conditions are essential for attracting overseas capital. But they also argue that external assistance could help to ensure the security and stable conditions which attract overseas capital. They like to believe that overseas capital, which by definition is risk capital, will prove more enterprising. Confidence begets confidence. As has been pointed out earlier, it is in the interest of all parties that a fruitful partnership develops between the developing and advanced industrialized countries of the world.

We have for consideration the many proposals which have been put forward by the Secretariat and the various delegations. It is the duty of this Conference to adopt such measures and take such concrete steps as will reverse the unfavourable trends in the trade of developing countries, increase the volume and diversify the composition of their exports, raise the prices of their exports to a fair and remunerative level, and ensure for them an inflow of foreign capital on more favourable terms. We need hardly remind ourselves that with more favourable terms of trade, the developing countries will earn more foreign exchange and so increase their imports from the developed countries.

In particular, this Conference will no doubt take concrete and urgent steps in connexion with the following:

(a) *Tropical products originating in developing countries*: These should be given duty-free entry into the developed countries immediately—in any case not later than one year from the date of this Conference.

(b) *Fiscal levies*: Internal charges and fiscal levies on tropical products from developing countries should be progressively reduced with a view to their complete elimination within two years of the date of this Conference.

(c) *Manufactures and semi-manufactures*: Tariff and non-tariff barriers should be removed rapidly.

(d) *Compensatory scheme*: To meet the shortfall of the export earnings of developing countries, a comprehensive compensatory scheme is urgently required.

(e) *Reciprocity*: The principles of reciprocity and the most-favoured-nation clause should be relaxed in respect of developing countries.

(f) *Freight and other charges*: There is an urgent need for international action to improve the invisible account of the balance of payments of developing countries. For while the prices of their exports have been on the downward trend, freight, insurance and bank charges on their exports have been increasing steadily.

It is heartening to note that the representatives of the advanced industrialized nations who have

addressed this unique Conference have all pledged their countries' support for the Conference. We have all been given the opportunity to declare our positions. Our experts have prepared valuable working documents which will form the bases of the working sessions during the weeks ahead. All is now set for the great advance.

The Conference must not allow itself to be bogged down by clichés and inanities. A fledgling which sits in its nest and gets absorbed in the philosophy and mechanics of flying will never fly. It has to spread its wings and use the precious power of flight Nature has bestowed. As human beings, we have been endowed with the power to reason and the power of movement. Humanity stands in peril if we allow ourselves, perhaps through short-term considerations, either to move in the wrong direction or to fail to move at all.

I would like to point out that the exercise in which we are now engaged should be a continuing one, and to repeat that it is a combined operation. It is neces-

sary, in the interest of mankind, that something radical should be done to remedy the present unsatisfactory and explosive situation arising from the staggering inequalities of economic opportunities as between the developed and developing countries. In every age, there is a revolution to accomplish, a message to convey, and a contribution to make to the forward march of mankind. It has fallen on us and our age to accomplish a peaceful economic revolution in international trade and economic relations for the benefit not only of our age but also of posterity. It is my firm belief that with the spirit of co-operation on all sides and the willingness to make some sacrifice in the interest of mankind as a whole, we will succeed. It is our bounden duty to ensure that this operation meets with the success it so very richly deserves. We dare not fail.

I pledge my country's full support and co-operation in this and I pray to God that the President will be guided and will guide this Conference aright.

**STATEMENT BY H.E. Mr. O. C. GUNDERSEN,  
DEPUTY FOREIGN MINISTER OF NORWAY, HEAD OF THE DELEGATION  
at the twenty-first plenary meeting, held on 7 April 1964**

[Original text: English]

The cause which this Conference is to serve is firmly supported by the people and Government of Norway. We realize that we share this world with nations which are still at very low levels of economic progress, and we are determined to do our part in securing for those who are less fortunate a steadily improving standard of living.

It may serve as an illustration of our intentions in this respect that we have introduced, some two years ago, a special development aid tax on all personal and corporate income.

I take this opportunity to state that we are happy to see in the chair of this Conference a most distinguished representative of the group of countries whose problems we have come together to review on this occasion. I should like to express to our President, Dr. Kaissouni, our sincere congratulations, together with our good wishes for the successful outcome of the Conference.

The task of closing the gap between rich and poor nations is enormous. Proposals for a concerted international effort to raise the level of economic welfare of developing countries must be studied in a positive spirit. Having this in mind, it must be recognized, as was done by the President in his opening statement,

that the developing countries themselves carry the principal responsibility for their future and that the role of industrialized countries is one of helping developing countries to "reach the stage of self-sustained growth."

I should like to reiterate the emphasis which has rightly been put on the trade aspect during the preparations for this Conference. This should not, however, lead to a slackening of our efforts in the other main field in which the industrialized countries can help the developing countries: that of regular aid. Norway recognizes that whatever the outcome of this Conference as regards measures of a trade policy nature, the necessity for aid will persist, due to the magnitude of the problem with which we are confronted. Norway intends to extend further the scope of its efforts in this field.

We believe that not only is it necessary to maintain our efforts in both fields, but that we should also try to arrive at a better distinction between trade and aid. Without such a distinction, we may on the one hand jeopardize basic economic principles vital to any expansion of world trade. On the other hand, we may risk a reduction in the flow of regular aid, on which a number of developing countries will continue to depend for many years to come.

The vast differences that exist between various developing countries have been stressed. In our efforts to improve trading conditions for the more advanced among the less-developed countries, we should bear in mind the countries that are in their first stages of economic development. Even the most elaborate international trade systems may not give the appropriate solutions to the problems of such countries. And even in the case of countries where expansion of trade is a more immediate possibility, it cannot be taken for granted that their present difficulties are caused by trade factors.

We should therefore be careful not to alter circumstances which have little or no bearing upon the basic ills we set out to cure.

However, the need to expand the foreign trade of developing countries is firmly established. For a country like Norway, whose imports and exports each account for 40 per cent of its gross national product, the connexion between trade and economic development is particularly easy to comprehend.

To obtain the maximum expansion of world trade we consider it essential for all countries to pursue a policy aiming at a steady economic growth within the framework of a rational international division of labour and full employment. It is of particular importance to the developing countries that there is a general acceptance of such a policy, since they are more exposed than others to fluctuations in the world economy on account of their dependence on sensitive export products.

This basic aim of economic policy, which has also been embodied in the United Nations Charter, ought therefore to be reaffirmed in the resolutions of the present Conference.

As we see it, the first logical step in any concerted action to expand trade must be a world-wide and non-discriminatory reduction of trade barriers. In relation to the foreign trade of developing countries, our efforts should be concentrated on products of particular interest to them.

In keeping with this, Norway supported the GATT Action Programme when it was discussed at the Ministerial Meeting of the GATT in May last year. In implementation of the programme, the Norwegian tariff duties on tea, coffee and bananas were removed in 1963.

The Action Programme, we believe, could be further expanded.

The forthcoming "Kennedy round" in the GATT will also, we hope, greatly contribute to a further general reduction of tariffs. In the view of my Government, high tariff levels are incompatible with the general expansion of world trade which we all desire and which is a *sine qua non* for an improvement of the economic situation of developing countries.

This leads me to one particular aspect of our efforts to provide greater marketing possibilities for emergent industries.

We recognize the need to broaden the economic basis of developing countries. But we sincerely doubt whether preferences arbitrarily applied to selected exports from selected developing countries would contribute to accelerated economic growth. First, because preferences in order to be effective, presuppose a high general level of tariffs, which we seek to avoid in the interest of an expanded world trade; second, because preferences involve discrimination against other countries; and, third, because preferential arrangements may easily be exploited in international markets, to the detriment of the interests of weaker nations. It should be borne in mind in this connexion that two-thirds of the developing countries have populations of less than 5 million.

A genuine sense of solidarity prompted the present United Nations approach to world trade problems. It is imperative that we do more than clearing away the obstructions to a free international exchange of goods and services.

As regards the export earnings of developing countries, we are prepared to study further possibilities of enlarging the field of commodity agreements on products of particular interest to developing countries. The main purpose must be to ensure a steady and preferably increased marketing of primary products from developing countries at remunerative prices. In this matter, I believe some prudence is advisable. Several speakers have pointed to the rather evident risks of encouraging over-production and the production of substitutes.

Close co-operation between producer and consumer countries, and between producer countries themselves, appears to be a major condition for a successful functioning of commodity agreements.

As regards the question of compensatory financing, my country has welcomed, as a significant first step, the facilities introduced by the International Monetary Fund which enable developing countries to overdraw their quotas.

In this connexion, we have also attentively listened to the statement by the President of the World Bank. We attach great importance to efforts to improve the facilities of international financial institutions, in particular those that aim at increasing the funds available to the International Development Association and thereby enlarging the lending capacity of this institution.

Measures beyond price-stabilization agreements and improved terms of financing imply, I believe, that we are moving from the field of trade to the field of aid. As I have already stated, we think it is essential to keep the two apart in order that both forms may operate with maximum effect in the interest of developing countries.

Permit me to say a word or two in this context about the tendency towards increased tying of aid to commercial deliveries. In the view of my Government, we should attempt, on an international scale, to counter

this tendency. It can hardly be in the interest of the developing countries that the field left open for free choice in their import policies is being narrowed. It would seem that their economies cannot reap full benefit of competitive world trade in such circumstances.

This is an example, I believe, which illustrates the need to distinguish between aid and trade.

In our preparations for this Conference, I believe that many of us have sought to generalize. Much of the material presented is based on broad divisions into types of countries and markets and on approximate figures. On such a basis, attempts have been made to formulate simple solutions by means of general resolutions of principle. This may be necessary in order to give a clear presentation of the problems.

However, as a representative of a small nation with a vulnerable foreign trade directly related to the standard of living of its people, I feel I have to point out that these generalizations cover a wide range of countries and economies with varying degrees of strength and adaptability.

Mr. Prebisch, in his outstanding report, makes the point that the differences between developing countries are greater than the average difference between industrialized and developing countries. When this situation is taken to justify special arrangements, one should bear in mind that there exists among the industrialized countries a similar range which also calls for particular consideration.

As I said before, my country participates in this Conference with a positive attitude. We are prepared to discuss thoroughly all suggestions and proposals presented by the developing countries and we are willing to carry burdens. But we should concentrate on practicable measures which are likely to bring advantage to the whole range of developing countries and which imply a reasonable sharing of the burden between the industrialized countries at different stages of development. Then only have we recognized the true interdependence of all members in the United Nations family of nations.

Our Governments will be seized with these problems long after this Conference is over. We cannot hope that this Conference will solve all problems, and we must see to it that the work is carried on. The existing organs of the United Nations and the GATT must be adapted to meet this task.

In conclusion, I would like to state that my Government does not consider this a Conference of give and take, but one of enlightened co-operation in the mutual interest of securing better conditions for all mankind. We share the view expressed by Secretary-General U Thant in his address to the Conference, that the world today has the means to succeed in this task. Our hopes to see established a peaceful and harmonious community of nations, in accordance with the United Nations Charter, will depend on our ability and our determination to overcome poverty and want in all parts of the world.

**STATEMENT BY H.E. Mr. WAHID-UZ-ZAMAN,  
MINISTER OF COMMERCE OF PAKISTAN, HEAD OF THE DELEGATION,  
at the sixteenth plenary meeting, held on 2 April 1964**

[Original text: English]

I would like, at the outset, to extend to Mr. Kaisouni our warmest felicitations on his election as President of this Conference, and to express the hope that, under his wise guidance, the Conference will proceed smoothly and will live up to the high expectations which it has aroused among developing countries all over the world.

In his inaugural address on 23 March 1964, Secretary-General U Thant said: "This Conference is a notable event in the history of international co-operation and will, I hope, mark a turning point in the work of the United Nations in the economic field". He went on to add: "It is expected to lay the foundation

for, and pave the way towards, a new trade policy for development and to define the necessary instrumentality for its implementation". My delegation concurs with this assessment of the importance of this Conference, and shares the hopes of the Secretary-General of the United Nations with regard to its outcome.

The exceptional importance of this Conference is due to a variety of reasons. In the first place, it is the largest and the most representative gathering which has ever dealt with the problems of international trade and economic development. Secondly, the Conference will be dealing with the problem of international trade in all its aspects and will thus cover a much wider

ground than the Conference at Havana and the annual meeting of the United Nations and its specialized agencies.

Thirdly, a significant feature of this Conference is the large volume, and the high quality, of the documentation prepared for us by the United Nations Secretariat and other international agencies, and the thoroughness with which all the important issues to be discussed at the Conference have been examined by our senior officials and other experts at the three sessions of the Preparatory Committee.

I would like to take this opportunity to express our gratitude to Mr. Prebisch for his thoughtful and comprehensive report, and to all the agencies and individuals who have assisted in compiling the background papers for this Conference and so greatly facilitated our task.

We are also very appreciative of the work done by the Preparatory Committee. As a result of its labours, the main problems to be faced by the Conference have been clearly identified and possible remedies have been indicated. What is needed now is the political will to approve the remedial measures recommended by the experts and for the developed countries to fulfil their obligations to the less-developed regions and so help to achieve the objectives of this Conference. This requires an essay in co-operation, a dialogue of open minds between the developed and the developing countries. There must be meaningful communication between the industrialized and the developing parts of the world. Together we can build a new order; separately we must fail. It is the earnest hope of my delegation that willing international co-operation will prevail in the Conference and that we shall not disperse before agreement is reached on a firm programme of action, with concrete and practical measures for its implementation within a reasonable period of time.

During the last few days we have listened with great interest to the statements made by my colleagues from other countries. What has been said by representatives of developing countries reflected, by and large, views and sentiments which we share wholeheartedly. We awaited with greater anxiety the initial response of the developed countries. On the whole, I have not been discouraged by what I have heard. It is true that all the statements were not equally forthcoming. Some tended to be cautious and non-committal; but in almost all statements coming from the developed countries, I believe, one could detect an understanding of the difficulties of the under-developed countries, recognition of the urgent need for remedial action, and a genuine desire to help. This is true of the free market economies as well as of the socialist economies.

It is a matter for satisfaction that we have not only advanced in the knowledge of science and technology, but compared with our ancestors of half-a-century ago, we have also gained in worldly wisdom. Nations have come to realize that other nations, however

backward, cannot be kept in political subjection by force indefinitely and, with rare exceptions, have conceded independence to subject territories which in the past they fought so hard and so strenuously to subjugate. We are also coming to realize that, as has been so aptly stated by Brazil, prosperity, like peace, is indivisible; that to enjoy prosperity with security, one has to share it with others. Perhaps this last realization is not yet complete, or is still vague and indistinct. It may be that though the realization may have dawned, there lingers a feeling that even if prosperity has ultimately to be shared it can still be enjoyed exclusively for some time to come. We can understand this feeling, and we should not be too hasty in our accusations, or too harsh in our judgement. There is a psychological inertia in all of us—a subconscious resistance to change, particularly when the present suits us very well. But though we may appreciate the cause of such a feeling, it is important, if it really exists, that it should be overcome as soon as possible. The teeming millions who live outside the precincts of this prosperity—but nevertheless see it and covet it, are getting impatient for an improvement in their lot, especially as they have contributed, and are still contributing, in no small measure to the prosperity of the industrially advanced world.

The basic economic problem facing the world today is that over two-thirds of its population is poor, and economically backward, while one third is rich and well developed. The poverty and backwardness of the under-developed countries is due to a variety of causes, but the most important cause is that they share only 20 per cent of world trade, are always suffering from an acute shortage of foreign exchange, and consequently are unable to finance their development programmes without large-scale assistance from the industrially developed countries. What is even more disturbing is the fact that the gap between the import requirements of developing countries and their exports is widening year by year, and may soon produce an intolerable situation. According to the estimates prepared by the United Nations and endorsed by Mr. Prebisch, the imports of developing countries will increase from \$21,000 million in 1959 to \$41,000 million in 1970, while exports are expected to rise only from \$20,000 million to \$29,000 million during the same period. After allowing for inflow of long-term capital and financial assistance from the developed countries, and the outflow from developing countries for debt payments and other charges, the developing countries will be faced with a gap of \$11,000 million in their balance of payments in 1970. The gap might increase to \$15,000 million or \$16,000 million if the adverse terms of trade, which have prevailed during the last twelve years, continue during the next seven years. This is a situation which none of the developing countries can face with equanimity.

I might illustrate the extent and magnitude of the problem from the experience of my own country. Our



requirements of foreign exchange to achieve a modest rate of growth of less than 5 per cent per annum and an annual rise in *per capita* income of about 2 per cent during the period 1960-1965, are of the order of \$4,480 million. As against these requirements, and despite our best efforts to develop our economy and trade, our own earnings during the years 1960-1965 are estimated to be approximately \$2,770 million, leaving a gap of \$1,710 million. This gap will be much bigger during the Third Five-Year Plan period.

This situation subsists, notwithstanding the fact that our development plans have been prepared on a realistic and sound basis, that we have taken into account the advice and suggestions received from the International Bank for Reconstruction and Development and other agencies, and that we have adopted liberal policies with regard to foreign investment and private enterprise and the various other measures listed in the statement we heard from the representative of the United States on 25 March. We cannot help feeling that our foreign exchange difficulties are due in no small measure to our unfavourable terms of trade and to our inadequate access to the markets of the industrially-advanced countries of the world.

The trade problems of the developing countries, and possible remedies for them, have been set out very clearly in Mr. Prebisch's report and in a number of other documents prepared for this Conference. They have also been commented upon in the President's inaugural address and by all my colleagues from the developing countries who have spoken before me. It is not, therefore, necessary for me to dwell upon them at length.

It is quite clear that what is required is a fundamental change in the approach of the industrially advanced countries to the problems of less-developed countries, and the formulation of a well co-ordinated and integrated programme of action in various fields of trade and economic development. Indeed, would it be too much to expect the industrially-advanced countries to bring to bear on our problems the same determination with which they are tackling the needs of the less-developed parts of their own countries, and to work out with us ways and means of stepping up our trade and development on the lines on which, say, Italy has sought to develop the southern half of its country; or on which the United States is planning to uplift its comparatively poor and backward areas of the south and south-west; or on which the United Kingdom is assisting the development of the north-east of England and other areas which have lagged behind as a result of the harsh operation of free market forces.

It is not necessary at this stage of the Conference to consider in detail the various measures which should be adopted to assist the less-developed countries, but they should have due regard to the present stage of our economic development and the broad composition of our exports. Over 90 per cent of the exports of developing countries consist of primary commodities

and raw materials. As far as we can see, they will continue to play a dominant role in the exports of developing countries for a long time to come.

Commodity exports of developing countries suffer at present from a number of drawbacks, which result in inadequate total receipts from exports relative to import requirements. This is due largely to the agricultural policies of the developed countries, the excessive fluctuations in volume and value of trade of primary commodities, the long-term trend of decline in the terms of trade *vis-à-vis* manufactured goods, and the increasing use of substitutes.

To overcome these drawbacks, it will be necessary to consider a large variety of measures, such as steps to increase consumption in market economies, as well as in centrally-planned economies, liberalization of their agricultural import policies, international commodity agreements, buffer stock schemes, and perhaps some form of organized markets for a number of important agricultural commodities as suggested by the Chairman of the French delegation.

Manufactures and semi-manufactures today constitute only 10 per cent of the exports of developing countries, but they provide the only means for diversifying and strengthening their economies, and could add significantly to their earnings of foreign exchange. While opportunities for increased trade among the developing countries themselves should not be overlooked, the developing countries have no option but to seek most of their outlets for manufactured goods in the markets of the developed countries. Recent discussions in GATT and other international forums have established the urgent necessity for developed countries to reduce their tariffs on manufactured products coming from the less developed countries, to abolish quantitative restrictions, internal taxes and levies hindering the flow of imports, and to take other measures to provide for greater access to manufactured goods coming from developing countries. This would necessitate revision of the so-called "voluntary" long-term textile arrangement which is being used to restrict imports from developing countries on the dubious plea of market disruption. We hope that industrially-advanced countries will also give serious consideration to the grant of preferences to developing countries for an agreed list of manufactures for a reasonable period of time. In this connexion, the Conference would wish to study very carefully the suggestions made by Mr. Prebisch as well as the interesting proposals put forward by Mr. Bresseur and endorsed by the representatives of France and Germany. We also hope that socialist economies will adopt corresponding measures to increase their imports of manufactures and semi-manufactures from developing countries. It was gratifying to hear from the Soviet Minister for Foreign Trade that the USSR is in full sympathy with this view and that, it "will increase the purchases of primary products as well as manufactured and semi-manufactured goods both



through trade agreements and as a repayment of the credits granted by the Soviet Union to these countries”.

These measures would assist in diversifying and modernising the economies of the less developed countries by providing them with bigger and expanding markets for their products, and would create conditions for a more rational division of labour among the nations of the world. The developed countries would have to frame deliberate policies to bring about such changes in the pattern of production of their economies as would permit the less-developed countries to increase the exports of products which they are best suited to produce. This would be in the interest both of the developed and the developing countries.

As Mr. Prebisch has remarked: “It would clearly pay the developed countries to shift productive factors from those industries where they can buy more cheaply abroad to those in which their high level of technology really counts. Undue concentration upon the short-term difficulties that may be involved for particular domestic industries in the industrially developed countries may obscure the elementary fact that, in the longer run, it pays a country to buy as cheaply as possible. In this sense the availability of certain low-cost goods from developing countries offers opportunities for new types of mutually advantageous specialization and exchange”.

The third important item figuring in the balance of payments of developing countries is the income and expenditure on shipping, freight, insurance, travel, repayments of debts, etc., collectively described under the heading of “invisibles”. The relief measures needed should include assistance to developing countries in establishing their own shipping services, the lowering of freight charges by the Conference-lines and other international shipping services, the expansion of insurance services in the developing countries on a national as well as regional basis, and encouragement of tourism.

It is also important to liberalize the terms of loans and credits to developing countries and to lighten their burden of indebtedness. The loan terms would doubtless have to vary according to the purpose for which they were used. Essential social schemes would qualify for outright grants; while quickly maturing and profitable industrial schemes might be able to bear a reasonable rate of interest. For the latter category of loans, the Conference might note the Soviet suggestion that the rate of interest should not exceed 3 per cent per annum. Loans advanced by developed countries should not be tied in character. In cases where the donor countries, under pressure of balance-of-payments difficulties, insist on the retention of the tied character of loans, they should accede to the demand of the developing countries that these loans should be repayable in terms of commodities produced in the recipient country or in local currencies.

Even if the various solutions and measures outlined by me are adopted, we fear that there will still be a considerable gap between the minimum foreign

exchange resources needed by the developing countries and the foreign exchange which they can hope to earn through their exports and other services. We would earnestly urge that this gap should be filled through some form of compensatory finance such as the development insurance fund recommended by the group of experts.

I have briefly analysed the basic elements in the economic situation of developing countries and indicated the lines on which, in our view, action should be taken. To recapitulate, we should first of all improve and stabilize the prices of the primary commodities on which the developing countries depend for such a large part of their export earnings, through commodity agreements. We should take measures to mitigate the adverse effects of fluctuations in export earnings through an appropriate system of compensation. We should arrest the long-term trend towards decline of primary commodity prices and adverse movements in the terms of trade of the primary exporting countries by appropriate action to increase the demand for primary commodities in the industrialized countries through modification of agricultural support policies, slowing down of the search for and production of substitutes, and removal of tariffs and taxes that inhibit demand and, where necessary, establishment of reasonable import quotas. We should also carefully examine a scheme of compensation for long-term declines in prices and in the terms of trade which may persist in spite of these measures.

Secondly, in the field of semi-manufactures and manufactures, for which the developing countries must find a widening market in developed countries as their industrialization gathers momentum, there should be not only a speedy removal of the existing tariff and non-tariff barriers and revision of the Cotton Textile arrangement; there should also be a system of preferences for positive encouragement of exports. Developed countries should recognize the value of a more rational international division of labour: they should bring about necessary structural changes in their industrial economies, leaving simple manufactures to the developing countries. A consultative machinery consisting of representatives of developed countries and developing countries to review the programme of adjustment and resolve practical difficulties should be established.

Lastly, the flow of financial assistance in the form of aid and loans should be increased and the terms should be liberalized. This financial assistance should, as far as possible, be untied both in respect of its utilization in the recipient country and of its use for purchase of the required materials in supplying countries.

The measures I have spoken of will not be in conflict with the true interests of the industrially-advanced countries. The increase in the purchasing power of the less-developed countries will lead to increased imports from the industrial countries. This expansion of international trade will, I have no doubt, lead to closer

economic relationships between the various countries of the world, the interdependence created will lay a sound and secure foundation for world peace.

Our attitude to the issues I have spoken about is not doctrinaire or academic. We are not concerned with recrimination about the past. Nor are we seeking a realization of impossible aims. Our whole approach is one of realistic concern to seek practical results by mutual co-operation. It is our considered opinion, however, that this Conference will have failed completely if it results merely in the adoption of resolutions or in a pious declaration of intent. The less-developed countries cannot afford to live any longer on mere declarations. It has become urgently necessary that promises should be expeditiously translated into a plan of concrete action, with a firm time-table for its implementation.

My country attaches the greatest importance to the implementation of the plan of action which, I hope, will be formulated by this Conference. We consider it essential that for this purpose a suitable machinery should be devised. At present, there is a multiplicity of organizations dealing with international trade and there is also lack of co-ordination among them. Some of these institutions have helped to regulate trade among the developed countries, but experience has shown that they have failed to respond to the vital needs, or to resolve the basic economic difficulties, of developing countries. Pakistan would urge that a forum should be established where all the trading countries of the world can meet to deal with the problems of international trade in all its aspects. Indeed, we have reached a stage in our affairs when a new international code of conduct is called for; a fuller realization of the interdependence of the economies of the developed and the under-developed world; and an acceptance of discipline under an organi-

zational set up to which all will pay allegiance. If GATT and other existing institutions dealing with trade can be modified sufficiently to fulfil these requirements, all well and good. If this cannot be done, we should not hesitate to create a new agency for dealing with international trade, better suited to changing world conditions and fully capable of satisfying the pressing needs of developing and developed countries.

I do not think it is necessary for me to emphasize further the nature of the challenge which faces us all, the developed as well as the less-developed countries, today. Much more than tariffs are at stake in this Conference. What is at stake is the future of international co-operation itself. If the developing countries go back disappointed or with empty words or specious schemes which have no practical and immediate implications in terms of their development efforts, any gains or diplomatic success in so deflecting them would be illusory and shortsighted. The representatives of the developing countries gathered here would then have gone back with the sad recognition that, in spite of large promises and oft-repeated assurances, there was no real way open to them except to exercise "forced savings", squeeze the margin of subsistence still further, with all the attendant consequences in terms of method and philosophy, both economic and political, which such a course would entail, and further embitterment of relations between the "have" and the "have-not" nations of the world. We do not believe this will happen. On the contrary, we believe that the coming days will provide an invaluable opportunity to the community of nations for laying the foundations of a more equitable, just and co-operative order, and that we shall not fail to seize this opportunity. May we have the courage and foresight to achieve such a world order!

**STATEMENT BY H.E. Mr. JULIO SANABRIA,  
UNDER-SECRETARY OF STATE FOR INDUSTRY AND TRADE,  
HEAD OF THE DELEGATION OF PARAGUAY**

at the twenty-second plenary meeting, held on 7 April 1964

[Original text: Spanish]

Paraguay joins in the common aspirations of the two-thirds of the human race proclaiming with high hopes the need for fundamental changes in the structure of international trade and putting forward practical proposals for a fair and sound international division of labour calculated to achieve the ideal of economic,

social and political solidarity that our peoples desire. Moreover, being itself one of the countries recognized as relatively less-developed, Paraguay cherishes the hope that it may prove possible for the less-advanced countries to be given differential treatment corresponding to their own special features. At the same time,

as a land-locked country it claims, as do many other countries, the recognition of the principle of free and unrestricted transit giving them access to regional and international trade in all circumstances and for all types of merchandise, a principle specifically laid down in the Charter of Alta Gracia signed by nineteen Latin American countries. My delegation associates itself with the general terms of this Charter as well as with the conclusions adopted previously at Brasilia.

Before I go any further, however, I wish to congratulate Mr. Kaissouni on his well-deserved election as President of this historic Conference, and to seize the opportunity to pay a modest but sincere tribute to a distinguished figure—who has devoted the best years of his life and the best of his energies to the service of study and research in a desire to investigate, understand and solve the problems which have brought us together in this world forum—Raúl Prebisch.

This Conference which was planned a long time ago and necessitated lengthy and thorough research on the part of specialist international bodies like the Economic Commission for Latin America and the Interamerican Economic and Social Council to bring to light inequalities in development calling for fundamental changes, marks the beginning of a process of revision of out-of-date machinery and puts international solidarity on a world-wide scale to a very severe test. On its success depend better living standards for the masses, but its failure could mean the frustration of hopes, unforeseeable consequences, for an attitude of mind has been created, conviction is deep and the determination to face the problems involved is final and irrevocable. It is my belief that the developed countries are equally aware of the situation; their concern, their presence at this Conference and their readiness to co-operate are evidence of this.

As representative of a country belonging to the Latin American group, I shall deal more especially with the region as a whole. Its rate of development has gradually worsened in recent years, mainly owing to difficulties encountered by the external sector. The rate of 4.2 per cent for average *per capita* income growth registered in the earlier post-war years fell to an average of 1 per cent in the last few years. This decrease affected almost all the individual countries of the region and particularly, of course, the economy of peripheral countries like Paraguay. Admittedly, one or two countries within the Latin American group achieved a slightly higher rate of growth, which means that they too are threatened with a retrogression in their rate of growth unless their present export pattern is substantially modified.

Latin American participation in world trade decreased between the early post-war years and 1962 from 11 per cent to 6.5 per cent, a considerable decline in comparison with the total figures for developing countries which during the same period fell from 32 per cent to 21 per cent, according to the statistics furnished by United Nations bodies concerned.

Latin American exports of primary commodities decreased from 20 per cent to 15.1 per cent between 1953 and 1960 and in the same period total exports increased by only 13 per cent, whereas to achieve a satisfactory rate of growth an increase of more than 50 per cent was necessary.

The international efforts made by the Latin American countries may be finally frustrated by the magnitude of the loss incurred by the region as a whole in its international trade. The Economic Commission for Latin America estimates the effects of the fall in prices at \$10,000 million between 1955 and 1961, and the parallel effects of loss of markets and slow rate of development probably represent a much higher figure.

My delegation considers that it is impossible for a region stricken by such an economic hurricane to develop and grow strong without a structural change in international trade sufficient to correct inequalities and channel the bulk of the benefit towards the weakest countries, since equal obligations cannot be imposed on parties whose economic capacity is not equal.

In this connexion, I wish to express the optimism inspired in me by the example of the Latin American countries which are members of the Latin American Free-Trade Association (LAFTA). Principles are embodied in the Treaty of Montevideo envisaging a new approach to the traditional reciprocity clauses. The new principles comprise the granting of preferences in favour of relatively less-developed countries and not applicable to the more advanced contracting parties, so as to ensure the former of equitable competitive conditions and to help them to achieve a sustained rate of growth.

The developing countries have not remained indifferent to the slow rate of development of their exports but have tried to act as efficiently and urgently as possible, as far as their economic potentialities allow, in order to promote the growth of their economies. Efforts have been made towards import substitution either individually or through integration machinery such as that of the Latin American integration schemes.

Nevertheless the process of import substitution, even on a regional scale, is encountering more and more difficulties in the matter of importing industrial equipment and materials, on account of the shrinkage of the external sector resulting from the lack of foreign currency for importing such goods from industrial countries. In this matter, the financial policies of the international institutions as well as those of the more advanced countries cannot and must not remain passive. It is true that the will to develop cannot be imposed from without, but with technical and financial insecurity of the kind which often prevails in poor countries like ours, there must obviously be greater flexibility and drive in helping such countries to seek investment opportunities for the formation of a technical and administrative

infra-structure that will create suitable conditions for the increased absorption of foreign capital. To proceed otherwise would be to behave like a commercial bank, thus contributing to the perpetuation and widening of the existing gaps between income-levels of primary producing countries and industrialized countries. The greater external purchasing power resulting from such action would benefit the industrial countries, in spite of certain equivocal remarks made in the general debate to the effect that "one man's gain is another's loss".

The unsatisfactory position of the developing countries and their unfavourable prospects cannot be imputed, as has been implied by certain delegations during the general debate at this Conference, to a lack of common sense or will to work, or apathy on the part of many developing countries. With the permission of the President and representatives, I should like to point out the error in this. Paraguay, as one of the peripheral countries and therefore more severely affected by adverse market factors, provides an example of a people and a Government which have made unprecedented efforts to overcome difficulties and to establish better living conditions within their geographical framework. To counteract the drawback of being a land-locked country, which is one of the chief obstacles to its foreign trade, Paraguay has strengthened its merchant fleet. Three international roads with internal branch roads have been constructed, which not only contribute to the inter-American highway system, but incorporate into the national economy large areas with rich natural resources. Motor transport and commercial air transport have been developed. Agricultural reforms are being steadily carried through, with an appropriate settlement policy and a programme of community development. Radio and telecommunications have been extended as never before, with international connexions. A modern system of piped drinking-water is being installed. Electric power supplies are being improved and plans made to extend both water and electricity supplies to a wide area. Hospitals and health centres are being built, and appreciable results are apparent in the eradication of disease, reduction in the mortality rate and increase in the birth-rate. Education has improved and new schools and colleges have been built, placing Paraguay among the foremost of Latin American countries in the matter of primary education. Low-income housing estates are being erected and many other practical projects are being undertaken which there is not time to mention. However, I should like to refer to other important aspects of our national effort, such as the gradual reform of our legal system to include an up-to-date Labour Act, a Rural Welfare Act and other laws relating to safeguards for foreign capital and industrial development. I have purposely left to the last certain fundamental points such as our reputation for making prompt payments in connexion with our external debts, and the fact that our country has succeeded, within the limits of its economically and financially precarious situation, in curbing a rapid inflation and stabilizing

its currency and domestic prices, thus creating safeguards and security very favourable to productive investments, in a climate of peace and order.

All this and much more has been achieved in Paraguay in the face of a decline in prices of primary commodities during the last ten years—a fall in the price of tannin and cotton to 42 per cent and 47 per cent respectively, of tobacco and leather to 56 per cent and 74 per cent, and of coconut oil and timber to 61 per cent and 62 per cent, not to mention other products similarly affected; whereas during the same period imported industrial products showed substantial increases. These are only a few examples to illustrate the deterioration in my country's terms of trade as a result of external imbalance, and in spite of all the sustained efforts made by a constructive Government and a self-sacrificing and hardworking and long-suffering people. The same is true of many developing countries, and I have mentioned it because some industrial countries have an idea that it is necessary for us first to "put our house in order" as we have been told for a long time. This is merely mortifying to countries anxious to develop but faced with external conditions which make it almost impossible to do so.

The developing countries must, naturally, satisfy the industrial countries that they will continue as energetically as possible to make all efforts in the way of organization for their development, integration and redistribution of wealth which most countries began long ago and which were intensified and stimulated in various ways in the different regions, thanks to such organizations as the Alliance for Progress in Latin America. But there is a tendency here to ignore the existence of a structural problem of external balance which needs to be solved primarily by countries which have completed their industrialization and have therefore ceased to be peripheral countries. This is a dangerous misconception against which the Conference should be on its guard.

My delegation believes that unless the problem of external trade gaps is solved, there is little hope that the efforts of developing countries, however great and self-sacrificing, will be really successful. Therefore the present Conference should discuss and seek to adopt co-operative measures for bridging these gaps.

The adoption of such measures rests with the industrial countries, since they have a hegemony in world trade and hold the principal historical responsibility for taking decisions with regard to changes that must be made before disastrous and irremediable consequences overtake us.

The Latin American countries have already expressed their aspirations in the conclusions reached at Brasilia and in the Alta Gracia Charter and if international solidarity, co-operation and brotherhood really exist, the industrial countries can prove it by basing their action on those statements, which, broadly speaking, seek: a relaxation of protectionism and reduction of duties on imports of primary products in industrial

countries; the opening of markets to exports of manufactured goods from developing countries on a basis of special preferences; the revision of the principles and systems governing trade in invisibles; the establishment of procedures and machinery for raising to equitable levels the prices of primary commodity exports from developing countries; structural changes in institutions operating in the field of world trade, so as systematically to seek the causes of bottlenecks in trade problems, and other points mentioned during the general debate.

The ablest experts on international trade matters in the world are meeting here together with high political officials from the different countries; and all have come with one single goal in mind—the welfare of humanity without distinction between poor and rich countries. My delegation expresses its sincere wishes that the wisdom, experience, skill and good sense of the members of the 122 delegations will lead to the attainment of positive benefits promoting better living conditions for all the nations of the world.

STATEMENT BY H.E. MR. EDGARDO SEOANE,  
VICE-PRESIDENT OF PERU, HEAD OF THE PERUVIAN DELEGATION  
at the tenth plenary meeting, held on 30 March 1964

[Original text: Spanish]

There is a tragic contrast in the fact that, as a result of technical progress, man has conquered space and is even preparing to travel to the moon, and possesses weapons capable of destroying the entire human race, but on the other hand, has been unable to build a better world and eradicate the poverty and ignorance of millions of beings who live in conditions calculated to drive them to despair.

The task of the world today must be to apply science primarily to satisfying human aspirations for higher incomes in order to achieve the advancement of learning, education, health and housing, and provide an opportunity for the enjoyment of all the comforts and satisfactions available to man as a result of the progress achieved in this wonderful twentieth century, so that all this may be attained within a society of free men living in a democratic society.

One characteristic of the poorer countries is the extent to which they depend on the foreign market which has permanently reduced their export earnings and has slowed down their economic growth; it is accordingly necessary thoroughly to reorganize present conditions of external trade.

Moreover, the degree of poverty in Latin America varies widely between the Atlantic and Pacific regions, poverty being more acute in the Andes and forest areas.

As in most of the distressed areas of the world, there are very rich minorities with immense economic power, dominating the economic and political sectors to their own benefit. This means that technical progress is not reflected in the advancement of the population, but merely widens the gap between the incomes and standards of living of the privileged minority and the impoverished majority.

Another feature is the existence alongside each other of areas with a very different degree of development. This is the case in Peru, where there is a progressive market economy on the coast, while the mountain areas still have a subsistence economy and finally in the forest areas primitive man still lives by hunting and fishing.

It is essential that the development of the poorer countries must begin with economic and political reforms of a truly revolutionary character, designed to abolish such differences and to achieve political and economic integration within each country.

Population growth is proceeding faster than economic growth and standards of living, already fairly low, are accordingly showing a tendency to become still lower. Not only are class differences in each country being accentuated, but also the gaps between the developed, the developing and the under-developed nations, all of which is a threat to peace and is widening the gulfs between men and between groups of nations.

These deep degrees of injustice must be reduced by social justice until they disappear and all men are provided with an opportunity for a better life, but basic structural reforms will have to be carried out if this is to be done: land reform, through the granting of land to those who work it, together with technical and financial assistance to increase production and productivity; industrial reform with a view to ensuring that all the human elements contributing to production are entitled to a share in the profits and gradually to achieve participation in the management and capital of undertakings; tax reform, designed to ensure that those who have most contribute most for the benefit of the less-privileged classes; the democratization of

credit providing for the rational use of financial resources within a process of planned economic and social development, these processes being regarded in the light of their benefit to mankind; and educational reform to stimulate the aspirations necessary to a better life.

These fundamental reforms, which the present Government of Peru is determined to carry out, are part of an undertaking entered into by the American nations when they signed the Charter of Punta del Este, which was the foundation of the Alliance for Progress. Some opinions have been expressed as to the results of this undertaking, which without any doubt was by no means adequate in view of the urgent need of advancement of the bulk of the peoples of Latin America, but it must be remembered that only three years have passed since it was concluded and that in such a short time no international undertaking can be expected to achieve all its purposes. This does not mean that Peru is making the necessary reforms dependent on the amount of external assistance which it may receive through that undertaking, or any other into which it may enter. The reforms will be carried out, with or without foreign aid, because if there is not justice there can be no progress.

We must take this opportunity to state, as the President of Peru has just expressly declared, that ours is not the liberal capitalist system under which the hands of Governments are tied by the great economic interests, where the right to the ownership of land and other natural resources is unlimited and unconditional and in which men are regarded simply as merchandise, the value of their work being subject to the laws of supply and demand without regard to their human dignity.

Nor do we form part of the communist system, where man is helpless in face of Governments that dominate and administer everything, where there is no freedom of association or right of dissent, where the will of the people cannot be expressed by periodical free elections to appoint their Governments and to decide the policy which those leaders must follow; where the right of ownership, legitimate aspiration of men, does not exist, because the State is the absolute master of all sources of production and man is considered a cog in a machine, and dignity and freedom, his most precious attributes, are not respected.

The present Government of Peru considers that the country's economic development can only be carried out in pursuance of a plan, the fundamental aspects of which have already been described. It is a nationalist, democratic, revolutionary plan and of Christian socialist inspiration.

It is nationalist because it is inspired by the realities of Peru, as determined by its unfavourable geographical situation, by its history, by the ancestral tradition of a people which, in its glorious past built up one of the most magnificent civilizations of America and by the contribution of European civilization introduced by the Spanish conquest. It is democratic, because

it gives the people the right to decide their own destiny and to express their opinions freely, because right of ownership is allowed to all and is to be promoted, subject solely to the general welfare, and above all because man is the fundamental object of the reform which is directed towards his social and economic advancement. It is revolutionary, because it will bring about a far-reaching structural change, to the benefit of the national majority, comprising over 60 per cent of the country's population, now living in sub-human conditions.

Unfortunately, the present trade policy of the wealthy countries does nothing to meet the pressing needs of these social reforms. On the contrary, by that policy the industrialized countries are making it harder for the poorer countries to fulfil their aspirations and to achieve a better world for all.

The rich, industrialized and more educated countries have not developed a rational policy towards the backward countries, or heeded the danger caused by their lack of foresight, as the differences in the standards of living become more intensified between the two groups of nations, one of which, the world of the poorer nations, represents two-thirds of mankind. They have failed to perceive the political danger of violent change or the economic danger of limiting the purchasing capacity of the markets of those countries, as every year the purchasing power of their own buyers of manufactured products is reduced.

The industrialized countries of the West have created the European Common Market and the European Free Trade Association. The communist countries are, in fact, with very few exceptions, associated.

The poor and developing countries of Latin America have decided to build up the trade between them and to arrange for joint action in their relations with the developed countries. We should like to extend this joint action to countries in a similar position on other continents.

This combined action must put an end to the isolation of the depressed areas of the world by creating close ties through political and trade relations and setting up organizations to centralize activity and to assess the natural resources and productivity of the various regions.

The problems common to all under-developed countries of the world must be duly appraised. The differences are not fundamental and are related to varying degrees and gradations of poverty determined by local conditions. The reasons for the unity of the Latin American group constitute also the basis to a certain extent of the unity of the Afro-Asian group of countries, and therefore it should be possible to take co-ordinated action, in order to render it more effective, for the achievement of common prosperity.

The problems common to developing countries are the instability of commodity prices, deterioration in the terms of trade, measures restricting exports, actual and potential deficit and inadequate financial resources.

It is in the interest of all nations to solve these problems since their repercussions will be felt by all countries, rich and poor alike, but more so by the rich which have more to lose in view of the stage of development they have reached.

In order to find a solution for the problems thus defined, it is incumbent on the highly-developed countries, if they have a genuine desire to assist in the creation of a better world, to put into effect a series of measures. It is generally accepted that such measures should be: equitable and stable prices for commodities, the abolition of restrictions on imports of raw materials, the elimination of subsidies for the production of raw materials in richer countries, the removal of barriers in order to encourage a larger income from invisible items, fair and reasonable prices for manufactured products and elimination of foreign political influence on the economic life of our countries.

The under-developed countries must in their turn: diversify their production, increase the production of commodities of greater economic density and higher occupational level, improve the techniques and mechanization of agriculture in order to increase productivity and reduce production costs, and do all this within an accelerated process of industrial planning and trade expansion, seeking new markets in other regions of the world.

These are in fact the solutions at which we hope to arrive in this world Conference on Trade and Development. To achieve them, as it has already been said, radical changes are necessary in the criteria regulating trade in different countries in different stages of development.

The poorer countries should, moreover, promote trade among themselves and accelerate their industrialization, keeping pace with the growth of demand of a qualitative and quantitative nature. The rich countries should translate the promises made in their speeches into deeds so that the term "under-developed" or, as they have also been called, "over-exploited" nations may disappear from the world.

The need for industrialization is recognized as a factor of prosperity but it is difficult to realize how many stages countries have to pass through before this industrialization proves beneficial and there are no more bottlenecks.

The poorer countries have all a basically agricultural economy and must begin with the mechanization of crop and animal farming in order to achieve the highest possible yield per unit area and in relation to the capital expended; they must then proceed to the industrialization of their agricultural products and finally to the industrialization necessary to obtain manufactured products, for the better social utilization of each country's resources, all of which may gradually and in time come about in simultaneous phases. Development would then go hand in hand with the increase in revenue and improved purchasing power of the home market; it should not be the result of a policy of self-

sufficiency encouraging uneconomic forms of productivity achieved at a high cost which would indirectly reduce the purchasing power of the people or would fail to find markets.

The financial aid from market economy countries has been increased since 1950 through public and private funds, but all the advantage gained has been lost through financial charges and lowering of prices. There is a contradiction between the policy of financial aid and the servicing charges entailed. It may be noted that there has been coincidentally a rapid increase in the rates of interest, dividends on capital invested and the transport charges which have to be paid. This is one of the most serious anomalies in trade relations between poor and rich countries.

Distinguished economists like Mr. Prebisch have often pointed out the need for highly-industrialized countries to give countries which have progressed sufficiently the opportunity to export manufactured products and also to place on the market certain high quality goods which can be economically produced. They have also indicated the need to compensate for losses caused by deterioration in the terms of trade. These ideas have been considered utopian but it is not utopian to take note of situations likely to arise in the almost immediate future as a result of the errors of the present time. We have been pleased to hear various statements made in this Conference in favour of the establishment of compensatory funds. There is no doubt that the situation will become increasingly serious and unstable if two-thirds of the world's population continues to get poorer and poorer while a third part becomes increasingly rich. The rich will be confronted with increasingly limited markets as a consequence of their technological progress and the growing poverty of their usual customers in under-developed countries.

Political colonialism is coming to an end in the world and indeed it is essential that all remaining forms of it which are a disgrace to our century should be eliminated, but economic colonialism, which is just as dangerous, is becoming more marked. The great nations must realize that by trying to maintain either of these two forms of colonialism they will endanger both their political and economic security in a future that is perhaps not too distant.

The alternative is clear: either we create a world of justice, liberty and equal opportunities for all, where man has all that he needs for his welfare and peace of mind, or we continue to encourage the division between two worlds, a poor world which is becoming poorer every day and a world of the rich whose wealth is increasing, in which case we shall be precipitating a world explosion, inevitably provoked by social pressures and impossible to restrain since it will have all the force and fury of desperation.

Let us hope that the good intentions expressed here by almost all the industrialized countries will rapidly materialize and conform to the clear and just aspirations of the under-developed countries of the world.



The Geneva Conference has a historic part to play in this difficult hour of human history. It is to be hoped that the abilities and social conscience of those meeting here will prove to the world that selfishness has been replaced by justice, the desire for power by the desire

for the brotherhood of nations, the criterion of wealth by the love of humanity, and that as a result unjust inequalities, the fruit of years of exploitation, have been overcome by international understanding and solidarity.

**STATEMENT BY H.E Mr. CORNELIO BALMACEDA,  
SECRETARY OF COMMERCE AND INDUSTRY,  
HEAD OF THE PHILIPPINE DELEGATION**

at the twenty-first plenary meeting, held on 7 April 1964

[Original text: English]

Permit me first of all to express to Mr. Kaissouni, on behalf of the Philippine delegation, our sincere congratulations on his unanimous election to the high office of President of this historic United Nations Conference on Trade and Development. His election is an eloquent tribute to his leadership, and my delegation is confident that he will steer the course of our deliberations to a successful outcome.

I would like also to express at this moment the appreciation of the Philippine delegation to the Secretary-General of the Conference, Mr. Raúl Prebisch, his staff, and the Preparatory Committee for their painstaking efforts in providing the basis and making all the necessary arrangements for this historic Conference. The report of the Secretary-General, entitled "Towards a New Trade Policy for Development", contains a very comprehensive treatment and exhaustive analysis of the different problems presented for our consideration.

The invitation to attend this conference sent by the United Nations to the Member States and the different international organizations pursuant to a resolution of the General Assembly has significantly met with unanimous and spontaneous acceptance. The Secretary-General of the United Nations in his opening address stated that "not a single voice has been raised against it in the community of nations, be they large or small, big trading centres or small trading partners". When we consider the fact that 122 countries are represented here, even more than the membership of the United Nations, the enthusiastic response to the call for this assembly of nations to consider a most crucial problem of our times, affecting more than two-thirds of the human race, is indeed a cause for deepest satisfaction. It augurs well, I believe, for the future outcome of our deliberations.

The statements that we have already heard from this rostrum since the start of the debate made by the

distinguished ministers, statesmen, and economists representing the different participating nations have confirmed this unanimous interest in a common objective. There have been divergences in the manner of approach to the problems before us, but there has been no deviation from the common purpose that has brought us all to Geneva.

All these countries have pledged the full support of their Governments to the successful realization of the aims of the Conference. They have offered constructive suggestions to attain those aims so that this historic meeting on international co-operation will not go the way of other conferences in the past, conceived with pious hopes but with no tangible results to show in the end. The great difficulties we have to surmount here are well known, and we cannot be too sanguine or optimistic on the ultimate results of our deliberations; nevertheless, we have the assurances of co-operation and good will from all, and even of the readiness for some sacrifice that this greatest world trade and development conference of all time shall not fail.

In the view of the Philippine delegation, the spirit of understanding is vital to the success of this Conference, and we therefore appeal to all the delegates to preserve this unity of purpose and mutual co-operation. Certainly, the welfare of the less fortunate two-thirds of mankind, as well as the cause of universal peace, should transcend all considerations of selfish advantage or intolerance on the part of both the developed and developing nations.

We submit that this is not a "confrontation" conference between the developed and the developing countries. We have not come here merely to air our grievances as one group of countries to another. The purpose that brought us here together is too serious to admit of pettiness and recriminations; rather, we are all here for a full and frank exchange of views so that



we may agree upon concrete measures that can be taken to promote the economic development of the less-developed countries through international co-operation.

We are here not because one group can give and another group can receive, but because of the common realization that the future of the developing countries of Asia, Africa, and Latin America is vital not only to themselves but also to the advanced industrialized nations.

The world has indeed been reduced to a small neighbourhood. Distance and time have been annihilated through modern technology, and this is why, more than ever before, the so-called backward peoples that had long remained in isolated poverty have come to know about, and aspire for, the better life beyond their borders. As one leader in Asia has observed, "Why has destiny made it so hard for them to live while in other countries life is so different, so full of zest, so full of joy?"

Many of the developing nations of Asia, Latin America and Africa had been colonies, virtual or actual, of developed nations. As such, they had been maintained more or less as prime markets, a situation made possible by limiting their production to a few raw materials and by discouraging the development of manufacturing industries even for purely domestic consumption. It is from this role of hewers of wood and drawers of water into which they were forced by the accident of history that they are now trying to extricate themselves. Who, then, is more called upon to provide a helping hand than the very Powers responsible for their predicament in the first place?

After the Second World War, one of the powerful motivations behind the liquidation of colonialism was the demonstrated fact that enduring peace could not exist so long as people remained in economic servitude. Coupled with the resurgence of nationalism within the colonies as a forceful factor, the colonial Powers agreed to the dismemberment of their empires.

But we submit that liberating colonies is but the initial act of the modern drama of human redemption. Liberation is but the beginning of the far-sighted and enlightened movement, now effectively spearheaded by the United Nations, to establish lasting world peace. To complete the redemption, the second act must forthwith follow, which should logically ensure to the newly independent nations a reasonable measure of economic stability and prosperity.

It is not only altruism and idealism that the completion of the drama will serve: it will also serve an eminently practical end. It will amply reward the developed countries with broader and richer markets for their manufactures, more profitable fields for their investments, and equally important, the good will of two-thirds of humanity; for the current impatience in the developing countries for a quickened pace of development brooks no delay, as has been observed by the Secretary-General of this Conference.

It is basic and unquestioned that a better life for the developing countries depends mainly upon their own efforts. If we are to succeed in our economic struggles and if we are to be worthy of external assistance, we must first do everything in our power to help ourselves, for it is not only capital, or "know-how", or availability of natural resources that is required, but also the attitudes of the people and the political discipline that must go with economic development.

Thus we have the common phenomenon in the developing countries today: we are in a frenzy of effort to improve our economic conditions; economic plans have been adopted; old concepts are being revised; production methods are being modernized and made more efficient; and new and fresh ideas are being introduced.

In my country, for instance, we have just completed the second year of a five-year social and economic development programme under a system of private enterprise. We are finding difficulties in fully realizing the objectives of the programme, difficulties that have only emphasized that economic development is indeed a slow and painful process to be pursued with unremitting effort, to be constantly modified in the light of changing conditions.

It is the main task of this Conference to examine the present economic relations of the developing countries with the industrially-advanced countries so that a new international trade policy can be established, geared to a faster rate of economic growth. Thus assisted, the developing economies can provide greater benefits to the industrialized countries in the forms of an expanded demand for capital goods and other manufactures, and other reciprocal advantages.

If the present roadblocks to development as identified in this Conference are to be eliminated, it is imperative that we cover the entire field of problems as thoroughly as possible. The persistent deterioration of the terms of trade of the developing countries, the excessive cyclical price fluctuations of their primary products upon which they rely, the widening gap in standards of living between the rich and the poor countries, all clearly point to the existence of serious defects under the present system of international trade, which must be resolved in this Conference.

The exhaustive and comprehensive report provided by the Secretary-General of this Conference has done much to facilitate the intelligent discussion of the issues before this assembly. Concrete proposals abound, as well as general guidelines for implementation, and it would be superfluous to merely reiterate all these thought-provoking suggestions. We would like to express our general support at this point, however, to the principles embodied in the Joint Statement adopted in General Assembly resolution 1897 (XVIII), as well as in the Teheran Resolution of the Economic Commission for Asia and the Far East (ECAFE) last March.

In terms of specific areas of possible action, however, my delegation would wish to emphasize its great interest in the stabilization of primary commodities at fair and remunerative price levels. We have noted, with concern, the harmful effects on primary exports from developing countries wrought by the various trade barriers of the developed nations, and we feel that the conclusion of international commodity agreements, on a product-by-product basis, would alleviate to some extent the defects of excessive price fluctuations. We feel, however, that this is not enough.

As has been pointed out by the distinguished Secretary-General of the Conference, such agreements should perforce operate with the aim of obtaining higher price levels for primary commodities than those prevailing in the absence of such an agreement. While there can be too high a price level which may bring about uneconomic long-term effects, we fully support the concept of such agreements being concluded which assure the developing countries of stability for their primary exports, through such various devices as purchase commitments, the elimination of tariffs and other trade barriers, and the conscious recognition of compensation for worsening terms of trade where validly identified.

My delegation would strongly urge the developed countries concerned to consider seriously this new and fresh approach to commodity agreements, from the standpoint of economic merit and considering the aspirations of the developing countries. In much the same spirit, measures for improving the access accorded to primary commodities in the markets of industrialized countries should be formulated and vigorously implemented, as well as extensive research programmes for the greater and more varied utilization of primary products.

With respect to trade in manufactures and semi-manufactures, it is our feeling that the principle of world-wide non-discrimination on primary products from the developing countries can very readily be extended to include semi-processed commodities. For goods further along the stages of production, it is our hope that preferences can be extended, in various ways, to the manufactures of the developing countries through tariff as well as non-tariff arrangements.

It would not be amiss to state here that my delegation believes very strongly in the joint venture approach towards the stimulation of manufactures in the developing countries as a mutually attractive possibility, through the establishment of manufacturing and processing plants utilizing raw material resources of the developing countries. Coupled with regional and sub-regional trading arrangements, it could well provide the medium by which economies of scale and external capital could be profitably and effectively utilized.

In this connexion, we would like to call attention to the new regional arrangements in Asia fostered

by the ECAFE calculated to provide further impetus to economic growth. The objectives and methods of these regional arrangements were outlined in the Special Ministerial Conference held in Manila last December, and the programme for Asian economic co-operation includes intra-regional trade liberalization, the establishment of regional or sub-regional industries on a joint basis, and the organization of an Asian development bank.

My delegation notes with gratification that in the report of the Preparatory Committee, the improvement of the invisible trade of developing countries is among the measures designed to improve their balance-of-payments position. Our own experience has shown that invisible items of trade can be a heavy drain on foreign exchange resources, making up in our case approximately a fifth of total foreign exchange disbursements.

Here, we will as on the other topics, confine our remarks to measures that can be implemented on an international scale, leaving it to individual countries to take counsel with themselves on actions which can be taken on a national level.

First of all, we would call attention to a matter which is intimately related to increasing the commodity exports of the developing countries—namely, export credit. Our documentation has advanced the idea that of the various instruments for export promotion, liberal export credit may be most important. However, it is also recognized that unilateral action by individual developing countries may be hampered by insufficient resources. Thus, there seems to be a need for some international or regional, and in any case multilateral, arrangement to finance or refinance the exports of developing countries, particularly exports of manufactured durables which are the items most in need of term financing. My delegation believes that the devising of such multilateral export credit arrangements for developing countries should rank high on the list of priorities of this Conference.

Turning to the matter of ocean freight rates, we find that here too is a fruitful field for concerted international action. For an island nation like ours, this area is vital, as our whole foreign trade is dependent on shipping. We should not, of course, ignore some of the circumstances that gave rise to the Conference system, such as the need for regular shipping services and for stable maritime charges, but they should not constitute excuses to perpetuate in their present form what have since become monopolistic arrangements, groupings of private companies who have gone to the extent of dictating to developing countries arbitrary charges in freight rates, despite the economic difficulties which such unilateral action brings about.

Although this monopolistic power is sometimes tempered by representations made by the Governments of affected nations, the time has come for the organization of international arrangements which would bring

together the shipping Conferences and the developing nations. My delegation believes that the Governments of developing countries and their organizations should have a voice in the determination of freight rates, whether this be done by creating some negotiating machinery with the shipping Conferences, or by outright international supervision of the rates charged the developing countries.

With respect to invisible payments arising from insurance services, it is distressing to note the absence of adequate research which can provide us with more factual information, and we trust that this Conference will lead to a rectification of this situation.

My delegation further supports the suggestion made by the Secretary-General of the Conference with regard to compensatory financing for developing countries who suffer or who have suffered from a deterioration in their terms of trade. Such financing should, however, be paid to countries and not to individual producers; furthermore, it should not retard the reallocation of resources indicated by long-term price movements. Its primary objectives should be to enable developing countries to proceed with their development programmes undeterred by foreign exchange setbacks brought about by forces beyond their control. To this end, therefore, it should take account not only of changes in the terms of trade but also the over-all balance-of-payments situation of a given country.

It is of special interest to note that international tourist expenditures of about \$8,000 million annually are now the largest single item in world trade. For the more vigorous and rapid development of tourism on a world-wide scale, we request international financial institutions to provide assistance through the provision of long-term, low-interest loans, to countries willing to embark on the intensive and coordinated promotion of tourism.

The question of the appropriate institutional arrangements has caused no small discussion at this early stage of the Conference. It is clear that the agreements reached at this critical assembly of nations will not be useful, nor even meaningful, unless such agreements carried the consent of the developing and developed nations alike. Given the wide field of topics under discussion as well as the divergence of opinions on individual topics, it may well be advisable to concentrate on the points of universal agreement, the fields for suitable action before immersing ourselves

too deeply on the question of the optimal institutional situation.

In any case, however, it is equally clear that some international organization—whether new, expanded, or modified—will have to exist in order to give substance to the results of this Conference. My delegation envisages, even at this possibly premature date, that perhaps the establishment of standing committees to pursue the objectives of the Conference, with periodical convocations of this Conference itself, may prove an adequate machinery for the time being.

At the same time, my delegation notes the argument for an expanded GATT machinery within the framework of the United Nations, and we shall follow with great interest the developments in the forthcoming “Kennedy round” of GATT. Obviously, it would be a waste of resources not to utilize the accumulated experience of existing organizations; on the other hand, it must be positively demonstrated that existing machinery possesses the flexibility and demonstrated ability to assume new tasks and follow new directions.

This Conference has been described as the “biggest, the broadest and perhaps the most frustrating commercial forum in history”. That it is the biggest and broadest cannot be denied; present here are the delegations of one-hundred and twenty-two countries and the observers of about ten more. If, the President of the Philippines has said in his message to this assembly, a commensurate measure of good will also exists, then the success of this Conference should be assured.

Yet, this Conference has already been called frustrating. It would, indeed, be frustrating if the expectations of the developing nations now swelled to floodtide by this Conference were rebuffed.

Failure is sad and tragic even only to contemplate. Failure would set back the clock of human progress; failure would divide the world into two disappointed camps, making more glaring than ever the disparity between the developing and the developed nations.

We cannot afford to fail in this our task, to resolve one of the most urgent and difficult challenges with which man has ever been confronted. The Philippines is indeed happy and privileged to have her modest part in this great international undertaking and to pledge anew to all the participating countries its fullest support to the successful attainment of the goal that we all seek: the establishment in our time of a new order of international economic co-operation.

STATEMENT BY H.E. Mr. WITOLD TRAMPCZYNSKI,  
MINISTER OF FOREIGN TRADE, HEAD OF THE DELEGATION  
OF THE POLISH PEOPLE'S REPUBLIC  
at the twelfth plenary meeting, held on 31 March 1964

[Original text: English]

I would like to begin by expressing, on behalf of the Polish delegation, our congratulations to Mr. Kaisouni on his unanimous election as the President of our Conference. This fact can be considered not only as an appreciation of his personal abilities but at the same time as a proof of the growing importance his country is assuming in the field of international relations.

Poland welcomes the United Nations Conference on Trade and Development, the greatest economic event of recent years, with a sincere hope that it will constitute a considerable contribution to the development of the world trade. We believe that this Conference, which assembles here the representatives of over 120 countries, should create the basis for an unhampered development of that trade, to help in the solution of urgent economic difficulties of developing countries as well as in the consolidation of peaceful relations among nations.

In his well-known statement presenting the Polish disarmament proposals, Wladyslaw Gomulka pointed out the great possibilities created by this Conference for an improvement and for a strengthening of international economic relations, for the ultimate elimination of the cold war in the sphere of economic relations, and for the acceleration of economic growth of countries which, owing to their years of colonial dependence, are still lagging behind in their economic development. Trade without discrimination brings not only mutual advantages, but it also promotes the idea of world-wide understanding and creates closer links among nations. The great opportunity of this Conference should not be lost.

When speaking of closer relations and consolidation of peace in the context of this Conference, one cannot refrain from stressing the utmost importance of general and complete disarmament in creating a favourable atmosphere for a strengthening of relations among nations and for the development of world trade and welfare.

The aim of a *rapprochement* of nations which could result from the development of their trade and which finds itself embodied in the ideas of this Conference, is, however, compatible with a situation when not all the countries vitally interested in international trade are represented in this forum. It is regrettable that the German Democratic Republic, one of the ten most industrialized countries in the world and whose *per capita* foreign trade is one of the highest, is not

admitted to take part in this Conference. We do not see here the representatives of the People's Republic of China, whose seat is occupied by persons who do not represent anybody. It is also unjustified that the Korean People's Democratic Republic and the Democratic Republic of Viet-Nam were not invited to participate in the Conference. Discriminatory practices applied from the very outset of the Conference against certain countries may bear considerable influence upon its results.

The Polish delegation welcomes the report of the Secretary-General of the Conference, Mr. Prebisch, who in a profound and constructive way has brought out the structural deficiencies existing in the present international economic relations and suggested the ways for remedies. We welcome this report, although we do not share all the views contained in this important document. I would like also to express here my thanks to the Secretariat for the most comprehensive set of documents which have been presented to us.

The Conference is confronted with the primary objective of creating a "new order" in international economic relations. The "old order", which the Havana Conference attempted to restore, does not correspond to the needs of the present era. The time has arrived when the system of socialist countries has been organized, when the new developing nations are entering the world community, and when the crisis of the international division of labour has become highly acute. The task before us is to find new ways and solutions for the purposeful transformation of this division of labour, conducive to a world-wide economic development.

The Conference is faced with the urgent task of solving the economic difficulties of developing countries and they cannot be solved by applying traditional means of action, nor can they be settled by using partial solutions. As Mr. Prebisch stressed in his report: "World trade is an intimately interrelated network, and the repercussions of obstacles in any one part are felt inevitably in all others."

We also feel that the Conference should discuss the problems of trade relations between countries having different economic and social systems. The development of such relations would not only assist in the acceleration of economic growth of the countries concerned, but would at the same time contribute to the world-wide economic development.

Since the problems dealt with by the Conference are not only those of trade but also those of development, we feel that this is an appropriate place for a discussion of crucial problems concerning the strategy of economic growth. The socialist countries have a considerable experience in this field that might be usefully utilized.

Poland is interested in this Conference, both as an active member of the international community and on account of her own foreign trade problems. As it is well known, we have not long ago entered the way of an accelerated economic growth, which has resulted in a rapid increase of our import needs and to difficulties which are normal in such conditions. At the same time, having reached a relatively higher level of economic development, we fully realize the necessity of bringing a positive contribution to the solution of economic difficulties of countries which are economically less developed than Poland. We therefore attach a great importance to this particular aspect of the Conference.

I would like to stress, however, at this juncture, that the mechanism of our foreign trade differs in many respects from that existing in countries of market economy. This fact, not always fully appreciated, is a consequence of the national ownership of means of production in our country, and of the system of economic planning. Owing to these factors, market incentives influencing our foreign trade, act in a different way from those in a market economy. It does not mean however that both the volume of our foreign trade and its pattern can be, as some people believe, arbitrarily fixed. They are, in fact, determined by the requirements of our economic development and by external conditions of the process of growth, while, at the same time, the level of imports depends on export possibilities. Thus, as those possibilities grow, the volume of imports can always be raised.

Poland wants to participate in the international division of labour, and the development of our foreign trade reflects our ever-increasing share in the world trade. Between 1955 and 1960, our import elasticity equalled 1.2, while for the last three years it reached, according to our estimates, even about 1.8. Export elasticity behaved similarly. Our economy being outward-looking, we aim at the most effective utilization of the possibilities resulting from international division of labour, and we want to develop our trade with all the countries of the world irrespective of their economic and social system. The expansion of trade relations with the industrialized western countries is, however, hampered by the system of quantitative and tariff restrictions, obstructing both our industrial exports and traditional export of agricultural products to these markets. The removal of these obstacles would be much welcomed as a step towards a normalization of economic relations to the benefit of all countries.

While speaking about the unhampered development of international trade, I would like to say a few words on economic integration. We do not consider it to be an economically unfounded phenomenon. We support,

in particular, the regional groupings of the developing countries. However, we are against those inward-looking groupings which are detrimental to the interests of third countries, which are disrupting the traditional pattern of trade and which create obstacles for traditional exporters in the markets of the countries, members of such groupings. As Mr. Prebisch pointed out in his report, the expansion of trade within a grouping should not take place at the expense of third countries and that these countries should also have a proper share in the import increases stimulated by the establishment of an economic grouping. These requirements are met, incidentally, by the development of foreign trade in the countries belonging to the Council for Mutual Economic Assistance, their intra- and inter-regional trade being equally dynamic.

As I have stated before, we are ready to contribute to the solution of economic difficulties of developing countries. Until now, our trade with these countries has been growing successfully. Between 1950 and 1963, trade with these countries was advancing at an average rate of 15.2 per cent per annum which is much more than the rate of growth of our total trade. Although the share of the socialist countries in the trade with developing countries, owing to well-known historical conditions, is still relatively small, yet between 1953 and 1960 (according to United Nations statistics) the share of socialist countries in the increase of exports of developing countries (petroleum excluded) amounted to 36.4 per cent. This means that over one-third of that increase went to socialist markets.

In the light of the above, the views of one of the representatives expressed from this rostrum on the alleged incomparability of the effort of socialist countries in the development of trade relations with developing countries to that of the industrialized western economies, are hardly acceptable.

We agree with the thesis presented in the Prebisch report that the main problem of the developing countries is the gap resulting from their imports growing at a more rapid pace than their exports. In order to secure a 5 per cent growth of the national income, the imports of the developing countries would have to rise at the rate of 6 per cent per annum and the rate of their exports increase should be still larger. If all the industrialized countries increased their imports from developing countries at the rate of 6 to 7 per cent per annum—and the Polish imports in the last thirteen years grew at 15.1 per cent annually—the problem of the gap would cease to exist. Poland considers the implementation of “aid by trade” principle as being the main device of her economic relations with developing countries. Taking into account the difference existing in the mechanism of her foreign trade, as compared with that existing in the market economies, Poland considers that a systematic increase of the share of the developing countries in the annual increases of our global imports constitutes the most concrete and the most valuable preference we are offering these countries.

We think that the Economic Commission for Europe's estimates of the future growth of trade between developing and socialist countries cited in Mr. Prebisch's report are realistic, as far as Poland is concerned. Experience of the past, as well as the anticipated rate of our economic growth in the future justify the anticipation that the growth rate of Polish trade with the developing countries will definitely surpass the 6 per cent mentioned in the report of the Secretary-General. Moreover, the share of the developing countries in our foreign trade will systematically increase. It should be stressed here that it is only our payment capacity that might act as a factor limiting the implementation of these objectives. This, in turn, depends on the development of our exports, both to developing countries and to industrialized western economies. This is the reason why a successful growth of our trade with the developing countries finds itself conditioned by the degree of readiness with which all these countries would also endeavour to develop their trade relations with us.

I should like to say a few words now about the evolution of our pattern of imports from the developing countries.

First, the imports of raw materials. On account of the rapid growth of industrial production assumed for the future and the high elasticity of imports in this group, it is to be expected that the rate of increase of these imports will continue at a very high level. It concerns mainly such items as: iron and manganese ore, phosphates, cotton, rubber, vegetable oils and oil seeds, oilcakes and fishmeal.

Another problem is that of goods for consumption mainly of agricultural origin. In the first stage of growth the main efforts have to be concentrated upon creating an appropriate industrial basis, apt to secure a constant increase of living standards in the future. This is why—in that initial stage—and taking into account the scarcity of foreign exchange available, priority must be given to imports of machinery and equipment as well as raw materials for the industry. However, to the extent that a more differentiated economic structure is developing, increased amounts of resources may be allocated to the increase of imports of consumer goods, *inter alia*, of tropical beverages, fruits and spices. The present pattern of our imports shows that this process has already begun and will dynamically continue in the future.

The third problem relates to the imports of manufactured goods. In the light of our own experience we think that a final solution of the trade difficulties of the developing countries should be sought in a reshaping of the international division of labour so as to assure a change in the commodity-wise pattern of exports of developing countries. That is why we are ready to develop imports of manufactures and semi-manufactures from developing countries and why we wish to develop together with them co-operation in the industrial field.

In this respect we will put before the Second Committee of the Conference some concrete proposals as to

a planned and deliberate change in the division of labour between our country and the developing countries, a change based upon long-term agreements on co-operation. They would concern co-operation between some particular industrial branches and would stimulate trade both in traditional goods as well as in manufactures.

While we see the main solution of the difficulties of developing countries in the changes to be brought about within the international division of labour, we appreciate, nevertheless, the importance of their primary commodity exports and especially of the problem of stabilization of their export prices. At the same time we think that the increase of imports of these products by the socialist countries constitutes in itself our basic contribution to the stabilization of markets and prices for primary commodities.

As can be seen from one of the documents of the Conference, global exports of agricultural products from developing countries have, during the period 1956-1961, maintained, on the whole, their value solely for the reason that exports of those products to the socialist countries have increased by some \$507 million, while the imports of the same products into the industrialized countries of the west have diminished, in the course of these years, by \$550 million. The increase in exports of raw materials, excluding fuels, from developing countries, an increase of the order of more than \$330 million, materialized only owing to larger purchases of socialist countries. It is the instrument of long-term agreements and contracts that, by the very fact of securing demand for a part of primary production of developing countries, exercises a favourable influence on the market stability. We are ready to negotiate, as we are now doing, long-term agreements where export and import quotas would be fixed for several years, as well as to conclude long-term contracts for particular goods. We are also prepared to include in these contracts some stipulations regarding the stabilization of prices. While advancing all these proposals, which would have to take place on a bilateral basis, I should like to stress that Poland intends also to continue her efforts to broaden her multilateral exchanges.

We consider the conclusion of international commodity agreements to be a useful instrument of stabilization of markets of primary products, and we are ready to participate in such agreements in all cases where we are either actual or potential buyers or sellers. We are, however, fully aware of the fact that international commodity agreements are unable to correct structural defects of international economic relations and, in particular, those of the international division of labour and that, in consequence, they can only be considered as auxiliary measures.

In the process of industrialization of the developing countries, our deliveries of machinery and complete plants on easy terms of payment constitute an important element of assistance to the differentiation of their economic structure. The foremost advantage

ensuing from these credit deliveries for the developing countries lies in the fact that credits are repayable by means of deliveries of goods from the debtor country that not only relieves the balance of payments from an unduly heavy burden, but creates a supplementary demand for its exports, going beyond the period of the credit repayment itself. We are ready to continue this policy in the future.

Any discussion of problems of financial aid for developing countries cannot be separated from the question of improving the situation on their invisible account. The two basic problems here are: the burden of servicing the foreign debt and the question of costs of sea freights. It may be recalled, incidentally, that this problem has been included in the agenda of the Conference following a proposal emanating from our country. As far as the problem of transport costs is concerned, we consider it advisable to extend the aid granted to the developing countries for the purpose of building up their national and regional fleets, ports and sea-fishing industry, thus diminishing the deficit of their invisible account. Efforts, both for the international control and the regulations of the level of freight rates, should take place simultaneously but the steps taken in this field will be only of an auxiliary nature. It would seem that, with regard to the burden of servicing the foreign debt, apart from the very problem of credit terms, its alleviation would depend on the readiness of creditor countries to accept the practice of repayment of interest, by means of deliveries of goods from debtor countries, a practice that is widely applied by the socialist countries.

A very important item on the agenda of the Conference is the creation of the appropriate institutional framework for the development of world trade. The present set-up of the international economic organizations does not correspond to all the changes in the international trade and in the world economy as a whole, which have taken place in the post-war period. In fact, this system was created during the last war and in the immediate post-war period, when the community of the socialist countries was but in the process of formation and when the majority of the developing countries had not yet won their independence. In short,

we could say that the whole set-up was intended, as Mr. Prebisch described it, to restore the "old order"—whereas the present situation calls for the creation of an entirely new institutional framework. We consider that the aim of this Conference should be to create an international trade and development organization which would ensure:

(a) First of all, universal membership and participation in the work of the organization of all trading countries of the world;

(b) The consideration, on an equal basis, of the interests of all the groups of participating countries;

(c) The consideration of all problems of international trade and development in their mutual inter-relationship;

(d) The consideration of the differences in economic and social systems as well as of the levels of development of all the groups of participating countries; in this connexion the organization should aim at securing the actual, not only formal, equality of treatment of countries at different levels of economic development; it should take also into consideration the difference in functioning of the foreign trade machinery in the centrally-planned and in the market economies.

If the conditions for an unhampered development of international trade, and acceleration of economic growth of the developing countries are to be attained, the Conference, according to our opinion, should adopt a code of principles guiding the international economic relations. Poland, Czechoslovakia and the USSR presented proposals in this respect at the third meeting of the Preparatory Committee. We think that our proposals may form a basis for working out such a code of principles, but our minds are open to all constructive proposals aiming at their improvement.

I would like in conclusion to express my sincere hope that such a great international undertaking as the United Nations Conference on Trade and Development will fulfil all the expectations of the peoples of the world. The President may be assured that Poland will welcome all steps that may be taken here in the direction of unhampered international trade and a more rapid economic growth of the developing countries.

STATEMENT BY H.E. Mr. ARMANDO RAMOS DE PAULA COELHO,  
SECRETARY OF STATE FOR COMMERCE OF PORTUGAL

at the twenty-first plenary meeting, held on 7 April 1964

[Original text: French]

First of all, I should like to associate myself with those speakers who have preceded me in congratulating Mr. Kaissouni on his election as President of this

Conference. His competence and the authority with which he is invested are our guarantees that our work will lead to positive results.



After the brilliant speeches that have been made before this Assembly, I shall not dwell on the mere generalities of commerce and development.

I cannot, however, refrain from referring briefly to certain aspects of the economic development of recent years in order to clarify the observations that I may be led to make on the programme of action before us.

Development, as a major world problem, made its appearance only after the last war. The group of countries that were less favoured from the point of view of economic progress then became aware of their inferiority. Recognizing the compelling necessity of rapid improvement in their economy, these countries have studied the means of achieving it, keeping in mind the hopes of their peoples and the need to spare them heavy sacrifices.

It has also become clear to these countries that they can achieve development only through complete interdependence. The possibility of rapid development in isolation seems to them highly improbable, particularly if it is to be achieved with limited human resources. This is why the developing countries have recognized the need for concerted action in preparing their plans for economic growth.

For a long time, international co-operation was based on the free play of competition, in accordance with the rules of liberal economics derived from the theory that the ideal economic result would be obtained through the practice of free trade. After the Second World War, co-operation continued to follow in the main the classical pattern, which still dominated the resolutions of the Havana Conference sixteen years ago.

Meanwhile a new reality of a very different nature became apparent, namely, the existence of great disparities between the levels of economic development of the various countries and between their ideological positions.

This reality allows us the hope that the Conference will succeed in establishing a new pattern of international economic relations.

A great contribution to arousing a new international awareness likely to lead to the understanding of the development problems of the less-favoured peoples has certainly been made by the increasing activity of the unaligned nations in defence of their basic common interests.

It is, moreover, no less true that the operational scientific knowledge of economic development which hardly goes back twenty years—economists, who are generally preoccupied with the problems of the developed countries, have only very recently observed the special features of under-developed economies—will help to guide the institutionalizing of the new patterns that must govern the evolution of international economic relations with a view to realizing the two great objectives of today: growth and stabilization.

In the report of Mr. Prebisch, the means of guaranteeing the purchasing power of earnings from primary

commodity exports are established; they are international commodity agreements and compensatory financing.

Here, we go beyond what have been up to now the traditional methods of stabilizing prices, for it is sought not only to avoid the present and future disadvantages of deterioration in the terms of trade, but also to establish a possible guarantee of stability of earnings through the machinery of compensatory financing.

In the same report, a new system likely to help the developing countries is proposed, and it is also suggested that the developed countries should prepare an outline plan that would include a programme for their imports of primary and industrial commodities from the developing countries. This outline plan would have to be prepared in such a way that imports could become an appreciable factor in stimulating the economic progress of the under-developed countries.

Such a plan would no doubt encounter difficulties, but this should in no way prevent this Conference from including it among its fundamental tasks with a view to ensuring the co-ordination of world economic development. Moreover, the various countries should attempt to fit their own internal development plans to the pattern established in the outline plan, where priority would have to be given to the problems of under-development, without, however, departing from a realistic view of the present world situation.

It is obviously too much to hope that the granting of priority to under-development will bring the developed countries to commit the whole of their available resources to promoting the growth of the less-favoured countries. It must, however, be recognized that a general plan could be outlined to include both an allotted rate of growth for world production and a correction factor for regional economic imbalances.

Portugal's economic areas include regions whose stages of development vary widely. Thus, while some of these regions are essentially primary producers, the production of others includes manufactures as well as primary commodities.

The structure of production in the last-mentioned regions (primary industry, 25 per cent; secondary, 38 per cent; and tertiary, 37 per cent) shows that primary industry still represents a substantial proportion of all production. It is also significant that it employs 40 per cent of the working population. The market for these exports is centred on one geographical area (Europe) and they cover a very limited range of products. Our exports consist mainly of a small number of products which show very little variation with regard to demand or earnings (foodstuffs, raw materials and manufactures which have undergone rudimentary processing).

In view of the structural trade imbalance resulting from this situation, our entire trade policy is being directed towards making Portuguese exports less



vulnerable, by diversifying them and extending the geographical range of their markets. We accordingly tend to see our external trade problems with these two aims in view.

The expansion of international trade has been represented as being in itself the means of enabling the various countries to enjoy the economic benefits of the international division of labour. This axiom of economic policy, though it may still be valid for economies which have attained a certain level of development, is now acknowledged to be inapplicable in the case of the under-developed countries, which are demonstrably not deriving from modern means of communication and trade the benefits that should in theory be theirs. The evolution of external trade has been such as to produce obvious disparities in the distribution of its proceeds between the developed and the under-developed countries, the latter receiving only a small proportion of the resulting incomes. At the same time, a serious imbalance has grown up between their import requirements and their exportable output. Recognition of this situation has led to the formulation of a range of proposals which would to some degree eliminate the structural defects that have hitherto restricted the economic development these proposals seek to promote.

The Portuguese delegation will, in general, support any measures designed to maintain the purchasing power of primary exports, including those relating to compensatory financing.

However, since development cannot be based solely on the stabilization of the international commodity market, countries which are engaged on industrialization programmes as part of their development drive also need to export manufactures if they are to achieve a high growth rate. We must, therefore, give our approval to proposals involving the creation of a new system of preferences which, in conjunction with the removal of trade barriers, would replace the principle of reciprocity by a recognition of the exact extent of the disparities between the under-developed and the developed countries.

It is also desirable that fresh efforts should be made by way of technical assistance in order to ensure concerted action between production and exports, and the need to import capital goods. The establishment of a system of export credits to be granted by the more economically advanced countries to the under-developed countries should also be considered.

In view of the importance of financial resources in development programmes and of the inadequacy of

internal financial resources, it does not seem inappropriate that the more-advanced countries should consider granting generous loans to those less fortunate at favourable rates of interest. Ideally, the highly-industrialized countries might consider reinvesting in the under-developed countries a substantial proportion of the profits earned on capital invested in those countries.

My delegation will, in principle, support regional groupings, because of the economic benefits to be derived from them and because we see these groupings as a possible means of developing acceptable forms of international co-operation.

On the question of institutions, it seems reasonable to retain GATT if some necessary modifications are made to its structure and if its contacts with other international organizations of a similar character are developed, so that it may measure up to the requirements of the new economic order.

Moreover, we believe that the improvement of the external trade of the developing countries is less dependent on the discovery of new techniques than on increasing good will in the use of those already known.

This endeavour to increase international co-operation is not the only prerequisite for the advancement of the less-developed countries and it would be rash to think of it as a sort of universal panacea for all the ills afflicting the under-developed countries.

Neither must it be forgotten that the heaviest share of this effort will fall on the developing countries themselves in their struggle within their own countries to convert outworn structures into a firm foundation for their rapid growth.

In conclusion, may I quote to you the closing words of the Portuguese delegate's speech during the general debate on economic development in the Second Committee at the seventeenth session of the United Nations General Assembly: "Co-operation is not the result of chance or idealism, but the crowning of the sustained efforts of men of wisdom and intelligence, because education works through time and history to lead man to reason".

Let us therefore take a realistic attitude to the manifold aims of this Conference, which has already begun to bear fruit in the shape of surveys of the most important aspects of under-development of such technical competence that they cannot fail, I am sure, to enlighten our minds and inspire us to constructive effort.

STATEMENT BY H.E. Mr. IL KWON CHUNG,  
MINISTER OF FOREIGN AFFAIRS OF THE REPUBLIC OF KOREA,  
HEAD OF THE DELEGATION

at the eighth plenary meeting, held on 26 March 1964

[Original text: English]

On behalf of the Korean delegation, I wish, first of all, to associate myself with other delegations in congratulating Mr. Kaissouni on his election to the high post of the presidency of this historic economic congress of the world. My delegation also wishes to extend sincere congratulations to the Vice-Presidents, the Rapporteur and the Chairmen of the main committees on their elections respectively.

I wish to review briefly recent international trade trends. In doing so, several characteristics seem worthy of observation.

Firstly, the growing tendency for a more salient international horizontal division of labour among the industrialized countries. In terms of supply, mass and improved production techniques in chemical and heavy industries have given pronounced effects on various fields of industrial activities, particularly on the accelerated capital formation and the need to search out new markets for the goods produced by their industries. In terms of demand, improvement of consumption in industrialized countries has promoted this horizontal division of labour. In contrast with the instability of markets of developing countries, the stability of markets of the developed countries gives further impetus to their export enterprises.

Secondly, trade between developed and developing countries, as among developing countries themselves, has a tendency to stagnate. The vertical division of labour based on the pre-war partnership, on the one hand, is being broken down. In addition, there has been a tendency to decrease in demand for primary products from developing countries as well as fluctuation in prices, as a result of substitution of raw materials by synthetic materials, of improved techniques requiring less imports of raw materials, of the agricultural protectionist policy of developed countries and of adjustment in consumption. On the other hand, the capability of the developing countries to supply their products to international markets has been weakening in face of the need to meet the demand of their own growing populations. The demand in the developing countries for the domestic products is growing more and more in the course of the implementation of their economic development plans. In order to conserve foreign exchange holdings, the developing countries have been compelled to place restrictions on import of primary products and have concentrated on import of capital goods to implement their economic development plan.

To all these reasons may be attributed the fact that the trade volume among developing countries has not been able to increase at the same pace with that among the developed countries.

It is therefore the observation of the Korean delegation that, in order to overcome the present difficulties in trade expansion between the developed and developing countries, it will be necessary to achieve structural revision with a view to achieving the horizontal division of labour between these two groups of countries.

In order for the developing countries to achieve this end, international co-ordination, particularly co-operation of the developed countries is essential.

In this regard, the developed countries are being urged to reduce or remove various obstacles to trade including tariff barriers and quantitative restrictions against exports from the developing countries, so as to provide wider markets for exports of the developing countries, thereby permitting the trade expansion of the developing countries to expedite the balanced growth of the world economy.

The trade of developing countries from which exports are essentially primary products is showing the trends such as stagnation in the world-wide demand for primary products, low price of primary products, various trade barriers by the developed countries and augmentation in the developed countries of primary commodity production.

As a result of this situation, the developing countries have been experiencing a continued stagnation in their exports, as compared to those of developed countries. In the present situation, the prospect for developing countries to increase their exports is dim, especially for those countries which are mainly exporting primary products.

In this context, it is the view of the Korean delegation that in order to help to solve the problems, favourable consideration should be given by developed countries regarding reduction and eventual removal of tariff and other barriers including quantitative restrictions imposed on the primary commodities from the developing countries, until such a time as the developing countries should be able to maintain their balanced payment position in trade.

My delegation further is of the opinion that commodity agreements should be extended to a wider range of commodities including some important mineral and

fishery products—for instance tungsten ores and others—in order to maintain a remunerative price level and fix the quantity of trade.

It is widely recognized that prospects for the export of commodities consisting predominantly of primary products are not on the whole very promising. The developing countries will therefore sooner or later have to achieve industrialization and promote their exports of manufactured goods. The export of manufactured goods, however, is considerably affected by quantitative restrictions and tariff barriers and so on, being imposed by a number of the developed countries.

Therefore, the expansion of exports of manufactured goods should be co-ordinated with developed countries. In the meantime, it should be borne in mind that even a small increase in the percentage of imports from less-developed countries would, in view of their low levels of income and trade, mean a large proportional increase of the foreign exchange earnings of the developing nations.

It is further noted that many obstacles may be found in the way of expanding the market opportunities for manufactures and semi-manufactures, such as quantitative import restrictions, tariff barriers, partial preferential arrangements, internal duties on important traditional exports from the developing countries, etc.

In this connexion, my delegation strongly feels that in order to overcome these obstacles, the following important measures could be taken into account for action.

Firstly, import restrictions which hamper considerably the export from developing countries should be removed as quickly as possible.

Secondly, tariffs of the developed countries on manufactures and semi-manufactures from the developing countries should urgently be reduced.

Thirdly, present partial preferences which favour only a certain number of developing countries should be so modified as to take the form of general preference in favour of all developing countries.

Lastly, as one of those countries which are building up their light industries, Korea earnestly wishes that quantitative restrictions should be relaxed, especially for cotton textiles from the developing countries. And I just put my stress on this point.

On the subject of financing for an expansion of international trade, it is gratifying to note that the Second Preparatory Committee deliberated the subject in detail, thus providing the well-based start to the discussion of this Conference.

In Korea, there is insufficient capital to finance the development programme as well as a deficit in trade. In order to help promote the trade of developing countries, it would be most desirable to expand international financing.

It is desired that assistance should be given by developed countries and international organization for long-term trade financing on favourable terms to the developing countries.

On the topic of implication of regional economic groupings, the report of the Preparatory Committee at its second session indicated that regional economic groupings between industrialized countries should not be considered as undesirable in itself. But it should be judged by its effects on the trade and development of third countries, especially developing countries.

In this regard, the Korean delegation wishes that such groupings as exist now should pay full attention to establishment and implementation of their trade policy so as not to prejudice the trade and development of all developing countries, in regard to primary commodity, manufactures and semi-manufactures.

Now let me make some final remarks on the institutional arrangements, methods and machinery.

It is the opinion of the Korean delegation that GATT has so far played its useful role in the field of trade liberalization. However, its usefulness not only for developed countries but also for developing countries would be much more enhanced if it could positively modify and revise its functions and activities in favour of the developing countries so as to remove the hesitation on the part of the developing countries to join its organization.

The Korean delegation furthermore has the firm belief that a world-wide periodic forum on trade and development such as the one in which we are participating now will certainly play a very useful role in the future to help solve the various difficult problems in the course of expanding of trade and development of the world.

STATEMENT BY H.E. Mr. VU VAN MAU,  
EX-MINISTER FOR FOREIGN AFFAIRS,  
AMBASSADOR OF VIET-NAM IN LONDON, HEAD OF THE DELEGATION  
at the fifteenth plenary meeting, held on 2 April 1964

[Original text: French]

On behalf of the delegation of Viet-Nam and on my own behalf, I have pleasure in associating myself with my colleagues in warmly congratulating Mr. Kaissouni on having been unanimously elected as President of this Assembly. His outstanding qualities as an economist and statesman constitute a valuable pledge of success for this historic Conference. Furthermore, his election symbolizes in itself the spirit and purpose of our discussions—namely, to seek a better distribution of the world economy, the present structure of which shows a serious imbalance prejudicial to the developing countries.

The problem which we have to tackle cannot fail to impress us by its magnitude: half the countries of the world—more than fifty States—are new States that have just made their first appearance in international life.

From a demographic standpoint, more than a hundred States, or eighty per cent of those represented here, have less than fifteen million people.

While the “under-privileged” make up the mass of the population within a nation, it is unfortunately true that the foregoing figures reflect an equally sad state of affairs with respect to the member States of the world community.

This does not mean that the difficulties for which we propose to find suitable remedies at this Conference concern solely the poor or under-privileged States. Prosperity, like peace and freedom, is one and indivisible. If it is to be stable and lasting, it should embrace the whole of mankind. The structural and development crises which rock prosperous States always have their deepest roots in the poverty or stagnation afflicting neighbouring regions.

If the developing States manage to emerge from the present phase of their deficit economies, the implementation of such a programme would not only bring about an improvement in the living standard of their own peoples, but also, by a chain reaction, greater prosperity for the developed countries.

This chain reaction phenomenon in the matter of economic prosperity explains why international co-operation is not only desirable, but also imperative. The sacrifices made by the rich and developed States to accelerate the development process of the less fortunate or less-well-equipped countries will pay off, even in a short time. The higher interests of mankind, either as a whole or in part, require us to tackle the

problems which beset us in a spirit of solidarity and fraternity.

The last decade was marked by a considerable deterioration in the terms of trade prejudicial to the developing countries. But provided the need for harmonious growth on a world-wide scale is recognized, it is not surprising that the wealthy countries should seek adequate means of helping the poor countries to develop and to raise the living standard of their inhabitants. If that aid has not so far been sufficient, it is only right and proper that other forms of action should be considered.

Such action, of course, depends on the extent to which the industrialized countries are able to bear the subsequent financial burdens without experiencing considerable economic or social upheavals. We cannot impose on the industrial countries unduly heavy sacrifices which would ultimately be harmful to the whole world, nor would we wish to do so. In any case, such a situation is not likely to arise, for the efforts which the wealthy nations have so far made on behalf of the developing countries, despite the magnitude and continuity of the programme pursued, have never adversely affected their growth rates or their social welfare and full employment policies.

Admittedly, the road to progress is strewn with obstacles, which the developing countries must overcome primarily by their own efforts.

We have realized the force of that argument. In pursuit of the aims of the revolution of November 1963, the Government of Viet-Nam has drawn up, chiefly at the village and hamlet level, a programme of realistic reforms, such as agrarian reforms and progressive industrialization, designed to ensure a decent and stable standard of living for the rural masses.

We are resolved to mobilize all the active forces of the nation and to devote the greater part of our efforts to the consolidation of the rural infra-structure, the basis of any lasting progress in an essentially agricultural country like our own.

In Viet-Nam, the struggle against poverty and under-development is made infinitely more complicated and dangerous by the policy of aggression and subversion pursued by the communists led from outside. It calls for tremendous sacrifices on our part every day.

But it is quite clear that the era of isolationism is at an end and that it will make way for an era of international co-operation and solidarity.

The delegation of Viet-Nam wishes to pay public tribute to Mr. Prebisch, the Secretary-General of our Conference, for the excellent and authoritative report in which he has examined realistically and exhaustively the wide range of measures capable of producing a new international trading policy for the development of the poor countries.

We would merely like to make a few comments on the two-fold method of influencing commodity prices and the volume of production to improve the terms of trade, which have hitherto been so unfavourable to Afro-Asian countries that export primary products and purchase manufactured goods.

The general position of the Republic of Viet-Nam was expressed in the Teheran resolution adopted unanimously by the countries of the Economic Commission for Asia and the Far East (ECAFE) at its twentieth session last month. In view of the statements which have so far been made here, it seems to me advisable to highlight certain specific problems.

As for action on the price of primary products, two types of remedy have been contemplated, either raising the level of import prices, or abolishing the obstacles in the form of tariffs, quotas, etc., which at present limit the access of such products to the markets of the industrialized countries.

I feel that there is no fundamental conflict between those two proposals. Each method is effective in its own way, depending on the elasticity of demand. In the case of a product liable to substitution, such as natural rubber or cotton, raising the price will not substantially increase the income of the producers. On the other hand, other commodities to which the law of substitution does not apply, like cocoa or tea, could benefit from a reasonable price increase.

In any case, it rests with the Conference to examine in committee each case on its own merits on a product-by-product basis, in order to recommend and combine measures for allotting an adequate share to each producing country taking into account, of course, the structure of both import and export prices.

However, even if a satisfactory outcome in the field of primary product exports were obtainable, we must guard against undue optimism.

Although primary products at present account for eighty per cent of the poor countries' exports, the natural trend of their economies shows a progressive decline in that percentage owing to the diversification of exports, a major stage in the normal development process. In these circumstances, we should not rely on a substantial increase in earnings from the export of primary products, except of course in the case of some unquestionably agricultural countries which are capable of carrying through a technological revolution in farming methods and in the mining industries. Apart from this small group of countries, the long-term interests of the developing countries would seem to lie in a field quite different from the export of primary products.

The problems involved in the industrialization of the poorer countries and the sale of their manufactures and semi-manufactures have been examined in great detail in Mr. Prebisch's report. It is undeniable, however, that for a long time to come a large proportion of all manufactures, especially capital goods, will continue to be made in the richer countries.

We feel therefore, that the case for taking action on this factor of the terms of trade, that is, the price of manufactures bought by the developing countries, is at least equally strong. Since the volume of these imports is increasing daily, not only as a result of new demands created by higher standards of living but because accelerated industrialization requires increased purchases of capital goods, reductions in the cost of manufactures are bound to have a favourable effect on the balance-of-payments position of the importing countries. We want to emphasize this aspect of the problem because it does not appear to have been sufficiently stressed in the report submitted to the Conference.

Hitherto, prices in this field have tended to rise steadily in a market which, despite stiffer competition, remains a seller's market, especially as regards the fixing of technical specifications and delivery dates. In the case of international tenders, the large firms generally keep their real prices in line with one another, thus considerably restricting the choice of the purchasing countries. This situation is further aggravated by the virtual monopoly held by the insurance and shipping companies, all of which operate from the industrialized countries.

In short, it would be to the advantage of the purchasing countries to obtain a reduction in each of the three constituents (cost, insurance and freight) of prices which the importers of capital goods have to pay.

A review of insurance and maritime freight rates for consignments shipped to peripheral developing countries appears to be imperative. This might be undertaken by those countries themselves, mindful of their own long-term interests and the possibility of cutting costs through the more efficient co-ordination of shipping operations and better distribution of risks.

Some prompting from Governments, acting within an international framework, will, of course, make it a great deal easier for the insurance and shipping companies in question to realize where their true interests lie.

Moreover, government action in the industrialized countries can assume much more direct and effective forms. The simplest way of reducing the prices of capital goods intended for developing countries is to subsidize their export. Naturally, there will have to be prior agreement between the various exporting countries on how these subsidies are to be applied (rates, admissibility, etc.) so as to prevent their being used as a disguised form of dumping.

Such a method appears to have numerous advantages over the policy of price support for primary commodities.

Firstly, it is far simpler, in both principle and application. In addition, the principle of a subsidy for home manufacturers is much more acceptable to the taxpayer than a tax levied on the consumer, the total proceeds of which are earmarked for the financing of some overseas development project.

Secondly, an export subsidy on capital goods makes a direct contribution to industrialization in developing countries and thus achieves the aim of developing poor countries.

Lastly, and this, in our view, is its most important feature, this method results in an immediate improvement in the terms of trade of developing countries, an improvement which becomes proportionately greater as capital investment increases under the industrialization programme.

We would emphasize that the proposal for an immediate reduction in the price of capital goods imported by developing countries does not run counter to that for increasing the export earnings from primary commodities. On the contrary, these measures are complementary and together influence the two factors constituting the terms of trade.

We trust that this suggestion will be followed up and considered in committee so that the measures submitted for the approval of the Conference may cover as wide and comprehensive a field as possible.

If the economic and financial potential of the developing countries is to be increased, action must be taken not only to raise commodity prices but also to improve both the quality and the quantity of the products. We must produce more and at competitive prices. It is only by reducing production costs that we can strengthen our competitive position. This is especially true of such products as natural rubber, produced by many countries in South-East Asia.

In this connexion, closer and more effective co-operation in the field of study and research between countries producing the same primary commodity would be desirable.

In order to prevent duplication and waste of effort in technological research, it would be advisable for the

Conference to examine the practical measures to be taken to establish specialized international organizations for co-ordinating and combining the separate projects of countries producing the same primary product.

The benefits of research and technological advances would be passed on to all member countries of the organization. It is only when producing countries embark on a co-ordinated production and marketing policy that they will be able to strengthen their position on world markets and adjust their growing production capacity to world demand, in order to maintain a stable level of commodity prices.

To turn to another aspect, my country, which is, like most developing countries, a producer of rubber and primary commodities, cannot ignore the problem of the disposal of surplus and strategic stocks of primary products which may create an artificial glut of products on the market. Methods of unloading these stocks must be examined. Is it unreasonable to ask that the producing countries should be consulted and informed of plans for their disposal sufficiently far ahead to prevent a sudden market upheaval?

It is true that the measures advocated to enable developing countries to reduce, if not completely to eliminate, their present backwardness in the economic and technological fields sometimes appear to constitute preferential or even exceptional treatment. However, such special treatment, far from representing an injustice, would be in the nature of compensation and smooth out existing inequalities.

In view of the considerable differences between the growth rates of developed and developing countries, the gap which now separates them will, unless the trend is halted, merely become wider and deeper as time goes on. The gap is one of poverty, stagnation, discontent and division, and those on either side—the rich nations and the poor ones—must be firmly determined to bridge it in a spirit of understanding and co-operation, however great the sacrifices demanded may be. It is a difficult but worthwhile undertaking.

The problems which we have to discuss in this international forum are complicated enough already to deter me from wasting your precious time by dealing with the political issues raised yesterday by the Cambodian representative; such issues have no bearing on the theme of the Conference.

STATEMENT BY H.E. Mr. G. RADULESCU,  
VICE-CHAIRMAN OF THE COUNCIL OF MINISTERS,  
HEAD OF THE DELEGATION OF THE ROMANIAN PEOPLE'S REPUBLIC  
at the fifteenth plenary meeting, held on 2 April 1964

[Original text: French]

I should like, first of all, to express the deep satisfaction of the Romanian delegation on Mr. Kaissouni's election as President of the United Nations Conference on Trade and Development.

At the same time we address our congratulations to all those who have been elected as officers of the Conference and of the five committees. We consider that the composition of the main bodies of the Conference, in which the developing countries have numerous representatives, is of good omen for the successful conclusion of our deliberations.

The Romanian People's Republic regards the United Nations Conference on Trade and Development as an outstanding event of contemporary international life, which is of interest for all countries and areas of the world. The problems we are called upon to solve are most complex and difficult ones and all countries are required to take part in seeking their solution.

The Romanian delegation would like to express its regret that the delegates of the Chinese People's Republic, the only legitimate representatives of a people amounting to more than a fifth of the world's population, are not present among the other participants in the works of this world economic conference. The same is true for the representatives of the German Democratic Republic, the People's Democratic Republic of Korea and the Democratic Republic of Viet-Nam. The Romanian Government has attached and attaches great importance to the universal character of our Conference.

The Romanian People's Republic consistently strives for the promotion of normal economic relations among all States of the world, irrespective of their social system, based on strict observance of national sovereignty, economic independence, equality in rights and non-interference in domestic affairs.

As already underlined in the message sent to the Conference by the President of the State Council of the Romanian People's Republic, Gheorghe Gheorghiu-Dej, our country upholds the principle of eliminating any discrimination that narrows and distorts international economic relations. The abolition of all these discriminations and restrictions is an essential prerequisite for rendering international trade its genuine role and character as a factor of peaceful exchanges among peoples, for strengthening co-operation among States, for progress and peace.

An actual improvement of international economic relations is primarily linked with the creation of conditions propitious to the achievement of the aspirations of every people toward accelerating the many-sided development of their economy, raising their living standards and fully enjoying the possibilities offered by modern science and contemporary technique.

Bearing in mind the universal character of this problem, an appropriate solution to this end calls for the joint efforts of all countries.

In this line of thought, I should like to recall that at a European economic conference held thirty years ago, the Romanian representative expressed his hope that the day would come when an international conference would discuss the various aspects of economic relations among States, as components of a unique problem of world economy. May I quote a few sentences from the speech, which the former Romanian Minister of Foreign Affairs, N. Titulescu, delivered in Geneva in January 1931:

"I believe", he said, "that there are not ten economic problems, but one single one, and that it is a world problem. A day will come when this world problem will be dealt with by a world conference."

Although it has been initiated as a conference on trade and development, our Conference will not be able to carry out the tasks that face it unless it proceeds as a conference on trade for development. In this connexion, it is but natural for it to pay a particular attention to the present situation in those countries which the vicissitudes of history, imperialism and colonialism have for long constrained to under-development, keeping them at the periphery of world economy.

The sharp discrepancies in the level of development of the production forces of various countries and regions are no longer consistent with our times, when all the peoples of the world assert their right to a dignified existence and well-being.

I shall not insist now on considerations of historic justice, though I am convinced that these aspects too should ever more deeply concern all those willing to help ensure a lasting peace for mankind.

Even if we limit ourselves to the field of economics, we have to acknowledge that the international division of labour, established in the process of the development of capitalism, comes into conflict with the



requirements of the economic development of the world and hinders its progress.

World trade, perhaps, most obviously reflects this point. Statistical evidence, indeed, attests to the fact that—under the conditions of the present revolution in science and technique, of whose benefits the less-developed areas of the world are still deprived—it is mostly the trade among the developed countries that grows, while the specific weight of the under-developed regions steadily decreases in the balance of international trade despite the fact that most of the world population is concentrated in these very regions. It is quite conclusive, in this connexion, to point out that the specific weight of the developing countries in the world export diminished from 29.3 per cent in 1951 to only 21.1 per cent in 1962.

The position of the developing countries in the world trade has worsened, due mainly to the deterioration in the terms of trade, which hinders and quite often leads to the waste of the efforts these countries are making to develop themselves.

The figures quoted by me demonstrate that during the last ten years the annual growth of *per capita* income was about ten times greater in the capitalist developed countries than in the developing countries. Developments in world economy show, therefore, that during the last decade the discrepancy between development and under-development in many regions of the world did not only not diminish but deepened and now threatens to turn into a yawning gap; while world trade, hampered itself by existing disparities, moves, in turn, in the same direction. This is why the delegation of the Romanian People's Republic shares the view expressed in the "Declaration of the seventy-five countries", unanimously adopted at the last session of the General Assembly of the United Nations. We believe it has become absolutely necessary to take measures in keeping with the needs of our times and the right of every people to secure their social and economic progress.

In this connexion, one should stress the necessity to carry out the decisions of the United Nations General Assembly regarding the speedy abolition of colonialism in all its manifestations. To this end, the delegation of the Romanian People's Republic—a country which has consistently repudiated all colonial policies and racial discrimination—renders its full support to the statement made at this Conference, on 26 March, on behalf of the Afro-Asian countries, Yugoslavia, Trinidad and Tobago and Jamaica, regarding the participation of the Republic of South Africa and Portugal in the deliberations of our Conference.

It is but natural that the Romanian people understand the preoccupations of the developing countries, for it too has made and is still making sustained efforts for the industrialization of its country and the development of the entire national economy.

It is a well-known fact that up to the end of the Second World War Romania itself was one of the

European appendices for raw materials and agricultural products of the industrialized countries.

In order to overcome this situation, the Romanian people has carried out profound political, social and economic changes, in the twenty years since the liberation of its country, and has thus removed the internal obstacles that were preventing its development in the past, and has cleared the road for a continuous growth of its production forces. As a result of this, Romania's socialist economy nowadays is an economy in full process of development along complex and multi-lateral lines. On the basis of scientific economic planning, that takes into account the specific conditions of our country and the possibilities springing from the development of its international economic relations, Romania's economy gradually eliminates the inheritance of the past.

The increase of the internal production forces has enabled us to proceed to a corresponding expansion of our international economic relations too. In this regard, it is characteristic that for the last few years the rate of growth of our country's foreign trade is higher than the rate of growth of the national income and the social product, an indication of its ever-greater participation in the world trade.

The report presented by the Secretary-General of this Conference, Mr. Raül Prebisch contains a number of proposals that deserve full attention. There are also other interesting proposals made by the Governments of various participating countries.

I shall not elaborate now on these proposals nor shall I deal with the constructive ideas of the studies made by the United Nations, the regional economic commissions and specialized agencies.

These proposals and ideas will be discussed in the committees of the Conference. In tackling these problems, the Romanian delegation will be guided by a few considerations that seem to us essential and indispensable.

First, we shall take into account the extent to which these proposals do effectively contribute to the expansion of world trade, the promotion of fair, stable and equitable relations among all States, irrespective of their social order, and the elimination of any discrimination in international economic relations.

Second, the Romanian delegation will consider the extent to which one or another proposal will effectively contribute to the improvement of the position of the developing countries on the world market and the acceleration of their economic growth, with a view to liquidating the existing disparities in world economy. To this end, the Romanian delegation will support those measures that tend to improve the terms of trade on the world market in favour of the developing countries, stabilize the prices of raw materials, stimulate the exports of these products, enlarge the outlets for manufactures and semi-manufactures of the developing countries, ensure the granting of preferential régimes



for the products of the developing countries by the developed countries, and the setting up of appropriate international machinery, suitable to this end.

The Romanian delegation supports the proposals aimed at stabilizing the prices of primary commodities and improving the terms of exchange. This is even more important since negative phenomena, which are making themselves felt in the international trade of primary commodities, affect to the same extent a whole series of traditional items of the Romanian exports.

Third, we shall take into account whether different measures proposed here are in keeping with the fundamental principles of the United Nations, whose Members are independent and sovereign States, equal in rights. In this connection, the Romanian delegation will support measures aiming at strengthening the economic independence of the developing countries, promoting international co-operation, based on the strict observance of the national economic plans or policy of every State.

In this regard, I believe that our deliberations would be facilitated if the studies and the statistical evidence, prepared by the secretariat of the Conference for the discussion of different items on the agenda, grouped the countries primarily on unique and scientific criteria according to their level of economic development, irrespective of their social order or trade system, as such a way of grouping would be more exactly in line with the aims of this Conference.

As I have already pointed out, the Romanian delegation attaches great importance to the improvement of international financing of trade and development and will carefully examine the proposals made in this respect.

The Romanian delegation supports the idea of setting up a fund for industrial development under the sponsorship of the United Nations. In our opinion, one of the sources that could contribute to the speedy establishment of this fund would be the allocation from now on of a certain percentage from the present military budgets.

Today, expenditures on armament amount to about \$120,000 million annually. There is an unanimous consensus that these expenditures represent a huge waste of material resources, while hundreds of millions of people in large areas of the world suffer from the effects of under-development.

The delegation of the Romanian People's Republic deems that a good start on the way out of this situation could be made if within the framework of this Conference we studied the possibilities for implementing this proposal.

If this fund is put under the sponsorship and administration of the United Nations, we ensure the necessary conditions of its being used without any discrimination to the benefit of the developing countries, while taking into account the most pressing needs, for the industrialization of the least-developed countries.

There is no need for further stressing the benefits which would result from such a positive action for the developing countries. We deem it necessary to take into account also the interests of the countries that would be the first to contribute to the establishment of such a fund.

In this respect, the possibility could be studied that part of the means granted by a certain country to this fund be used by the United Nations in the same country, to produce industrial equipment and other products required by the developing countries.

Moreover, taking into account the fact that the developing countries lack sufficient currency compared to their great needs for industrial equipment, without which they are not able to carry out industrialization and make better use of their resources, the Romanian delegation had put before the Conference the question of delivering industrial equipment on credit, refundable by quotas resulting from the production thus achieved.

In a working paper, our delegation will put forward its considerations concerning this form of international co-operation, that combines the interests of the countries in need of equipment with those of the countries exporting it.

The credits are to be granted by delivering industrial equipment, while ensuring, as far as possible, the technical assistance necessary to build, fit out and exploit the respective project and the training of technical staff in the institutes and plants of the furnishing country or at the building-sites of the beneficiary.

Such credits would be for the delivery of equipment and installations either for building new industrial projects, or for expanding or re-equipping units of production, improving the quality of products, enlarging their variety, etc.

In our opinion, the method of financing is bound to speed up the industrialization of the developing countries, to facilitate the utilization of their natural and labour resources, by constructing modern enterprises exclusively owned by the respective countries, and secure constant outlets for the industrial output thus achieved. We believe that this form may be also advantageous to the exporters of equipment, which can thus enlarge their possibilities of marketing the machinery and equipment they produce. These countries would also ensure the utilization of their production capacities and, by taking over the respective quotas, provide the supply of their economy with the necessary goods for a longer period of time.

A major question that confronts our Conference refers to the ways and means of increasing the foreign trade of the developing countries. There are numerous and interesting proposals in this respect; the Romanian Government has insisted ever since the preparatory stage of the Conference on the importance of long-term trade agreements as a corollary to the

above-mentioned proposals. We therefore took note with satisfaction of the analysis contained in the report of the Secretary-General regarding the positive role played by long-term agreements in expanding world trade. Drawing a clear line between the bilateral agreements of the 1930s, that led to reduction of trade, and the present bilateral agreements, and avoiding an artificial distinction between present bilateral agreements and multilateral agreements the report rightly points out:

“Long-term agreements may provide for a steady growth of trade over a number of years by setting targets for mutual trade expansion, both over-all and for particular products. Such agreements may thus provide a basis for the planning of expanded production for export.”

This characterization seems to be comprehensive enough so as to make any commentary superfluous. I should like to add only that our own experience testifies to this appreciation, and this is the reason why we endeavour to develop our trade relations with all countries, to the extent feasible on the basis of long-term agreements.

In this general framework, Romania attaches a particular attention to its co-operation with other developing countries. In this connexion, we should like to point out the increase in the weight of the developing countries in Romania's foreign trade.

At a closer examination of this process, one will find out that it is with the countries with which we have concluded long-term agreements that the trade relations as well as credit relations, co-operation in different fields of science and technique, training of staff, etc., have most steadily developed.

While drawing up its long-term plans for economic development the Romanian People's Republic is going to further give an important place to imports from the developing countries paid in Romanian products.

Through a planned increase of revenues and the living standards of the population in the years to come, there will be a rise in imports of foodstuffs and other consumer goods (like coffee, cocoa, exotic and tropical fruits, olives, rice, pepper and other spices, fish and canned fish, textile fabrics and other manufactures and semi-manufactures, necessary for the Romanian economy and representing export items of the developing countries). There will also be a considerable rise in imports of raw materials and other materials necessary to our industry, like ores, rubber, cotton and cotton-yarn, jute and jute products, sisal, hemp, tanning materials, exotic and essential oils, etc. The Romanian Government has already concluded a series of long-term trade agreements with a number of developing countries and will go on concluding such agreements—including long-term agreements for certain products—with the other developing countries, with the view to expanding and stabilizing trade agreements for a longer period.

We are also in favour of participating in the conclusion of international agreements on certain commodities.

Before concluding, I should like to stress the importance attached by our delegation to the discussion of the guiding principles of international trade relations and commercial policies designed to facilitate development.

As you know, the Romanian Government, back in 1957, proposed at the General Assembly of the United Nations the working-out of a declaration of principles regarding international economic co-operation. Today, we have reached the stage when the utility of such a declaration is unanimously recognized, but despite every effort made in this respect its elaboration has not yet been possible.

In order to speed up action in this direction, the delegation of the Romanian People's Republic initiated at the last session of the General Assembly of the United Nations, a resolution sponsored by a number of other countries and unanimously adopted by the General Assembly. I mean resolution 1942 (XVIII) of the General Assembly, entitled “Question of a declaration on international economic co-operation”, that outlines a number of definite tasks for our Conference, too.

We express our deep satisfaction that our agenda includes a special provision that enables us to carry out the mandate given by the General Assembly. At the same time, the Romanian delegation is gratified by the fact that some countries have already submitted concrete drafts of such principles. We hope that their discussion will enable us to reach an agreement by the end of our deliberations. By including this agreement into the final documents of the Conference, it would sanction those principles on which we have to lay the foundation of a new trade policy in the world to the benefit of development.

This would be all the more important now as, by convening this Conference, the United Nations is set to carry out its genuine role of a world forum in solving the urgent issues facing economy in our days. By making the United Nations fulfil its tasks of a world forum for economic co-operation, we would make a turn in the development of international trade and economic relations.

Our Government firmly supports this trend for, as already pointed out by the President of the Council of State of the Romanian People's Republic, Gheorghe Gheorghiu-Dej, “The development of co-operation among States, the exchange of material goods and cultural contacts are particularly strong factors for the improvement of international climate, and help the cause of progress of peoples, the cause of peace”.

It is in this spirit that the Romanian delegation would like to assure you of its entire and active contribution to the deliberations of the United Nations Conference on Trade and Development.

STATEMENT BY H.E. MR. ABID SHEIKH,  
MINISTER OF COMMERCE AND INDUSTRY,  
HEAD OF THE SAUDI ARABIAN DELEGATION

at the twenty-fourth plenary meeting, held on 8 April 1964

[Original text: English]

I must begin by joining with fellow delegates in recording our deep appreciation of the tremendous spadework done by the Secretary-General, the Preparatory Committee and the United Nations Secretariat for this Conference. I wish also to congratulate the President on my behalf and on behalf of my delegation on his election. It is our good fortune that he is guiding the deliberations from the Chair of this Conference.

There is no need for me to dwell on the importance of this Conference for developing countries and our anxiety over the problems which we have gathered here to discuss and solve. Suffice to say that no other single action in the field of economic development in the history of the United Nations has had greater potentiality for the welfare of the people in developing lands. While our major concern here is a review and overhauling of the international trading pattern, this concern is underpinned by a determination that the minimum United Nations Development Decade target of annual growth of 5 per cent by 1970 in developing countries must be achieved. Thus the linking of the problem of lack in foreign exchange earnings of developing countries to their minimum import needs in relation to development requirements is a key element in the present discussions. Viewed in this light, it would seem that a very substantial part of the capital flow from developed countries to developing areas during the past several years was offset by the continuing deterioration in the terms of trade and structural loss—relatively speaking—of primary exports. It is the concern of this Conference to see that the effect of sorely needed foreign assistance is not thus nullified in the future.

The interest of Saudi Arabia in the deliberations of this Conference is very real. It is generally agreed that the expansion of international demand for petroleum during the 1950s was exceptional and cannot be expected to continue at the same high rate. With the prospective change in the market for petroleum, a general review of the restrictions and barriers which impede the growth of exports from oil countries has become necessary. The direct quota restrictions on the imports of crude petroleum are maintained by certain countries and exercise a great restrictive influence on trading in this commodity. In addition, while there are relatively few official tariffs on trade, heavy internal duties on petroleum products, notably fuel oil and gasoline, exercise downward pressure on consumption. It must be emphasized that taxes on petroleum in Organization

for Economic Co-operation and Development (OECD) countries account for more than 50 per cent of the final price paid by the consumer. Furthermore, as my colleague from Iraq pointed out on Monday, the share of oil revenues received by the producing countries is a very small portion of the final consumer outlay on petroleum and petroleum products.

Being dependent for our income on a single primary product, demand for which can be subject to serious short-term fluctuation, we are specially interested in the scheme of compensatory financing of the type introduced by the International Monetary Fund last year. We remain in favour of reinforcing the relief which can be afforded to primary producers as a short-term measure.

In the category of long-term problems, we fully share the concern of other developing countries with declining terms of trade and are fully in favour of compensatory schemes to retransfer income to countries who lose by the deterioration in terms of trade. Saudi Arabia's loss from the disparate movement in the prices of primary products and industrial goods has not been inconsiderable. Between 1955 and 1962, posted prices of oil exported from Arabia fell by 13 per cent. At the same time, import prices seem to have risen by about 4 or 5 per cent. The resulting loss of net national product over the period is estimated at about \$70 million annually, not an insignificant sum for a country like ours.

Finally, Saudi Arabia is seriously engaged in a development effort which has the aim, above all, of diversifying the economy and reducing its reliance on a single productive resource. An industrial expansion programme must form an integral part of this effort, specially so because the paucity of known water resources is a major bottleneck in the way of development of domestic agriculture. The industry which can in the foreseeable future be established in Saudi Arabia must, in part at least, be export-oriented. The domestic market for industrial goods is growing but is still quite small; on the other hand, in industries in which Saudi Arabia might appear to have comparative advantage—petrochemicals, iron and steel—the economic size of the plant is generally quite big. For these reasons, Saudi Arabia shares the aspiration of other developing nations to have easy access to the main markets for manufactured goods. Not only do we support the reduction and elimination of tariff restrictions which confront industrial exports, but we are also

wholeheartedly in favour of the proposal to establish a preferential system for the exports of manufactured goods to industrial countries. We also feel that in initial stages of growth of industries, it should be permissible for developing countries to support their exports through a system of selective subsidies.

I would like to close my speech by emphasizing that countries like Saudi Arabia, who are dependent entirely on petroleum, are in a very special position. Oil will not remain indefinitely the major source of world energy. In the same way that oil has superseded coal

to a large extent, oil might be superseded by atomic energy. Therefore our task of diversifying our economy and developing alternative sources of production is a most urgent one indeed. For this we need to make huge investments which must of necessity be financed from the oil revenues. So any simple comparison of the desired and necessary rates of growth of exports between oil countries and others is not possible. Oil is a wasting resource and the high rate of growth of its production and export also indicates a high rate of depletion of our national wealth.

### STATEMENT BY H.E. Mr. DOUDOU THIAM, MINISTER OF STATE, HEAD OF THE DELEGATION OF SENEGAL

[Original text: French]

Like all the speakers who have preceded me at this rostrum, I take sincere pleasure in offering Mr. Kaissouni the congratulations of the Senegalese delegation on his election as President of this world Conference; this is an honour not only for his distinguished self, but also for the whole of Africa. I wish furthermore to congratulate all the other representatives, likewise elected well-nigh unanimously, whose responsibility it will be, either in the General Committee or in the other committees, to give a clear impetus to the work we are about to undertake together, namely, the task of improving the lot of 2,000 million human beings by means of an expansion of trade. Among all the participants, I should like to make special mention of the Secretary-General of the Conference, whose lucid report offers an accurate diagnosis of the evils which beset us while at the same time forthrightly advancing practical solutions and insisting that their application will require sacrifices by the advanced countries and efforts by the developing countries.

My delegation had the privilege, before giving you its view of the problems which concern it, of studying and reflecting on the work of the Preparatory Committee in which it took part, and of listening to the often masterly analyses offered by other delegations.

Senegal enthusiastically welcomed the decision to convene this first world trade Conference and notes with deep satisfaction the implied recognition of the problems of the developing countries, in so far as it now appears to be generally agreed that they should be considered in the context of general economic expansion. This Conference thus marks an important stage in the relations between industrialized and developing countries, in that it gives them an opportunity to seek concerted solutions to the problems of

international trade. We believe that this is, and must be, the true meaning of economic co-operation among the nations.

So the Senegalese delegation approaches this Conference in a real spirit of co-operation and conciliation, and will consider most favourably any solution to the problems of the developing countries that takes our fundamental interests into account.

Today the international community is called upon to consider a subject which is decisive for the development of the economies of the developing countries—namely, the serious imbalance of their trade and its adverse consequences for their development. This situation is now universally recognized, and the Secretary-General of the Conference has done us the service of stating it in precise and practical terms.

The modest target of a 5 per cent annual rate of growth set for this United Nations Development Decade cannot be achieved without an increase and a substantial improvement in the trade of the developing countries. What we must do, therefore, is to lay the foundations of a new order capable not only of banishing the prospect of a trade deficit which it is thought may well reach \$20,000 million by 1970, but also of paving the way to a comprehensive and harmonized general development.

As far as Africa in particular is concerned, the statistics show that from 1956 to 1961 the total volume of its exports rose by 34 per cent, whereas its imports rose by only 23 per cent. Despite this trend, there was an even sharper decline in its export earnings. It was by reason of this fundamental phenomenon that the African countries decided to concert their efforts to attain the essential objectives of this Conference, on the basis of the recommendation by the Economic

and Social Committee of the Organization for African Unity.

As regards Senegal, whereas the consumption of oil-seeds is growing steadily, the interchangeability of fats and oils works to the detriment of ground-nuts, a natural product, and to the advantage of the ingredients of margarine, which is a synthetic product. The result is that we face a competition which is all the keener because in our single-crop economy ground-nuts account for 81 per cent of our export earnings.

This critical situation is considerably aggravated by the action taken by some important industrialized countries to protect their own agriculture. Thus, the steady decline in the prices of tropical fats and oils since the Second World War is attributable mainly to the action of the developed countries in stimulating powerfully the output and exports of substitute products during this period, and this process may be expected to be further intensified in the future.

This tendency on the part of the developed countries is fraught with serious consequences for Senegal. We have estimated—and we shall return to this point in the committees—that if prices for our ground-nuts had been in line with world prices in 1962 and 1963, we would have suffered a loss in export earnings of \$25 to 30 million in each of those years, and that this figure might have been exceeded in 1964.

Such losses, should we continue to sustain them in future, would represent almost three times, and certainly well over twice, the annual total of bilateral or multilateral financial assistance which we receive.

Against this background of a one-crop economy and of trade imbalance, my country's position regarding all the problems to be raised at this Conference is bound to be guided and dominated by the necessity to find solutions to the fundamental and, for us, crucial problem of maintaining the prices of primary commodities in general and of tropical vegetable oils and fats in particular.

The entire programme for the removal of barriers to primary commodity trade and of discriminatory measures which is advocated at this Conference by many developed and developing countries, including the majority of the Contracting Parties to GATT, is excellent in theory and might be accepted if unhappily the developed countries, which are its most dedicated supporters, did not mean that to represent the sum total of their efforts to assist the under-developed countries. We for our part believe that free trade formulae can never be anything but partial.

Nor does the increase in volume of output, which others have suggested we might achieve by means of various techniques to improve agricultural productivity, suffice to protect the interests and the future of the developing countries in the absence of stable and remunerative prices. We cannot therefore do otherwise than continue to defend the position by reason of which we are associated with the European Economic

Community—namely, that price maintenance and guaranteed markets are essential for tropical commodities—and that we must accordingly maintain and strengthen the market organizations which are the only real and comprehensive solution to the problem of agricultural primary commodities.

Besides, the best possible proof of the efficacy and usefulness of market organizations is the fact that, when a number of advanced European and American countries wanted to organize their own agriculture so as to raise the level of living of their farmers to that of other workers, they were able to do so only by granting to farmers a whole range of price and market guarantees as a counterpart to internal restraint of production.

With regard to the "fair price" which has to be guaranteed to the farm producer, we cannot accept the theory that the normal rate is that resulting from the law of supply and demand alone, with the further reservation that it must not be distorted by abnormal production conditions or by the domination of consumer countries over producer countries. This definition is inadequate, and a "fair price" should have the further characteristic of assuring the producer of a decent livelihood and of maintaining, if not improving, his level of living.

This view has too often been countered by references to the interests of the users or consumers of imported commodities, whereas, on the contrary, experience shows that the consumer is better able than the taxpayer—and almost without noticing it when markets are rationally organized—to afford the common effort he is called upon to make for the sake of his country's agriculture or of the under-developed countries. More frequently still, experience has proved that in the case of tropical and European agricultural products for which the markets are not organized, the consumer has almost never benefited from price reductions imposed by the general economic situation, for the profits are almost invariably pocketed by middlemen or absorbed by transport or marketing costs.

Since we advocate market organizations, we believe of course that such organizations should expand progressively and become international price stabilization instruments for the benefit of all agricultural producers, and should no longer constitute preferential systems for the benefit of only a few. We therefore want to see this transformation take place progressively through international agreements.

However, pending the formation of international market organizations, existing multilateral and even bilateral regional arrangements ought to remain in force and ought even to be prolonged, in so far as they are preferable, at least provisionally, to isolation in the face of international competition.

We are equally determined to support all efforts made to create an African free-trade zone as a first stage towards a genuine African common market.

With regard to trade in manufactured and semi-manufactured products—which should not be confused with agricultural commodities in the first stage of processing that benefit from marketing arrangements—the output and the exports of local industries in the under-developed countries will undoubtedly need protection for a long time to come. That protection will normally take the form of customs tariffs and, very exceptionally, of quotas; it will cease when there is no discrimination and when the importing countries decide not to establish industries with prohibitive costs. In this respect, all the developed and industrialized countries are apparently able to accept the terms of the Convention between the European Economic Community and the Associated States.

As requested by GATT in the past and by many developing countries during the meetings of the present Conference, exports of manufactured and semi-manufactured articles from the under-developed countries should be fostered by the elimination of customs duties and of quantitative restrictions as well as of discriminatory practices affecting their imports into the industrialized countries. But, as many previous speakers have pointed out, these advantages requested by the under-developed countries from the industrialized countries cannot for the moment be reciprocal. Reciprocity presupposes equality; and although political equality is a fact, economic equality has still to be attained.

Hence, we cannot agree to the systematic generalization, asked of us by GATT and others, of the most-favoured-nation clause which would lead to the general abolition of customs duties and restrictions on our imports. We consider, together with all the developing countries, that the abolition of these duties and restrictions cannot be wholesale; it can only be the result of individual and prior negotiation.

A number of industrialized countries have, moreover, already stated in this very forum that they were ready to grant to the developing nations, without any reciprocity, preferential treatment on a temporary and progressively diminishing basis for the disposal of some of the industrial products of those nations. It has not, however, been made clear yet that the guarantees and preferences in question would be granted not only for existing industries, but also for others to be created later.

We urge all the advanced countries to agree to commit themselves in like manner and we hope that these preferences will be neither too selective nor restricted to but a few products, for the industries in question are young and need almost complete protection.

Owing to the pattern of its foreign trade, Senegal is one of the countries most directly interested in this Conference. Accordingly, it places great hopes in the Conference, the more so since by the end of the general debate it has come to be generally recognized that the long-term expansion of the developing countries is bound up with the increase of their export earnings, and

that the diversification of economic resources tends to raise the standard of living and to promote political independence.

In our opinion, this means that the Conference admits the need for industrialization and that it has come away from the idea that only those projects are sound which do not compete directly with the industries of the most-developed countries. Presumably, moreover, questions relating to the improvement of productivity in agriculture will be discussed more thoroughly and more intensively.

We also assume that the industrialized countries will agree to desist from systematically encouraging research aimed at the production of synthetic raw materials and will appreciate that even for natural products some sacrifices ought to be accepted.

I repeat that, as far as we are concerned, a remunerative price for ground-nuts is the key to all our economic, financial and social problems. That is why, from our point of view, this Conference should not be merely recording policy statements or planning another meeting in one or two years' time, but should reach tangible results.

By tangible results, we mean simple and reasonable solutions applicable at once or in the relatively near future, which will make a material contribution towards increasing the national income of the least-favoured States. We place particular stress on the concept of development, because economic expansion is our objective and trade is only a means to it.

Since there can be no doubt that the alternative to this expansion is stagnation or even a social setback, we can already visualize the broad outlines of what future international policy in these matters ought to be.

Our attitude is very realistic, and because of that attitude I should like at this point to talk more particularly about certain financial problems which, in our opinion, are fundamental to development. An organization of the markets for primary commodities is certainly necessary, but it will not be enough if the developing countries are unable to obtain the finance they need for their economic take-off.

We fully appreciate the value of the admirable research work done by the two groups of experts of the United Nations and the Organization of American States concerning financial measures to compensate fluctuations in the export earnings of the developing countries. We have, however, noted that under the plans for a development insurance fund the most favourable assumption would have involved the redistribution to the supplying countries of an annual sum of \$265 million for the period 1953 to 1961. Even if we admitted that the complex schemes studied were workable, we find it hard to see how such small amounts could guarantee the minimum year-to-year growth of 5 per cent in the *per capita* income of the developing countries as a whole which is mentioned in the Secretary-General's report.

Nor do we think that the solution will be to offer incentives for private investment or to enlarge State credit insurance systems. The private capital available for investment in the priority sectors of our development plans is not particularly abundant; furthermore, the credits granted for capital equipment are very costly and soon become an excessive liability both for the firms concerned and for the balance of payments. Besides, this type of credit is available solely for imports of capital goods and cannot be used for the financing of local expenditure.

That is why we consider this Conference should give greater prominence to the part to be played by the international finance organizations and particularly by the International Bank for Reconstruction and Development. This Bank has up till now fulfilled a valuable function, and it would be wrong not to pay a tribute to its directors and experts, who are animated by the desire to give wholly disinterested aid to the developing countries.

Yet, we consider it desirable that the Bank should reappraise its policy and should take a greater interest in the agriculture of the tropical countries, even if as a consequence the amount of its loans for infrastructure projects should suffer a reduction. In this way, it would be financing, in some cases, operations in which imports would account for only a small share; in other words, it should amend the general conditions governing the grant of its loans and should agree to defray part of the outlay involved in the borrowing country's currency.

In this connexion, we are disturbed to note the reappearance, at the very time when we are holding our Conference, of inflationary tendencies chiefly in Europe, which make us fear a rise in the price of our imports and, contrary to what would be desirable, in the Bank's rate of interest. For it is not solely a question of increasing the means at the disposal of the Bank, but also of making those means accessible to borrowers with limited resources. I should add that for agricultural operations, where the economic returns are uncertain and the preparatory period is very long, the present already prohibitive rate of interest would, if raised still higher, make action of any kind impossible.

In addition, we should like the field of operations of the Agency for International Development (AID) to be expanded, and in the first place it should be endowed with the necessary resources. The AID should be able to accept requests submitted by countries with a *per capita* income not always as low as that stipulated in the rules at present in force. Without this change, some countries, particularly in the case of large-scale agricultural operations, will be unable to approach the AID because they are too rich, and some will be unable to apply to the Bank for the opposite reason. The role of the International Finance Corporation should be similarly extended and the conditions for its aid liberalized. For analogous considerations, although envisaged from a wholly different angle, we ought to do our utmost to see to it that the impact of rising

prices in an industrialized country is not automatically passed on to the importing country. In our opinion the best means of escaping non-generalized inflation is to establish the broadest possible multi-lateral system of payments, so that buying countries are left entirely free in the choice of their suppliers. In this way we state our preference for the convertibility of currencies, although we admit at the same time that in some cases bilateral payment agreements will remain an inevitable necessity.

I have just given you a frank statement of the principles and lines of action which will guide our delegation in the study of the problems before the Conference. Here at Geneva, during this Conference, we ought to reach agreement on the meaning to be given to trade between rich and poor countries and on the importance of aid for development. If we succeed in reaching agreement on the means of effecting a fair distribution of the riches of the world between the advanced and the backward countries, it will be a simple matter to agree thereafter on the institutions and bodies that will have to be created to make the consequent transfers.

All speakers have agreed that the existing organizations have in reality served ultimately to give effect to the policies which they were intended to implement. Our task will be to endeavour to reach a better definition of those aspects of the policies in question which have not hitherto been dealt with for want of the necessary interest. Any past errors or omissions have been attributable to the fact that the policy of the transfer of incomes and of the organization of trade between countries at different stages of development has never been dealt with as an integral whole. More important than the creation of a new international trade organization, as has been said before in this forum, is the genuine determination of all countries to observe a set of rules of commercial conduct in keeping with the needs of the modern world. Since the issue before us is the actual policy of the coexistence of the various countries of the world, and not the organizations serving that policy, we shall eschew any doctrinaire attitudes, though we ought to add that the suggestions concerning institutions contained in the Conference Secretary-General's report have our delegation's express support.

That support is based on long experience gained in our association with the European Economic Community, which offers a sound structural form for economic relations between industrialized and developing countries.

Finally, as many speakers have said before me, I think that our problems will be solved only by effective collaboration between the poor and rich countries. The very fact that this collaboration has been realized within a group of States—limited in number at first, but becoming more and more numerous—should encourage us to put our faith in the new concept of international life that it is the task of this Conference to draft and formulate.



STATEMENT BY H.E. Mr. SALIA JUSU SHERIFF,  
MINISTER OF TRADE AND INDUSTRY,  
HEAD OF THE SIERRA LEONE DELEGATION

at the eighteenth plenary meeting, held on 3 April 1964

[Original text: English]

My first duty is to congratulate Mr. Kaissouni on behalf of the Sierra Leone delegation on his unanimous election as President of this historic Conference. We pray that he will be given divine guidance to steer the course of this Conference to the successful achievement of the objectives which we all hope will materialize.

We entertain the hope that the many problems facing the Conference will be approached not from any conflict of interest between developed and developing countries, not from any spirit of antagonism, but from the standpoint of mutual trust and for the common good of the international community; but even more important, we hope not from the point of view of evasive diplomatic platitudes, but from a down-to-earth practical point of view so that when we return to our respective countries we shall be able to take to our peoples concrete and positive solutions which they can recognize and understand. It may be thought that this Conference is an indictment of the developed nations. We prefer to regard it as a challenge to such nations—a challenge which it is our earnest hope they will accept in the interest of universal human progress.

Previous speakers have all stressed the importance of this Conference, and it is the wish of the Sierra Leone delegation to associate itself with the sentiments already expressed. My country is a young developing country which achieved independence only three years ago. We fall within the category of those having populations of less than five million.

Since 1947, we have always phased our development projects in accordance with economic development plans, the most recent being our "Ten-year plan of economic and social development" covering the period 1962/63 to 1971/72. Under this plan we hope to spend a total of £150 million. We have to find at the initial stages £15 million to £16 million every year from local sources. To achieve this, Sierra Leone has to generate the necessary income, in particular from foreign trade. We cannot afford, therefore, to continue the expensive policy of ever-widening trade gaps due to the imbalance of our foreign trade.

However, as a result of the early adoption of economic development planning, Sierra Leone now has a growing economy. Since the 1950s, our economic growth has been above the average of 5 per cent now

expected of developing countries during the present United Nations Development Decade. Our Government has striven since independence to narrow the gaps which hitherto existed between us and the more advanced countries. We have embarked on schemes to narrow gaps in education, in scientific and technical achievements, in the field of labour and management, in the enjoyment of health and welfare, in the enjoyment of basic human rights, and in the economic well-being of our peoples. So far, we have been striving against great odds, since the attainment of such objectives has depended to a large extent on the limited amount of money which our economy can generate, and this in turn depends on the amount of foreign capital which we can bring into our country as a result of our foreign trade.

It is regrettable that in spite of the efforts our Government has been making to speed our economic development, real progress has had to slow down and our targets have not been achieved. We have been unable to conserve sufficient capital locally to finance even a modest proportion of the plan owing to the continuous imbalance of our external trade. In 1950, our total exports were in the region of £6,949,000, and total imports were in the region of £6,746,000. Exports then not only paid for imports, but also brought us a small surplus income of over £200,000. By 1962, however, whereas imports had risen by as much as 351 per cent to £30,435,000, exports had risen by only 195 per cent to £20,525,000. In other words, by 1962, we could not say we were paying for our imports from our exports. In addition, the trade gap had widened from a positive £202,781 to a negative £9,892,197. The indications are that unless present trends are arrested, our negative trade gap will grow wider. Mr. Prebisch's analysis of the problem could not be truer of the conditions now obtaining in Sierra Leone. Can this state of affairs be allowed to go on indefinitely? The answer we have brought from Sierra Leone is a definite: "No".

The situation just described for 1962 cannot be considered as an isolated phenomenon, but as part of a well-marked trend. The average rate of increase of our imports by far outstrips that of our exports. During the past ten years, the value of imports has been increasing at the annual rate of 11.26 per cent, whereas the value of exports has been increasing at the rate of only 7.85 per cent. Our average adverse



annual trade gap during the same period has been over £5 million. When it is realized that domestic exports during the same period averaged annually £17,400,000 in value, the seriousness of our situation can be understood. Our annual trade gap then becomes almost 40 per cent of the value of our annual domestic exports. In other words, if we are to maintain the stability of our internal economy, if we are to support our currency, if we are to continue the progress of economic development, then it is necessary for us to produce at least 40 per cent more (in value) of the commodities which we sell abroad. In concrete terms, this means that our population of under 3 million must produce an extra £7 million worth of domestic commodities every year over and above what we now produce for the export market. Does any one feel that we, or any other developing country in a similar situation, can achieve such a feat within the context of the present system of international trade, in which the balance is so seriously weighted against us, a context within which we receive less for producing more merely by the arbitrary regulation of the price index?

The reasons for this imbalance in our foreign trade are already well known to the delegates at this Conference. In our special case, we have discovered that the prices of important exports have tended to rise very slowly since the 1950s, whereas the prices of the goods we import have been rising at a relatively faster rate. Take palm kernels, for example, one of our major exports. In 1951, exports were valued at £60.58 per ton. Since then, it has persistently taken a downward trend, and in 1962 the value was £40.21 per ton. In 1950, our piassava exports were valued at £2.56 per cwt., rising in 1953 to £3.78 per cwt. Since then, the value has been persistently falling, even though larger quantities of fibre have been exported. Last year, our piassava was valued at only £2.43 per cwt.—less than the value in 1950. In mineral exports, we find the same tendency. Iron ore exported in 1950 was valued at £1.12 per ton, and in 1963 had risen only to £2.52 per ton, even though the ferrous content of our ore has remained high. Chrome ore in 1950 was £6.74 per ton and ever since 1958 it has settled down consistently at £10 per ton. On the other hand, the value of our imports from the more-developed countries has been increasing at a much faster rate.

It is not my intention to tire you with trade statistics. My delegation will provide the various committees with detailed statistics of our trade and development for the purpose of convincing the Conference about the seriousness and the urgency of the requests which we are making to this assembly. Developing countries such as mine are at present faced with the spectre of economic collapse due to losses from international trade. We have been able temporarily to survive because of loans we receive from some developed countries. But loans have to be repaid sooner or later, and we cannot foresee how we can repay all our

international loans if our international trade situation continues to worsen.

My delegation does not share the belief that in the international equation "aid" should disappear, at least not in the immediate future. We feel strongly, however, that the granting of aid should not be a substitute for trade, trade which will be rejuvenated by the principles and facts which have inspired this Conference, trade that is fair and beneficial to all parties concerned. Our experience is that aid is often profusely given on grounds purely of political expediency. We cannot but wonder whether aid always goes where it is most deserving. Hence, though we recognize the value of aid and indeed advocate its continuation, our preference clearly is for aid built into trade.

What then are some of the objectives which we hope to attain from this Conference and what are some of the problems which we should seriously study here? They are: firstly the development and expansion of available markets with particular reference to commodity problems; secondly the improvement of local production and manufactures; thirdly appropriation to developing countries of the net gains from their invisible trade; and fourthly the establishment of international machinery to implement the decisions of this Conference.

The first consideration for us at this Conference is to evolve a policy for expansion of export markets for developing countries, the amelioration of the prices entering such export trade, the regulation of fluctuations in those prices, the disappearance of quantitative restrictions, tariff barriers and other impediments to the free flow of the export trade of developing countries and the narrowing and ultimate closure of the adverse trade gap it has hitherto been our misfortune annually to experience.

Any such policy should recognize the principle of compensatory financing weighted in favour of the developing countries in terms of the net disadvantage suffered by those countries and bearing in mind the relative loss they have been experiencing owing to the prolonged disparity between the rate of the relative growth of the values of their imports in terms of the values of their exports. In addition my delegation would like to see the complete disappearance of all tariff barriers and quantitative restrictions which now exist in certain developed countries and which restrict the free flow of the exports from the developing countries. In this connexion, Sierra Leone unfortunately has in the past been unable to export anything to the centrally-planned economies. In 1962, for instance, we did not export anything to them, yet we imported from them to the tune of over £1 million. In like manner we have during the past years been importing far more from the United States than we have been exporting to that country. In 1962, for instance, whereas we imported over £1.5 million worth of merchandise from the United States, we were only able to export £28,000 worth of goods to

that country, due largely to tariff barriers. We feel certain that we are voicing the aspirations of many developing countries when we state that it is our earnest hope that this Conference will succeed in establishing acceptable principles to correct the disequilibria in our external trade. It is the hope of my delegation that from this Conference will emerge new international machinery capable of working out and ensuring the observance of the new principles, techniques and methods which will assure us, developing countries, a fair share of the benefits accruing from world trade.

Whatever institution is ultimately decided upon, my delegation expects the present Conference to give serious attention to the problem of making market information available to developing countries. Technological advances in other fields have practically brought every part of the globe within easy reach of every country. Unfortunately, in the field of market research, particularly for the raw materials and semi-processed materials from developing countries, corresponding research advantages have lagged far behind. We are confident that if the international community can enable us to reach out to new markets on favourable terms, then a part of our difficulties would have been solved.

The second matter to which the Conference should devote attention, in our opinion, concerns the improvement and diversification of production in the developing countries. International trade is a two-way traffic. In order to sell our goods abroad, we must improve their quality at home. In the case of agricultural and mineral products, improvement depends upon the adoption of new techniques, and this we are trying to do within the context of our economic development planning. It is now, however, becoming generally accepted that no country should be content to remain a producer of raw materials only. We support the thesis of Mr. Prebisch that, come what may, our countries must become industrialized. At the moment, about 80 per cent of our active population is engaged in agriculture. We envisage that the improvement of productivity in our agriculture will ultimately result in a reduction of our manpower input in agriculture. What should we do then with the surplus labour released from farming? If we must avoid the evils of unemployment which beset agricultural populations of the industrialized countries in the past, we must initiate plans for industrialization side by side with those for agricultural development. However, as Mr. Prebisch has observed, our national markets for locally-produced industrial products are handicapped by the smallness of our population and also by the relatively small average *per capita* income of our workers. In other words, we have to find external markets for the industrial commodities we can produce, and the developed countries obviously have to be a part of those markets. My delegation believes that the adoption of a policy of industrialization of the developing countries involves no conflict of

interest with the more-advanced countries, particularly in the agricultural and mineral sectors.

Various suggestions have been put forward as to how best to initiate this industrialization process. We respect the view that, as far as possible, industrialization should at the commencement be geared to the home market or to a regional grouping of contiguous areas. We trust that as a result of our deliberations here we shall arrive at decisions to form customs unions and other regional arrangements to facilitate the flow of trade between neighbouring developing countries. At the same time, we do not feel that the progress of our industrialization should be limited to the regional approach. In 1962, our total exports to our West African sister territories totalled only £147,000, which represented 0.88 per cent of our export trade. Our imports from them in that year totalled £485,600 representing 1.60 per cent of our import trade. In the same year, our exports to the United Kingdom totalled over £11.5 million or 69.53 per cent of our export trade. Our exports to Europe (United Kingdom excluded) totalled almost £5 million, or 29.06 per cent of our export trade. Our imports from the United Kingdom totalled almost £12 million or 39.08 per cent of our imports, and those from Europe (United Kingdom excluded) totalled over £9 million, or 30.38 per cent of our imports. Our Government's policy is to conserve and expand existing suitable markets and not to lose them. If the present figures of exports are an indication of the demand for our raw materials and semi-processed goods, then it is certain that we shall benefit from the export of processed and manufactured articles to the same traditional markets which had hitherto taken the raw materials.

Certain advanced countries fear that such industrialization might create unemployment problems for the developed countries. If the international community felt that important decisions affecting world trade and stability rested on unilateral action, this Conference would never have been convened. The international community uninfluenced by any selfish motives, should work for the common good of humanity. In this connexion, we believe that questions involving an apparent conflict of interests should be solved on the basis of the overriding interests of the entire world. The problem of unemployment, for example, should be determined on the basis of whether the entire world would become more adversely affected by widespread continuous unemployment, dissatisfaction and poverty in the developing countries if they were not industrialized, in comparison with the adverse effects which might flow from a small proportion of unemployment in the more-advanced countries. We feel satisfied that most of the problems attendant on the industrialization of the developing countries can be solved by the yardstick of the net advantage which will ultimately accrue to the world from the higher incomes to be enjoyed by millions of people. Let us not forget that prosperity in the developing countries has always resulted in the increased consumption of goods and

services from the more-developed countries of the world. It is the belief of the Sierra Leone delegation that the industrialization of the developing countries will in the long run result in enhanced benefits to the more-developed countries, who can begin to concentrate on the newer fields of technological progress made possible by the splitting of the atom.

Industrialization, however, depends on a favourable climate and on the ease by which foreign investment can be attracted into the developing countries. Indeed a number of developing countries have already created such an atmosphere. In Sierra Leone, for example, we have enacted a development law which goes a long way to attract and encourage foreign investment, but I regret to state, that in spite of such attractive legislation and congenial atmosphere, private investment from certain major developed countries has evaded our shores. The Sierra Leone delegation therefore trusts that in the course of this Conference we shall re-examine the techniques and possibilities of private investment for developing countries.

A problem we all have to face is the fear of the private investor that he might lose his capital investment in a developing country as a result of unpredictable changes in that country's Government or national policy. Insurance has been developed to cover many types of risks, and my delegation believes that this Conference should give serious consideration to devising techniques of insuring against the risk of loss of capital investment arising from unfavourable political changes. An international capital investment insurance agency, for example, will undoubtedly improve the flow of investment capital from the developed to the developing countries.

The third problem to which we should like to direct the attention of the Conference concerns the appropriation and enjoyment of the net gains by developing countries from their invisible trade. We should like to see a policy adopted principally by the developed countries whereby they make available to the developing countries a larger share of the gains accruing from our invisible trade. Sierra Leone, for example, enjoys little benefit from her invisible trade. It is a fact that we are nearest South America in any rational air transport system between that continent and Europe, yet we derive nothing from this advantage. The West African coast is less than six hours by jet from the major cities of Europe, and offers all the possibilities for an enchanting holiday, yet our tourist industry still remains to be developed. We are still practically at the mercy of the great Shipping Conferences, and it is with difficulty that we have made a beginning with air transportation. The insurance industry remains a

virtual monopoly in the hands of the developed countries and the gains therefrom slip through our fingers. Surely, a liberalization of trade for the developing countries must also take place in the invisible sectors.

The fourth problem to be considered by this Conference is, in our view, perhaps the most important of all. This Conference must decide to establish the necessary international machinery to implement the decisions we shall make. It is significant that separate bodies, such as the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Labour Organisation (ILO) and the World Health Organization (WHO) already exist to regulate and develop international organization and co-operation in agriculture, education, industrial relations, and other economic and social fields. In the field of international trade and development, GATT is the only international body now existing, and it came into being merely as an interim measure. Besides, it was established principally in the interest of the developed countries, to whose advantage it still operates.

Let us be frank about this problem: we need a new approach to world trade and international co-operation. When GATT was set up, a great number of the existing developing countries were under the yoke of colonialism, and were regarded as hewers of wood and drawers of water. Ideas of interdependence have since undergone revolutionary changes. In the opinion of the Sierra Leone delegation, new institutions have to be established to accord much more closely with the new ideas. Out of the deliberations here, I envisage that new standards—and I might even say, new conventions—will be established to guide us all. It is essential that these be kept under constant review if they should not act adversely to the interests of the developed as well as the developing countries. My delegation therefore trusts that this Conference will be a permanent feature in international organization. Is it too much to hope that future conferences and, shall we say, the permanent secretariat of the United Nations Conference on Trade and Development, will be established in a developing country? I can assure you that my country will be a ready and willing host.

Finally, I should like, through the President and in the name of my delegation, to express our gratitude to Mr. Prebisch and the Secretariat for the masterly way in which the various problems have been presented to us in the working papers. If I have stated our position at some length, this is because I realize that we, coming from the developing countries, have a duty to state our needs and our aspirations as clearly and as frankly as possible.

STATEMENT BY H.E. Mr. N. DIEDERICHS,  
MINISTER OF ECONOMIC AFFAIRS OF THE REPUBLIC OF SOUTH AFRICA,  
HEAD OF THE DELEGATION

at the twenty-fourth plenary meeting, held on 8 April 1964

[Original text: English]

I should like to associate myself warmly with the congratulations to Mr. Kaissouni which have already been expressed by previous speakers on his unanimous election to the presidency of this Conference. The South African delegation wishes likewise to extend its congratulations to the other officers of the Conference and in particular to our Secretary-General, Mr. Prebisch, on the excellent task performed in connexion with the preparatory work for the Conference.

South Africa is adopting a constructive attitude to the Conference. We believe that world prosperity depends on the prosperity of all States whether they are big or small, whether they are highly developed or less developed. We believe we can make an important contribution to promoting the economic welfare of the world of the developed as well as the developing countries. But we also believe, that the fullest co-operation between all countries is necessary so that a concerted effort can be made to accelerate the progress of developing countries. We have very direct sympathy with other countries in the process of development—for the problems of development confronting my country are largely the same as those confronting the majority of the developing countries.

We all recognize in our deliberations that there are, generally speaking, two main types of country in the international economy, with the advanced industrial countries comprising the one type and the less-developed countries the other. But there is also a growing recognition that each of the hundred and twenty-one countries represented here is subject to important and unique individual circumstances. The seemingly clear-cut distinction which is being made in our discussions does not obtain in reality. There exists, in fact, a continuous scale progressing from the smallest and the least advanced of the less-developed countries, to the greatest and the most advanced of the industrial countries. There exists a great diversity of problems and these call for as great a diversity of solutions.

I speak as the representative of a country which has already covered part of the distance separating the developed from the less developed. South Africa is acquainted with the difficulties facing developing countries, as we have experienced, and are still experiencing, similar difficulties. We are still in the intermediate stage between the highly industrialized and the less developed.

Countries finding themselves in this position face real and pressing problems. Like the countries in the

initial stages of development, they have to rely mainly on the export of primary commodities. The establishment of new industries, which have to compete with the established industries of the advanced countries in export markets as well as in their domestic markets, is a most formidable task. These problems, and others of a similar nature, nevertheless require solutions. In these matters, and in others, my country shares the hopes and anxieties of all countries which experience problems of development.

We all recognize that it is of the utmost necessity for countries in the process of development to obtain a greater share of the advantages that derive from international trade. My delegation fully subscribes to this view, but would, moreover, wish to emphasize the complementary relationship between the internal and external aspects of development, between national and international measures to promote trade and development. International trade stimulates national development, but national development also gives rise to international trade.

The importance of the human element in dealing with problems of trade and development has already been emphasized by various speakers, and especially so by the delegate of the Holy See. In our experience, too, the human element—whether in respect of enterprise, skill or labour—is of paramount importance. The process of development is initiated by human enterprise. The specialized tasks that have to be performed in developing or modern economies require suitably skilled persons. And a high level of gainful employment for the people as a whole can only be attained if they are skilled, industrious and productive. Progressive social measures in such fields as education, vocational training, nutrition, housing and health are, therefore, a most essential complement to any measures to promote economic development.

Without these requisites, economic development and improved trade patterns are virtually impossible. But this should not discourage anyone. The experience of my country, which extends to as great a diversity of peoples as can be found in any land, indicates that capacity for development is found amongst all peoples. It is indeed our policy freely to extend the process of development amongst all the peoples of South Africa and notable successes have been achieved amongst all of them.

But we believe that it is wrong to transplant, without modification, the advanced modern techniques of

production and business management employed in the industrial countries. Developing countries usually have to cope with surplus labour, for which they are unable to find suitable employment. Relentless labour-saving techniques and extreme mechanization and automation are generally not appropriate for such countries. The one factor of which they have an abundance, is, of course, their human resources. In the final analysis, man himself is the only resource on which development absolutely depends. It is, therefore, essential that the greatest possible number of people in the developing countries should be enabled to play a direct and productive part in the process of development. The optimum combination of capital, enterprise, labour and resources in a developing country differs vastly from the optimum which would obtain in a developed country.

By taking full account of the human possibilities for development, it is possible to lay the foundations of a productive industrial society even before the industries that are established offer their goods on severely competitive international markets. Industries that are established to satisfy local and national needs can form a substantial base for development, in both individual communities and developing countries.

By continually increasing the efficiency of these industries, they can operate and produce with growing confidence and growing strength, increasing the prosperity of communities and nations and preparing themselves for entry into international markets. And, having gained the required degree of skill, efficiency and strength, such industries may increase the prosperity of developing countries all the more by launching their products in the markets of the world.

That is not to say that export industries requiring outside capital and expertise should not be established at the outset. This could, and should also be done to the fullest possible extent. But certain industries, proceeding from a local and national base, are within the grasp of every community and every country, irrespective of any external assistance which may or may not be forthcoming.

The importance of strengthening the infra-structures of the developing countries has already been highlighted, particularly in the outstanding address by the President of the International Bank for Reconstruction and Development. Such development as my country has enjoyed could not have been achieved without appropriate development in basic services such as railways, harbours, water and electricity supplies, roads and communications. Ancillary services such as housing, nutrition, health, general education and vocational training have likewise been indispensable. But there is an important qualification. The creation of these facilities could only take full effect because the more substantive processes of development in agriculture, in mining and in other basic sectors of the economy had already been generated. It is of the utmost importance to maintain a balanced relationship between the establishment and expansion of infra-structures

and substantive development in the basic branches of production.

It is equally important to be fully alive to the grave problems inherent in the process of development—problems such as increasing pressure on the limited resources of capital, expertise, skilled manpower, administrative ability, and social services such as health, education and housing. It is in these particular fields where outside assistance can play a very special part.

Outside assistance to developing countries is most effective when designed to support, to encourage and to strengthen the developmental measures of the developing countries themselves, and when fully integrated with measures initiated in the developing countries.

By supplying managerial, technical and administrative skills, capital equipment and other forms of aid and support in this way, the developed countries can rapidly accelerate and intensify the processes of development to which I have referred, the better to meet the urgent needs of the developing countries. By maintaining stability and confidence, by judiciously using their own resources in the most effective manner, developing countries on their part can attract the greatest possible measure of outside assistance, and also private enterprise and capital. Such circumstances will ensure that the maximum of aid will be forthcoming from the international community.

It is generally accepted that the relative scarcity of managerial, technical and skilled personnel poses serious problems for a country in the process of development. This problem can be ameliorated by the establishment of development corporations to assist viable new industries with capital as well as managerial and other services. Corporations such as these can perform useful functions in development, especially in the establishment of basic industries.

My country has experienced, in the same way as many other countries, that the development we achieved initially took place mainly on the strength of producing primary commodities for export, these commodities accounting for the overwhelming part of our exports. By expanding our exports of these items to the developed countries, we succeeded in reaching the take-off stage into more or less self-sustained growth.

But as we have experienced, there are obvious limits to a process of growth based mainly on these exports. It appears that countries in the process of development generally experience a great need for industries to process more intensively and to a more advanced stage their primary commodities and raw materials, instead of exporting them unprocessed. Freer access to the markets of the advanced industrial countries for such goods could make a valuable contribution to greater diversification in the development of the great majority of countries represented at this Conference.

We should, however, not underestimate the problems that unreserved accommodation in regard to such

access could create for the advanced industrial countries.

In contrast to my country's primary industries, which developed in response to external market demand, our secondary industries were generally established in response to internal market demand. Secondary industries were established before we had the intention of exporting industrial goods, and the question of exports generally arose only after the industries in question had become going concerns. Other countries appear to have had similar experience.

Industrialization on the basis of the greatest attainable share of internal markets must, however, raise the question of the limited scope of most internal markets, particularly in the case of developing countries. Internal markets could, however, be expanded on the basis of regional arrangements, but the problems relating to competitive products and concepts of independence should not be underestimated, since regional arrangements inevitably require sacrifices. A relaxation of the existing rules governing such arrangements with respect to countries in the process of development could, nevertheless, make a contribution to the development of their regional trade and to the development of industries benefiting from the economies of scale.

The development that has taken place in South Africa thus far has already increased our participation in international trade. We have been able greatly to increase the magnitude and the value of our imports, both from developed and developing countries. We offer particularly liberal access to goods coming from developing countries. Products such as tea, coffee, tropical hardwoods, jute and other raw materials are exempted from internal taxes and levies and enter our markets duty-free or at very low rates of duty. Our imports from developing countries run at an annual rate of \$300 million and are continually increasing.

South Africa today ranks among the twenty largest importing countries in the world and is able to make a valuable contribution to the export trade and also, on the basis of our imports and exports, to the invisible earnings of a great number of countries in all parts of the world. But although this growth in our imports was facilitated by reductions in import duties, by a low-tariff policy and by similar measures, to which so much importance can rightly be attached under the appropriate circumstances, it should be stressed that these policies were not the prime cause of our expanded imports. It is not simply the case that South Africa has always maintained, and still maintains a liberal import policy, as her high import coefficient would testify. It is, rather, a case where imports have grown because of the growth in the gross national product, which in 1963 expanded at a rate of 10 per cent. Not only is our average propensity to import very high in relation to the national product or income, but the marginal propensity to import in relation to increases in the national income is even higher.

Our experience has been, consequently, that tariff and similar concessions granted by us to other coun-

tries, and particularly to developed countries, did meet the requests of those countries and did greatly facilitate trade, but they did not serve as the motive power behind the great increase in our imports from all countries.

It is, in fact, most difficult to escape the belief that the notion of the strict *quid pro quo*, of matching concessions say, in the field of tariffs, is of little consequence where the development of a new and growing economy in itself confers vast benefits on the economies of other countries in the form of expanded trade. We may all recognize that the orthodox rule of the *quid pro quo* might be most useful in regulating the relations between countries at a similar level of development. My delegation supports the view, however, that the Conference should take a close look at the whole question of literal reciprocity in regulating trade between countries at different levels of development.

I would venture to suggest that countries in the process of development should be allowed freedom in taking measures for the development of their economies, even if such measures entail a rational and selective use of tariffs and other measures to enhance the vigour of infant industries. In such cases, the question of compensatory concessions, as traditionally called for in terms of the GATT, should be subject to the more overriding importance of economic development and the attendant expansion in trade from which other countries could expect net gains in their exports. These notions, which have also been voiced by other delegations, should be accorded the recognition they deserve. Any schemes or proposals in this regard should, I feel, be assessed rather in the light of the development which we desire to achieve in the global interest than in the light of specific and limited effects on the trade of the developed countries.

I should, at the same time, like to pay tribute to the indispensable functions which the GATT has performed and should continue to perform in international trade. Largely as a result of its influence, the chaotic conditions in international trade after the last World War steadily made way for an orderly and progressive expansion of world trade, which is still proceeding. The implementation of the GATT Action Programme will further promote the expansion of trade in a way particularly beneficial to developing countries. Countries responsible for the overwhelming proportion of world trade already participate in the GATT, and the particular needs of the developing countries could readily be accommodated within its framework. Considering further the wealth of experience embodied in the GATT with regard to all aspects of international trade, there is every reason for it to be preserved. The stable and outward-looking principles and policies embodied in the GATT and its fundamental character should, therefore, be maintained.

Some improvements in the detailed provisions of the GATT are no doubt desirable, particularly with respect to countries in the process of development: improve-

ments such as greater elasticity to permit regional groupings and preferential arrangements among them; more adequate recognition of measures to promote industrial development; and less insistence on specific reciprocity where these countries are concerned. Measures of this nature are already under way in the GATT.

My delegation has noted with great interest the various proposals submitted to the Conference, particularly those that affect the trade of countries in the process of development. While fully realizing the

difficulties inherent therein, we are prepared to examine these proposals both in respect of individual commodities and on a comprehensive basis.

South Africa strives for the promotion of its own economic well-being as well as that of all other States and we are also prepared to co-operate with all other countries desiring such co-operation in joint efforts to improve the prospects for international trade and development. This we shall do to the fullest extent possible with all nations irrespective of trading procedures or forms of Government.

STATEMENT BY H.E. Mr. ALBERTO ULLASTRES,  
MINISTER OF TRADE OF SPAIN, HEAD OF THE DELEGATION  
at the eleventh plenary meeting, held on 31 March 1964

[Original text: Spanish]

I am convinced it is very fortunate for this Conference that the Minister for Treasury and Planning of the United Arab Republic is presiding over it and, like all of you, I am delighted to be able to congratulate him on his appointment to this distinguished office. Today it is a great pleasure for me to be addressing you in the presence of the acting President, Mr. Lleras, the Colombian representative, with whom I have the closest ties of friendship and brotherhood, as does my nation with his.

What I shall say here today—like the statements made by previous speakers—will be said against the background of the excellent report submitted by the Secretary-General of this Conference which is likely to form the basis for all our deliberations here. It covers in sober and measured terms the questions discussed at other international meetings, and specifically at the meeting of the Latin American group at Alta Gracia, which are regarded as fundamental issues for this Conference by many participants.

For the first time we find practically all the nations of the world assembled together to discuss international trade problems. The topic is confined theoretically to trade problems, but let us not forget that trade reflects the market and the market is the focal point where all the economic actions and reactions of the productive and consumer sectors converge both nationally and internationally. For that reason we are in fact dealing with the general problem of international co-existence, the general problem of an equitable international economic system.

It would, however, be misguided to try to go into each and every implication of the trade measures which

this Conference may adopt or discuss. The Conference will have to confine itself, as I am now doing, to discussing those aspects and proposing those solutions which are directly designed to bring order into the international market in those sectors which are more controversial and more disputable and which are creating international economic friction—the problems that, specifically, have brought us here.

None the less, we cannot overlook the fact that our deliberations are primarily concerned with trade as the activity which can assist, but which at the present time is actually holding back, the development efforts of many of the nations assembled in this hall.

Spain's position at this Conference is a difficult one and, at the same time, a simple one. My country is midway between development and under-development. We are not yet a highly capitalized industrialized country. We have a low *per capita* income, but it cannot be said that we are an under-developed country which has not yet embarked on development. Quite the contrary; I believe that we have successfully started out towards development, and that we now have self-sustaining development, both because of the initiative of our entrepreneurs and our domestic savings and capital formation potential and because of our administrative organization so far as the framework and promotion by the State of this private activity are concerned.

This intermediate Spanish position with respect to development problems means that in some respects the topics and commodities of which we are speaking, and are going to speak, in the Conference affect us only very marginally most of the time. For us, to obtain manufactures from the developed countries is not



a serious problem, not even with the slow but steady increase in their prices which creates or constitutes one of the two factors of the deterioration in the terms of trade which reduces the international purchasing power of the under-developed countries. And neither are our problems, as sellers and as exporters, the problems of the tropical countries or the countries in the temperate zones, because we are not large-scale exporters—and in many cases not small-scale exporters either—of any of those tropical products, or of meat, grains, dairy produce and the like.

Our exports are of the type which are not generally discussed at international conferences—not even with a view to protecting them. They are those of the Mediterranean area; they are garden produce, exports of fresh fruit and vegetables. The discussions on them take place in very small meetings, generally with our major importers, which are traditionally the European countries.

However much the Spanish delegation might be interested to have the subject of our exports—at present also subject to definite restrictions, like other exports from tropical or temperate countries—discussed during the meetings of the Conference, there would be little hope that these problems of ours would receive thorough treatment or be solved in so far as they concern us. And I am not going to try to divert the Conference's work so that its interest, inspiration and attention are focused on Spain's problems or those of any other semi-developed Mediterranean country which has the same problems to the detriment of the other problems affecting many nations much less developed than ours.

The Spanish position at this Conference is therefore a disinterested one, but I would not wish the Spanish delegation to become a mere spectator of what happens here because the pressing problems before the Conference arouse strong emotions and no one who has human feelings, no one who has feelings of justice and who thinks of the future of our tormented world can remain indifferent to them and to the possible solutions which may be adopted. Consequently the Spanish delegation will co-operate actively, though without bias, in the work of the Conference. It is my belief, however, that is precisely this impartiality which will enable the Spanish delegation in the course of the meetings, and myself at this moment, to express views on the problems raised which may well deserve consideration, not so much for their intrinsic merit but because of their exceptional impartiality, particularly desirable in the interplay of interests around these problems.

The intermediate position of the Spanish economy has not prevented us from pursuing a policy which is completely in accord with the economic and trade doctrines of the developed countries. As is well known, Spain launched a stabilization plan based essentially on accepted principles of internal economic organization and international trade. Our basic position in this

field involved the removal of restrictions on our imports from developed countries and, in many cases, also from countries less developed than we are. We have thus been contributing to the objectives and efforts which are being made to expand the market for the tropical and temperate products of the less-developed countries. In addition, frequently on our own initiative, we have reduced our tariffs in order to increase our consumption of those products.

The rather liberal trade policy which Spain has pursued in recent years has in fact led to internal economic growth at a reasonably stable price level; but it has also created for us (and this shows that fundamentally there exists a problem for all the under-developed and developing countries which has to be tackled and which we are studying here) a substantial and widening trade gap, a deficit in the balance of trade which for the year 1963 amounted to approximately \$1,000 million.

The fact that that gap occurred when our imports totalled some \$2,000 million and our exports did not even amount to \$1,000 million shows to what extent we have tried to play fair in the international market and contribute to international economic co-operation. It is true that we bridge this gap with invisible earnings, basically tourism and remittances from our workers abroad, but it is also true that there is something wrong with the system, since it should not be possible for a country which follows the traditional rules to continue for a number of years to have a widening trade gap—and the process is still continuing. This goes to show that the international trade structure and, to a large extent also, Spain's internal economic and trade structure are not properly attuned.

The policy of international liberalization which we have followed has resulted in a rise in our imports which is much greater than the increase in our exports. Any country engaged in a strenuous development effort has to be warned if it is faced with a situation of this type, because often the expansion of internal investment, like the growth in consumption, produces a very high import elasticity at a time when exports are restricted systematically as a result of the increase in domestic demand. We cannot blame anyone for these difficulties and we would bear them if the others—i.e., the rest of the international community—also played fair, if markets, in short, did not suffer from the present intrinsic defects. Specifically, the problem which we are assembled here to discuss is primarily one of international justice, but it also derives from a distorted international market, or from distortions in that market, which we are endeavouring to regulate by applying theories and doctrines based on premises which are not consistent with international conditions or those prevailing in all the countries which act as importing or exporting units in this world market.

I must say that in this matter, as in so many others, I have received considerable inspiration from the words which I am going to quote from the report of



the Conference Secretary-General and which we had the good fortune to hear some days ago when Mr. Prebisch himself introduced the contents of his report.

The Secretary-General referred—and since then the point has been more or less fully taken up by other representatives including, I think, the New Zealand representative who spoke before me—to the lack of homogeneity in the international economy. All the theory and principles are based on the assumption that the economic world—the world of national communities and the international community—is homogeneous, but experience is systematically and constantly showing us that it is not.

In trying to bring order into international trade so that it does not hamper but assists the developing countries, we encounter difficulties which we do not know how to solve; the first thing we should do is to revise our premises. Now that there is so much talk of the philosophies of international organizations and regional economic groupings, it would not be a bad thing if the Conference were to decide, as the starting point of its future work, to revise the philosophy of international trade, re-examine its premises and adjust its principles to the obvious heterogeneity of structures, to that heterogeneity which everyone has already acknowledged, for instance in agriculture and industry, at the international and national levels. The theories and doctrines now applied are completely heterogeneous and there is a tendency to practise free trade in the industrial sector and high protection in the agricultural. Is this an inconsistency? Not from the human and social point of view, but it is nevertheless an inconsistency caused by the one-sided economic logic of thinking specifically of industry and not of agriculture. Obviously I would not charge a country with inconsistency if it refused to allow its domestic markets to be flooded with foreign agricultural or livestock products on the ground that the principle of freedom must take precedence over all others, because we cannot forget the human, political, social, cultural, demographic and other implications of the economic penetration of some countries by others.

In order to be consistent—and I am anxious to be consistent now—I am therefore of the opinion that we shall also have to transfer this understanding to the international level and recognize that those countries which produce agricultural or livestock products naturally have to participate in the international economy in a completely different way, and the markets for their commodities will also have to be treated altogether differently from those of the manufactures of the industrial countries.

I have told you that I regard the problem as basically one of international justice. The idea of social action within individual countries has already been universally acknowledged; thus all national policies make provision in one form or another, in both the States of the free world and the socialist ones for social reform. Now, this idea has not yet made the same

headway at the international level though I cannot see why because the same reasons for it certainly exist. It is also true that the same objections exist, but the only thing that can be done is to take suitable steps to overcome them and under no circumstances to abandon the aim of making social action an international responsibility, because we have the resources and all we need is clear ideas about using them. This should be the key principle on which the studies and decisions of this Conference are based. The representative of the United States concluded his statement the other day by reminding us of a saying of the late President Kennedy. He said that international assistance, the so-called aid to under-developed countries—I do not like the word “aid” at all because it sounds like a favour whereas it is only justice—must be provided by the United States, but I maintain that all the developed countries will have to provide such assistance because it is a matter of justice, and the problem must be tackled on the basis of justice and not on the assumption that a kind of one-sided gift is being made.

Social justice is based on premises which have nothing to do with the question whether those possessing wealth have acquired it by good or evil means, justly or unjustly; it is independent of the economic productivity which has enabled each man and each nation to attain a higher level of wealth; it is simply a matter of human solidarity, which demands that the structural, psychological, climatic or other drawbacks from which many countries suffer should be remedied, in the name of solidarity and justice, through at least a partial redistribution of the world's income in their favour.

But let us leave aside this question of international social justice and concentrate on the purely commutative justice owed to the under-developed countries, which are constantly being discriminated against as a result of the deterioration in the terms of trade of their products *vis-à-vis* those of the developed countries. Because of this distortion of the international market, transactions between developed countries and under-developed countries are unfair not only from the social point of view but also in terms of fair trade.

What is responsible for the inequity in these transactions, and for the fact that the prices of the manufactures and capital goods sold by the developed countries are continually rising for the under-developed countries, while the prices of the items sold by the latter—mainly primary commodities—stagnate or show a chronic or permanent tendency to fall, often very abruptly?

This is the first question with which the Conference must deal. It must do so on the basis of a philosophy that makes us bear in mind the origin of these problems and the means for solving them and, of course, avoid recriminations, which, in any case, are out of place.

I said that I was going to speak with the impartiality of a person in the middle of a fight but not involved

in it. Besides believing that any reform of the international market must be launched by the developed countries (whether those with a market-economy or socialist countries, since in this connexion discrimination and the defects of the market relationship between developed and developing countries are the same in both the socialist and the market-economy countries, as there is only one market with increasingly uniform prices), I consider that a competitive market cannot be dominated by one of the participants only, and that the general trends of the market must be followed. In this connexion, I must stress that there is no single party responsible, and no developed country, taken by itself, can be held responsible for the present plight of the developing countries; no developed country can try by itself to remedy the defects of the international market, for it would be absurd and uneconomical, and unjustified by any sound principle, for it to start selling its manufactures more cheaply than other countries or buying raw materials on the international market at higher prices than others.

Economically speaking, this would be pure nonsense, because it would be one-sided action and not bilateral action by the two groups involved, namely, the developed countries and the under-developed countries. Here it is quite another matter: this Conference has enabled these two groups of interests to come together in order to reach agreement on the regulation of markets or on arrangements which will satisfy one side without substantially harming the other. Once such agreements have been voluntarily entered into and obligatorily complied with, that will be acceptable because the action of all the participants—buyers and sellers—on the market will be coherent and consistent and capable of producing the desired results. Although no individual developed country is responsible for the plight of the under-developed countries, the developed countries as a whole are indeed responsible and that is why at this Conference they are called on to adopt solutions which will usher in a brighter future for the complex market of raw materials and manufactures, as well as of the capital goods which they themselves sell. They have, moreover, a heavier responsibility than the under-developed countries, since the principles governing national and international economic life have been established and will nearly always continue to be established by men living in the developed countries—they come, that is, from the developed countries. Moreover, it is those countries which possess the wealth and which therefore have the culture, the theory, the riches and the resources necessary for giving real meaning and substance to the decisions adopted at an international conference.

It may be worth while considering for a few moments the underlying causes of the disparity in prices between raw materials and manufactures. The disparity is partly an effect of the clearly very defective international market but it is also to a great extent due

to the internal economic structures of the developed countries, on the one hand, and of the under-developed or semi-developed countries, on the other, because the international market is faulty, heterogeneous and disjointed and because, at the source of supply and demand, the conditions laid down by the classical theory of international trade are absent.

Let us begin by considering raw materials and primary commodities. The problems of raw materials from the under-developed countries on the international market are obvious and have been discussed *ad nauseam*; they are perfectly clear to all of us. The production of raw materials is structurally completely different from industrial production. The rigidity of these structures is notorious; not only are agricultural structures *per se* rigid in both the under-developed and the developed countries, but in the under-developed countries their rigidity is further increased by the lack of resources, traditional inertia and thousands of other factors. Furthermore, agricultural output is controlled by laws which do not depend entirely on man: it is governed to a large extent by climate, so that there are consequent increases and decreases in supply which cannot be foreseen by producers or consumers. Hence it is impossible for producers and consumers to adjust themselves with sufficient rapidity to fluctuations in supply.

Moreover, in the fluctuating supply of raw materials slight increases or decreases cause quite disproportionate changes in market prices. A relatively small surplus of supply over demand leads to a very substantial and disproportionate fall in world prices, partly because, in all these price movements, not only objective causes but also the speculations of the large international trading companies, or major importing or exporting—but especially importing—enterprises, influence the international market which is already considerably distorted, commercially speaking, by monopolistic structures. Thus we have recently seen, in the case of more than one commodity, a small increase in supply leading to a precipitous fall in prices. However, we have also seen the reverse happen, which is something that the under-developed countries do not want either, because it implies a permanent state of flux and poor prospects for their products. Soaring prices harm producer and consumer alike in the long run and they can be set off by a relatively small drop in supply, as happened in the case of sugar and may be happening now in the case of coffee, and perhaps of meat too—falls in supply relative to demand which have also affected the markets.

It is clear, therefore, that the international market in these commodities must be regulated in one way or another, and I shall now sum up the position which the Spanish delegation intends to take: we shall defend in principle a specific type of concerted action on the lines of that repeatedly proposed by the French delegation, for example. We shall do so because, as regards the alternative solutions—the greater liberalization of imports of commodities and the lowering of both

quantitative restrictions and of tariffs, on the one hand, and, on the other, the regulation of markets, i.e., concerted action on markets by both sides—I believe that the latter solution has more advantages than disadvantages as compared with the former.

It should not be forgotten that the indiscriminate lowering of tariffs on a commodity basis may favour not only the under-developed countries but also the developed countries which produce them and which have no reason to be thus benefited; secondly, we cannot forget all the human, social and political effects that the unrestricted opening of their markets to imports of raw materials and primary commodities would have on their social structures. The developed countries are aware of them but the under-developed countries would suffer from them.

Concerted action, on the other hand, seems to have all the advantages, for the main objective, after all, is to correct the distortions of an international market which is not functioning as it should, the faulty structure of which would not be changed by liberalization and the removal of tariffs.

I wish to refer now not to the subject of raw materials, which will be the one most discussed here and has been the one most fully covered at all international conferences, but rather to the prices of manufactures; I wish to investigate the reason for the constant rise in the prices of manufactures.

I believe, of course, that the developed countries can and should pursue domestic policies which, for a wide variety of reasons, suit them best, and that no one at the international level can impose policies on them in order to change the terms of international co-operation or international life in one direction or another. But what the developed countries must do, if their domestic policies have a detrimental effect on international economic co-operation, is to find ways and means of neutralizing the harmful effects of their national policies—policies which the under-developed countries must respect just as the developed countries must respect those of the under-developed countries—on the international market and on the terms of trade between developed and under-developed countries.

Simply by way of illustration, and in order to go a little further into the causes because this will help us to find the remedies, I must say that, as the United States representative has also said, the first objective for a developed country must naturally be to maintain a certain level of economic growth and full employment, or maximum employment, but that if its domestic efforts, or, for example, its labour or trade-union policy have disturbing effects on the price level of exports, the repercussions must not be suffered by the under-developed countries.

I do not know whether the delegations have paused to consider what are the causes of the rise in prices of the manufactures exported by the developed countries. It may be true that the cause lies partly in the growth of and enormous elasticity in the matter of investment and

savings in the developed countries; the great elasticity of demand for these products and capital goods in the under-developed countries tends to keep the prices of these items high and to push them up. There is also a problem on the supply side which, in my view at least, is related to the persistent rise in costs.

Even the most traditional of the developed countries do not now pursue—for those times are past—a policy of complete economic flexibility; nor do they have even a moderate degree of flexibility in their labour policies. There may be lay-offs and a very high level of unemployment in a developed country without wages falling to offset costs and increase employment in accordance with the classic economic system. They do not fall for social reasons, and also because the policies of minimum wages and of collective bargaining, and trade-union policies in general, prevent this, even though these high wages may result in quite substantial unemployment.

Moreover, in many developed countries there is, to all intents and purposes, full employment. We all know that the great problem that full employment has always created for a country's economy is the virtual impossibility of maintaining price stability. We thus find a permanent tendency in all developed countries, a tendency which has been apparent for decades, towards a slow but persistent increase in prices. This rise naturally benefits the workers of the developed countries, but when its impact is transferred to the under-developed countries it harms their workers and their social structure.

Let us maintain a policy of full employment in the developed countries, but let us find a way of preventing the price increases in the developed countries, so far as exports are concerned, from working against the under-developed countries, because actually the defects of the international market, not only in the matter of goods but also in the monetary field, are preventing the operation of those forces which would systematically and automatically rectify the prices of manufactures. A developed country has a much greater capacity to cope with domestic price increases and rises in the prices of exports from the under-developed countries largely because it has the international monetary machinery in its hands and can, by adjusting it properly, tolerate this increase in international prices indefinitely, until such time as the other developed countries which are competing with it in exports of manufactures have reached the same level of inflation as itself, with the result that costs and the world prices of the products involved level out, competition is avoided and the countries concerned are not obliged to take a step backwards and adjust their costs and prices to bring them into line.

Hence the prices of manufactures sold by the developed countries are steadily and periodically edging upwards to the detriment of the under-developed countries.

Problems of this kind should also be included in the Conference's agenda, certainly in so far as they relate

to international monetary problems. If matters pertaining to manufactures and facilities ancillary to international trade (transport, services, etc.) are to be taken up, obviously this great ancillary service—the payments system—has an appropriate place in market arrangements. It seems to me that the rates of exchange current today, as well as general monetary policy, also work against the under-developed countries. In general, the currencies of the developed countries tend to be officially overvalued and those of the under-developed countries undervalued. I do not know to what extent. I know the reasons, which are also of a structural nature. But when the effect of this discrimination, however minor it may be, is added to the fall in nominal international prices, this is another obvious factor that further reduces the purchasing power of the under-developed countries.

Problems of this kind, created by exports of manufactures and the monetary situation, are, I fear, likely to grow in magnitude as co-operation between the developed countries increases; this co-operation will be progressively extended and is already being extended through monetary agreements, partnerships, common markets and free-trade areas. The effects of a rise in prices in one country spread more rapidly and effectively to others as measures are taken to liberalize, multilateralize and integrate trade relations among them and, hence, the problem of keeping the prices of manufactures at a permanently high level, at least within the exporting countries, tends to become more serious. Hence, it is all the more necessary to consider it at the international level, in order to neutralize the effects produced by the autonomous policies of the group of developed countries by whatever means you desire—by compensatory financing or by any other measures.

I should not like to give the impression that I am speaking solely of the developed countries with market economies. As I have already said, this is something inherent in the policy of each group of countries, not just socialist or liberal but developed or under-developed, and the developed countries, whether liberal or socialist, are bound, because of the very dynamism of their domestic policies and domestic pressures and because of the dynamism of this single international market in which we are all participating—developed and under-developed, liberal and socialist alike—to benefit from the same things that benefit the liberal countries and which harm the under-developed, whether socialist or liberal.

And since we are considering the creation of a more flexible, more equitable and more consistent world market for certain products or groups of products, we cannot ignore the problem experienced by the under-developed countries in organizing their foreign trade. It is not simply a matter of obtaining the maximum price for their products at each stage of the market process; it is a question of bringing the under-developed countries as close as possible to consumer status in the matter of trade, so that they too may

take advantage of all these marginal benefits and services of marketing which, as economies develop throughout the world and, indeed, by the very nature of things—of the end product—represent a steadily growing percentage, until the value of the raw material, as it reaches the consumer in a developed market, constitutes only a minute part of what the consumer is paying for.

Without going into speculative explanations, marketing costs and services, because of their steadily growing diversification and efficiency and the ever greater risks they involve—and the risks are greater—are bound to account for a larger share of the end product.

But the real problem lies in the fact that it is precisely the under-developed country, possibly through its own services, that bears this increasing share of the end product, because otherwise the revaluation of primary commodities in production, f.o.b. or f.a.s. or what have you, will be, so to speak, a drop in the bucket, i.e., an improvement which has no effect whatsoever on the financing, capital investment and balance-of-payments problems of the under-developed countries, which will steadily worsen if they pursue their development amid internal stresses and mounting requirements in respect of capital and external means of payment.

In this regard, technical assistance from international organizations and developed countries in marketing the exports of the under-developed countries is essential and is equally or more important than the revaluation of the commodities at source. Furthermore, as I said before, this assistance will help to break up certain monopolistic purchasing structures in the under-developed countries and will provide them with the means of protecting their own products and markets.

In this connexion, I need hardly say how pleased my delegation—and probably everyone here—was to hear the statement made the other day by Mr. Goods, representing the President of the International Bank for Reconstruction and Development. It was a most pleasant surprise to learn of the new approach the World Bank is adopting to meet the under-developed countries' needs and to see it broadening its horizon by moving away from the almost exclusive policy of infra-structural aid to embrace the whole gamut of new resources to be placed at their disposal, ranging, for example, from agricultural credit for structural change to technical assistance for—it is to be hoped—marketing their products, or for education, housing and the replacement of industrial equipment and components or spare parts, etc.

I want to say a few words, also, on a matter that has been touched upon here by more than one delegation and in more than one report, namely, foreign private investment in the under-developed countries, particularly as this relates to the problems of international trade that are the concern of the Conference. It is plain that all the under-developed countries need

foreign capital, whether in the form of official loans or contributions from States or international agencies, or by way of private investment. But experience shows—and we Spaniards can take an objective view because we are in the position of both receiving and providing private investment capital—that some specific safeguards are needed in respect of contributions of private capital to keep it within certain limits and prevent it from having detrimental effects on the under-developed countries which are later very hard to check and rectify.

Safeguards would have to be provided in respect of private investment in the under-developed countries that could be incorporated in a foreign investment statute. In the past few years, there has been some talk of draft statutes and some have been drawn up and are being studied, but up till now these safeguards, statutes or provisions have been studied and approached invariably from the standpoint of the investor; these statutes will fail in their effect and purpose unless they also take into account guarantees, safeguards and needs consistent with the interests of the country receiving the private investment. Because experience shows, as I pointed out a moment ago, that certain investments hinder rather than help. For example, when a country which has reached a stage of semi-development, and is trying to export manufactures, has built up its industries by means of foreign patents, licences and capital, it often comes up against agreements not to export concluded between the foreign and domestic investors. The result is that the aim of our persistent endeavours to expand the market so that the productive industries of the under-developed and semi-developed countries produce in sufficient volume and have a sufficiently large market for their unit costs to be competitive with those of industrial plants in the developed world, becomes impossible to achieve because home markets are inadequate and agreements not to export shut the enterprises concerned out of foreign markets. Again, a foreign investment may also create problems by increasing imports more than it reduces them. Owing to structural relations and the increased imports for which the firm in question is directly or indirectly responsible, the effect may be greater and worsen the balance of payments if a careful study has not been made as to whether the savings in foreign currency occasioned by the investment is greater than the actual or possible disbursement it involves.

Lastly, the fact that foreign private investments are not rooted in nor identified with the interests of the country in which they are made, invariably produces a state of tension which is in no way advantageous to either party. But there is no doubt that the under-developed countries must get used to the idea that foreign private investment fulfils objectives which neither local capital nor the local entrepreneur nor external public loans or grants can fulfil: that of importing “know-how” in various industrial sectors and of introducing a managerial and industrial dynamism

which is essential and which, once it has reached a certain level—the level which I call the development “sound barrier”—enables the country in question to launch on a process of self-development; until it has reached that stage, an under-developed country is almost exclusively dependent on foreign sources for its incentive, initiative, “know-how” and industrial dynamism.

I feel I have taken up too much of your time, but I also think that few other delegations are, like that of Spain, in a position to say clearly, and perhaps also bluntly, what needs to be said here.

We have to go thoroughly into the problems, scrutinizing our own national economies whether developed or not, honestly searching for the internal roots—which are not solely confined to the internal structures of the developed countries—of the evils with which we are all familiar and the internal difficulties within the under-developed countries so as to attain the desired rate of growth. To accomplish this, we must all make an effort which will sometimes be extremely painful and will sometimes require heroic sacrifice.

It should be remembered that the countries which have achieved full development have not done so overnight; they have made stubborn and persistent efforts lasting generations and even centuries, sometimes at the price of their peoples' blood.

It is therefore for political, as well as for technical reasons incumbent on the rulers of developed and under-developed countries to view the situation clearly, to adopt the proper philosophy which they must then endeavour to inculcate in their own peoples. For developed countries, this means being ready to make the financial effort necessary to provide compensation and to surrender certain rights and interests, to which they may not be as entitled as they imagine because they depend mainly on others; for the under-developed countries, it means persuading their peoples to maintain their drive for the raising of their standards of living to an appropriate level. For example, if an annual *per capita* growth rate of 6 to 8 per cent is all that can be expected, that should be admitted and accepted, and claims to advance at a rate of 20 to 25 per cent—which is in fact fantastic—should be abandoned. This of, course, would make it impossible for the Government of an under-developed country faced with manifold difficulties and needing to protect its rear to turn to the developed countries and say: “We are doing everything we have to do. You are responsible for maintaining order and justice in the world economy. Now it is up to you.”

I do not think I need to make a summary of the various arguments that have been expressed, of the suggestions regarding how the Conference should work, or concerning the order and form to be given to the future international community through the channels of trade and the world market for the commodities in question.

I should like to conclude merely by saying that the experience and good will of the delegation of Spain, which has itself been actively and passively involved in all these vicissitudes during the last few years, are at

the disposal of the Conference in general and of each delegation in particular for the purpose of achieving a rather more prosperous and much juster world.

**STATEMENT BY Mr. SAYED MOHAMED KHOGALI,  
DEPUTY UNDER-SECRETARY, MINISTRY OF COMMERCE,  
INDUSTRY AND SUPPLY, SUDAN**

at the twenty-fourth plenary meeting, held on 8 April 1964

[Original text: English]

Allow me to congratulate Mr. Kaissouni most warmly on his election as President of this Conference. It is an honour well deserved. The great contribution he made towards the success of the Cairo Conference and his work and efforts for holding the present one, apart from his own great qualities as an economist, as a Vice-President of his great country, responsible to a great extent for her economic destiny, and his own qualities as a man, qualify him for the high office to which he has been called.

My delegation also pays tribute to our Secretary-General, Mr. Raúl Prebisch, for the painstaking way in which he, his staff and the Preparatory Committee have paved the way for this Conference. I should not fail to make special mention of the Prebisch Report for the frank and honest way it exposed and discussed the problems which confront world trade and development. Indeed, few documents have had such a tremendous effect on the current thinking of people; it will, in my opinion, be a turning point in the history of development and trade.

In a world which is fragmented by political, ideological and racial factors, the division of countries into rich and poor through the persistence of the unbalanced *status quo* of developed countries which continue to prosper and others whose chances to develop become more remote—this division dwarfs all efforts for co-operation and renders the everlasting human ideal of making our world a better place than it is, more out of reach.

Various attempts to check this problem have been made; the developing countries have tried their best and in a number of cases major achievements have been attained. Bilateral deals have been tried, multi-lateral arrangements have been set up and a number of institutions have so far managed well, but all these efforts, big as they may be, have fallen short of setting development on its own feet or making it yield the results that have long been waited for.

The consecutive efforts to deal with the problems of international trade were dispersed, unco-ordinated and wastefully overlapping. The problems, partly because of their magnitude and partly because of the inadequacy of the efforts, have therefore persisted. The problems of international trade, as we witness them today, have accumulated through the years. They are the results of different economic and trade patterns and relations all over the world. The different orders which gave rise to them gradually disappeared or integrated into the world order of today with the legacy which we inherited—the phenomenon which is the concern of all of us—the persistent tendency towards external imbalance which is now becoming indivisible from the development process.

The primary objective of this Conference is to bring about a new order in international thinking and practice in the fields of trade and development. The last effort of the Havana Conference failed to achieve this. The economic thinking of that time and the types of problems which were in existence then are alien to the prevalent conditions of today.

It is not my intention to go into the historical details of the matter, but the 1950s coming on the morrow of the Havana Conference witnessed new factors which helped to focus attention on the ways and means of resolving these problems. There came the political consciousness of the developing countries; there came the vivid realization of the maldistribution of international wealth; with it was the clear setting of inequalities in living standards and all that goes with them.

The early 1960s witnessed further developments in the same trend—there was the dramatic collapse of colonialism and the consequent increase in the number of independent countries and membership of the United Nations. On the economic side, the gap between the rich and the poor countries was growing wider, and the process of development in the eyes



of the countries that cherish it as an ideal was proving so difficult as to put it in the realm of the impossible or the futile unless something big was done.

The proclamation of the United Nations Development Decade in the autumn of 1961 brought into the limelight important facts of international economic life, which called for increased efforts to correct the situation. Such facts include:

(a) the state of economic relations between countries;

(b) internal problems which the developing countries have to solve: mainly poverty, disease, ignorance, social distress and economic backwardness;

(c) for the developing countries, extreme shortage of capital and "know-how";

(d) trade barriers, artificial impediments and discrimination;

(e) widening trade gap and deteriorating terms of trade;

(f) problems facing the industrialization of developing countries.

The above factors combined together have brought about an urgent need for a world conference on international trade and development, with an attempt at a real solution to their problems being the aim in view.

It is salutary that the nations of the world have come to realize vividly the formidable problem that the developing countries are facing in planning their economic and social development on an equitable and secure base—to give their peoples decent standards of living on the one hand and to bridge the gap on the other. The efforts culminating in the convening of this Conference are an historic testimony to the seriousness and earnestness with which all nations of the world are searching for practical and effective solutions to this problem.

The developing countries, in tackling their development, naturally had to depend on their own national efforts and resources to fulfil the aspirations of their peoples. They realized that they could only hope to do this through conscious efforts to maximize the utilization of their available resources, meagre as they are. Hence the acceptance of the concept of planning by the majority of newly-emerging States.

We in the developing countries know that the task that we have set for ourselves is of no simple proportion. In almost all cases we had—and have—to start from nothing. To build the foundations, the infrastructure, we need vast resources of capital, and skills which we simply do not have. Most of us, the newly-emerging States, depend for our living on agriculture and one or a few primary products. These do not only provide our people with their living; but we depend entirely on the exports of these products to world markets to get the foreign hard currencies without which we cannot import the basic elements necessary for building the foundations for our economic development. Hence the importance of inter-

national trade as a main function of economic development in the developing countries.

But it so happened that the emergence of the developing States coincided with the historic phenomenon of the deterioration in their terms of trade and the gradual dwindling of their share in world trade the details and ramifications of which we know only too well. Thus, the efforts of the newly-emerging nations to fulfil the aspirations of their peoples have not—and are not—only being frustrated by their inability to export their products and import their basic requirements at equitable prices, but the material distance which separates them from the developed countries is relatively widening. We need not dwell on the actual and potential, social and political dangers of this situation.

There is no doubt that the developing countries have done and are doing much to achieve through their own efforts and from their own resources, the economic and social goals which each is setting for itself. In the majority of cases, these goals can only be described as "modest".

Many of the distinguished delegates who took this rostrum before me pointed out clearly and convincingly the difficulties which they have encountered after the development process took shape in their countries. Increased production yielded less returns, more efforts produced less remuneration. It is therefore not just a question of working harder or putting in more effort; it is not and could not be as simple as that.

Permit me to quote the case of my own country as an example.

We, in the Sudan—a country depending wholly on agriculture and one primary product, cotton—have started to set goals for our development in a "modest" way consistent with our abilities and resources, with *ad hoc* development programmes which were almost entirely financed from our own resources and executed by our own efforts; the goals set included building of schools, hospitals, providing water and jobs and one major agricultural project, the Managil Extension. Our first comprehensive development plan with multi-economic and social objectives was formulated in 1960. It was initially drawn for seven years but finally, because of the difficulties envisaged, it was concluded that with the resources available—physical and financial—over the plan period, a balanced investment programme could not be reached. The plan period was extended to ten years: 1961/62 to 1970/71. Thus our plan period coincides with the United Nations Development Decade. To achieve its economic and social goals, the plan envisages an increase in the national income over the decade of the plan by 5.2 per cent annually and 2.25 per cent *per capita*, compared with actual annual growth between 1955/56 and 1960/61 of 4.5 per cent and 1.6 per cent respectively. In absolute terms, income per head is expected to rise from £Sud.29.7 in 1960/61 to £Sud.37 in 1970/71, an increase of £Sud.7, approximately \$20 *per capita* increase in ten years. To accomplish these objectives,

the plan projects in both the private and public sectors gross investment during the ten-year period at £Sud. 565 million, the bulk of which we must provide from our internal resources. The projected level of investment is naturally based among other things on given assumptions of levels and prices of the country's exports and imports during the plan period. The trends of the past years in relation to these assumptions, however, have not been encouraging. The prices of our main export commodity, cotton, have not only been fluctuating from year to year but the long-term downward trend of prices continues to persist; at the same time, the demand for imports has been ascending and the prices of imports are going up too, raising the costs of production and lowering the returns to the producer and the country. In spite of the "modesty" of the goals we set for our development and in spite of the efforts we are making, we are facing pressures on our physical and administrative resources, as well as financial stresses and a dangerous drain on the country's foreign exchange reserves and local currency resources.

The developing countries in many ways are victims of the old order. Their economies were so built as to support the industrialization of the advanced countries making it easier for them to get richer in a comparatively short time. Now that technological and scientific progress have made it possible to do away with this dependence, we are being left in the cold.

In view of such a situation it should naturally be expected that high hopes have been pinned on this Conference by the developing countries. The feeling of frustration prevalent in the poorer countries has to be removed. The least that can be done is to allow for better chances, for a more equitable distribution of wealth among all nations. We are not asking for charity, nor are we requesting any group of countries and institutions to go out of their way in order to solve our problems for us. If the present situation continues, it is not only the developing countries that will suffer; our world is growing smaller each day—what happens in one part definitely affects the other parts. Both advanced and developing countries will benefit politically, socially and economically from the success of this Conference.

We do hope that the Conference will not end either through failure to agree on the ways and means of solving the problems, nor by merely diagnosing them and paying lip service towards the good will and kind intentions of solving them. The aims of the Conference cannot be achieved overnight and its work needs a great amount of follow up. There will have therefore to be a permanent and specialized agency under the United Nations to cater for the immense problems which face world trade and the Conference will have to be of a permanent nature in order to meet more frequently, either annually or at least every other year.

It is well known that an institution by itself, whatever shape it might take, will not be capable of achieving results. A great deal depends on the political will of

different states to act as well as their ability to appreciate the existence of a peaceful and stable world.

There is no doubt about the consensus of opinion on the problem itself and the causes which led to its existence. We hope that this consensus will also be maintained with regard to possible solutions.

The issues which are facing us today and which the Conference is called upon to find practical and speedy solutions for are:

Firstly: to check the persisting external imbalance of the developing countries;

Secondly: to reverse the continuing deterioration in the terms of trade of primary producers;

Thirdly: to facilitate the realization of the modest objectives and targets of the United Nations Development Decade;

Fourthly: to lay down new and constructive international trade rules and principles that should guide the actions and policies of Governments and which will substitute economic interdependence for economic dependence.

The nature of the solution lies in creating an international trade environment that would facilitate the growth of developing countries as the continuation of the present trends in world trade is detrimental to them. The practical action in this respect depends on the co-operation and willingness of all the participating Governments.

We are not blind to nor unappreciative of the problems that face and will face the advanced countries in adjusting to the new situations and the approaches to be made to them. The developing countries—almost without exception—have from this rostrum emphasized their open-mindedness, flexibility and restraint. We are not, therefore, here to demand the impossible nor do we expect it to be attained. But we would like to make a solemn and sincere appeal to the advanced countries to follow their declared good intentions by positive action and accept and fulfil their historic responsibilities. A great deal will depend on the degree to which they are willing to make the sacrifice.

I would not like to repeat in detail what in our opinion the practical solutions should be. My delegation would only like to state that in our opinion the outlines which our Secretary-General has indicated in his report provide a workable framework for creating the new international trade environment which will facilitate the growth of developing countries. We would, however, like to emphasize (1) the need for a new world order capable of facing the challenge that confronts us today; (2) the removal of the obstacles and barriers which retard development; chief amongst these are quotas, restrictions and trade practices such as reciprocity and the most-favoured-nation treatment; (3) improving international liquidity and adjusting it to the background and needs of developing countries. In this connexion, the question of short-term compensatory financing is of paramount impor-



tance; (4) increasing the capital inflow on easy long-soft financing terms from the appropriate institutions. The new approach of the International Bank for Reconstruction and Development is to be welcomed.

Despite the differences which separate the various countries, there has been a note of understanding of the problems which are confronting us. There have

been expressions of good will and determination to solve them. Let us hope that the efforts we are making here will not be in vain. It is a challenge. Let us hope that this Conference will make a substantial contribution towards the solution of our problems and towards the creation of a better world and a better future for the generations to come.

STATEMENT BY H.E. Mr. GUNNAR LANGE,  
SWEDISH MINISTER OF COMMERCE, HEAD OF THE DELEGATION

at the fourth plenary meeting, held on 24 March 1964

[Original text: English]

The decision to convene the United Nations Conference on Trade and Development must be seen against the alarming background of the relative deterioration of the economic position of the developing countries in the last decade. We are assembled here in Geneva—the delegates of more than one hundred nations—in order to do our utmost to create improved conditions for these countries. Our task is urgent. Not so long ago, in 1950, the share of the developing countries in world exports was about 37 per cent. Ten years later this figure had been reduced to 20 per cent. The lack of diversification in their production and exports is a serious problem indeed. We must remember that the developing areas only account for about 5 per cent of world trade in finished and semi-finished products. The difficulties arise because of their dependence on so few export commodities and is aggravated by the fact that these products—mostly tropical foodstuffs—often are subject to wide price fluctuations in the world market.

While painting this sombre background I am aware of the fact that this would not be a true picture if I did not mention the steady flow of aid, multilateral and bilateral, in the amount of thousands and millions of dollars, which has been and is being directed from the industrialized to the developing world. It goes without saying that this extremely important financial contribution must continue, and by all means expand perhaps also through new channels.

But aid is not enough. Ways and means must be found to promote the trade of the developing nations, to secure a fair and growing share of the market in the industrialized world and at the same time increase the exchange of goods between themselves. Simultaneously, every effort should be made to create a machinery in the form of commodity agreements, adopted to control too wide price fluctuations for

certain specified raw materials. Special attention must also be directed to the problem of methods to be used in order to increase the flow of capital to the developing world. Last but not least, attention must be focused on the institutions for the administration of the various schemes.

How are we going to bring all this about? Obviously we should not expect that this Conference can produce definite solutions to these extremely intricate and difficult problems. We have before us a report by Mr. Prebisch, the Secretary-General of the Conference. This most interesting paper contains a variety of ideas and suggestions. More proposals will no doubt be brought forward in the initial stage of our work. We in Sweden sincerely believe that it should be possible to agree to specified and practical recommendations covering most of the field. My delegation is prepared to support or introduce realistic and constructive proposals, which would genuinely benefit the new nations and stimulate their own efforts to accomplish increased trade and economic expansion.

The rest of my speech will be devoted to a short presentation of the Swedish views on some of the more important subjects of the Conference. I will, however, not attempt to penetrate in detail at this instant.

The deterioration in the terms of trade of the developing countries is largely due to the fact that some 90 per cent of their exports consists of primary commodities. They are often subject to wide price fluctuations, which tend to cause serious disturbances in their balance-of-payments and disruptions of their long term planning. In this field, market regulations in the form of world-wide commodity arrangements have been tried and found suitable. Sweden is in favour of an increase of the scope of these arrangements. This would lead to increased price stability

and a more secure market for these products in the industrialized world. Although we are aware of the fact that the subject requires new and thorough studies, we think that this Conference should be able to name specific commodities which are suited for this kind of agreement.

Turning to the question of tariffs and other barriers to trade in primary commodities we would agree to a standstill. With the exception of a few agricultural products for which there are special problems in our own country, we would also be prepared to participate in a rapid elimination of tariffs, internal charges and other obstacles which block the exports of these commodities. A multilateral effort to do away with barriers to trade in these products which are of special interest to developing countries would therefore get the full support of my country.

As to tropical products, Sweden, as you know, this year abolished the tariff on tea, and what is more important, we eliminated the internal tax on coffee. We realize the relatively small effect of this decision, given the limited size of the Swedish market, even if it does represent a not insignificant loss of revenue. It is our sincere hope that other countries with larger shares of the world import market will follow suit in all cases where the levies imposed are high enough to restrict consumption in a significant way.

Furthermore, Sweden is willing, under multilateral auspices, to discuss a liberalization of imports of such commodities as tropical fruits, cocoa beans, spices and similar products exported by developing countries. On industrial raw materials under discussion here, we do not ourselves impose any restrictions on trade and would recommend further liberalization in this field.

As to the exports of manufactures and semi-finished goods from the developing countries, I would first like to draw your attention to the fact that the targets set for the forthcoming "Kennedy round" are closely related to our work here. Should we reach the goal of these negotiations, I am convinced that this would result in immediate economic benefits not only—as is sometimes maintained—for the industrialized countries, but for all. Sweden, therefore, recommends and supports the continued reduction of all trade barriers and, as a first step more specifically, the 50 per cent linear reduction of tariffs now proposed. The tariffs of my country are already among the lowest in the world. We think, however, that as tariffs are reduced and other import restrictions abolished, the overall expansion, to the benefit also of the developing world, can be maintained and increased. This would in its turn create a stronger demand for imports from the developing nations and increased possibilities for the industrial countries to provide the developing nations with more capital, also for investments.

In the forthcoming GATT negotiations, Sweden must of course seek a balance between what we give and what we get. This, however, goes for our rela-

tions with the industrial countries only. It goes without saying that in accepting the Ministerial decision on the "Kennedy round" we will refrain from demanding reciprocal concessions from the developing countries.

The long-range target of all international co-operation to boost the economy of the less-developed areas is, of course, to create a higher degree of diversification in their production. They will need, among other things, the "know-how" of industrially advanced countries. Also in the field of export technique the development areas would in our view be in need of extended international co-operation. A very real difficulty of these nations seems to be linked to the problem of market adjustments. On our own home market, we have had a fresh and encouraging example of the striking results which can be achieved by a precise and carefully-planned export drive by a developing country. Consequently, as has already been declared at the GATT meetings, Sweden recommends a series of measures which if carried out would, in our view, secure improved market adjustment and production technique for developing countries. We find it rather obvious that the industrially advanced countries should give assistance also in this respect.

In securing the expansion of trade between industrial and developing countries, let us not forget that here the international maritime transport system has great responsibility to fulfil. This expansion will be backed up, and indeed made possible, by a flexible and efficient transport machinery. Nothing should be done that would make maritime transport a bottleneck in trade.

So far I have been outlining some of the trade policy measures the Swedish Government is advocating. Such undertakings alone will, however, not be sufficient. They should be linked with rational financial assistance formed in a way to ensure an accumulated effect when combined with the actions of trade policy. It is true that the industrial nations already have provided considerable amounts of capital for the benefit of the developing areas. But this does not exclude efforts at expanding this assistance, nor discussions of the methods by which financial assistance is being distributed.

In this connexion, there is one point to which I would like to draw your attention. It is the opinion of my Government that financial assistance, tied to goods and services from the donor country, should gradually be freed of its bonds. The increased competition following the implementation of this proposal would reduce prices on the imports of necessary capital goods and, indeed, serve the course of the less-developed areas.

The Swedish Government is also prepared to consider the ways and means of dealing with the problem of export short-falls in a positive spirit. In our view, further measures in addition to the compensatory drawing facilities introduced by the IMF

a year ago, should be contemplated. I am particularly thinking of an arrangement that would reduce the problem arising when the repayment of such drawings tends to jeopardize the implementation of development programmes and projects.

I am aware that other ways of dealing with the problem of compensatory financing have also been discussed, including systems of transferring customs revenue to the exporting countries. However, I am not prepared today to take a definite stand on this matter, which no doubt must be further studied.

I now want to make some comments on the question of preferential treatment of export goods from the developing nations. Our investigations into the matter raised many questions as to how such arrangements would work out, and if they would be of any substantial advantage to the exporting countries concerned. I must admit that our preliminary findings indicate that their impact would be small indeed.

In Sweden's case, for instance, tariffs on the products of interest here are so low that a preference would not produce any tangible effect. The expected continued reduction of these tariffs must also be taken into account. Furthermore, however unformalistic we would try to be, the imports of goods under a preferential system would involve the introduction of a number of administrative complications.

What may be more important, the introduction of preferences may constitute a possible slowing down of the general dismantling of trade barriers. Preferences would only be meaningful if they are stable and can be maintained at a fairly high level. Such a situation might thus delay the liberalization of world trade.

Although we are willing to give the matter further thought, considerations of this nature have led me to believe that other means should rather be employed, and among them—as I mentioned before—special measures for improved market adjustment, the creation of international export organizations and the launching of a programme, through which the industrially-advanced let the others share in their commercial and sales-promoting "know-how". And here I would like again to draw your attention to our readiness to study also new methods of compensatory financing.

I have already stressed the importance of a continued general reduction of tariffs within the GATT. This is of primary interest, not the least for the developing countries. The expansion of trade between the industrial countries which the tariff reductions will bring about will increase their economic growth rate.

That increase will lead to enlarged imports from developing countries and strengthen the ability to aid them financially.

Another important question is the establishment<sup>7</sup> of regional trade groupings among the developing countries. As a member of EFTA we have experienced the advantages of regional trade co-operation and support the idea of regional groupings among developing countries. Such a step would also be instrumental in extending trade between the developing countries themselves—a trade that presently runs at a low level.

I realize that arrangements of this nature may perhaps not be carried out in full compliance with the present GATT rules. But a compromise could, and should, be found here, in any case as long as such groupings give equal treatment to third countries.

I am approaching the end of my speech. I will, however, not finish without a few words on the important question of how to administer the various schemes which are likely to be proposed by the Conference—in other words, the institutional question. As I have remarked earlier, Sweden strongly supports the work carried out within the framework of the General Agreement on Tariffs and Trade. We are also in favour of a widening of the scope of the GATT and of such organizational change that would make it easier for the developing countries to play their full part in the common activity. Needless to say, we also support the decisions of May 1963 and the work of the Action Committee, where the leading trading nations of the less-developed world play such an important role. I interpret this as an encouraging sign of the increasing ability of GATT to tackle development problems.

I also take it for granted that other existing United Nations institutions will be able to do valuable work in this field. It follows from what I have said that we do not favour the creation of a new international trade organization. That does not mean, however, that we are negative towards other and less far-reaching proposals.

I began by saying that I have no intention to give a complete survey of the Swedish Government's views of all the questions with which the Conference will deal. But I hope that the points I have touched upon illustrate my Government's firm wish to co-operate with all nations in the common venture. I am also hopeful that I have managed to indicate the lines of action we want to pursue in order to achieve for the developing nations not only immediate relief but also long-term assistance.

STATEMENT BY Mr. HANS SCHAFFNER,  
FEDERAL COUNCILLOR IN CHARGE OF ECONOMIC AFFAIRS,  
HEAD OF THE SWISS DELEGATION

at the sixth plenary meeting, held on 25 March 1964

[Original text: French]

After so many intelligent and interesting things have been said by previous speakers, I can be brief. I shall limit myself to a few remarks which seem, from my country's point of view, essential in pursuing the particularly complex objectives outlined in the programme before us.

Let me, first of all, emphasize the sincere and complete good will with which Switzerland approaches the main objective of this Conference, which is the adoption of thorough-going and effective trade policy measures to help our friends of the developing countries. There was a time when Switzerland, too, was, economically speaking, an under-developed country. If it is a rather wealthy one today, it is because it has gone through a long and difficult development process. It took the hard way to success since Switzerland, a country without any natural resources, had to rely completely on the skill and the initiative of her population in building up a highly industrialized economy. We consider, therefore, with real sympathy the problems and the state of mind of a human community which has only just started off on its way to economic progress or has, maybe, reached a stage which is sometimes described as a crisis of development.

What we mean when we speak about the economic expansion of the developing countries really boils down to two things: on the one hand, we wish to make their trade with, and especially their exports to, the outside world easier and freer; on the other hand, we wish to make it more remunerative. It is obvious that both objectives cannot be achieved by just freeing world trade from its shackles; but it is equally true that a vigorous and healthy development is never better served than by a system which provides for opportunity as well as discipline. This leads me to my first conclusion which is this: we would be ill-advised to underestimate, from the very start, the value of such time-honoured instruments of commercial policy as tariff reductions, the elimination of import quotas and the removal of other obstacles to the free flow of international trade. I am convinced that, on the contrary, only by a full utilization of these instruments can we hope to make an effective first step towards at least a partial fulfilment of the hopes of our friends from the developing countries. This means, in other words, that the plans for the "Kennedy round", as formulated by the GATT Ministerial Meeting of May 1963, should be

completely implemented. Neither the tariff negotiations between the industrial countries, nor any other measures, particularly those relating to the GATT Action Programme, require any contribution by the developing countries themselves; the result of the operation, however, will no doubt be of real benefit to them. It would, therefore, be a mistake to underrate the "Kennedy round" as a source of economic help to the under-developed world, and it would be an even greater mistake to pretext more ambitious schemes in order not to make full use of all the potentialities of this negotiation. Whatever widening of access to the markets of the industrial countries can be provided in this way should be welcome to the developing countries. As far as our own contribution is concerned, Switzerland is ready to play her full part in the "Kennedy round" by a further substantial cut in her tariffs.

Obviously, the "Kennedy round" is not by any means the whole answer. I think everybody is conscious of the worsening of the terms of trade for the countries producing tropical raw materials and food-stuffs which has taken place over the last years as well as of the urgent need to do something to change this situation. I can assure you of Switzerland's whole-hearted co-operation in the efforts to set up a system of agreements to ensure to the producers of primary products equitable, stable and remunerative prices. I also realize that this objective cannot be reached without a certain measure of sacrifice on the part of all countries. It must, however, be considered an indispensable condition for any such scheme to work and to be effective that everybody should participate and that our aims are not staked so high as to be unrealistic and doomed to failure from the very outset.

I am also full of sympathy with the problems which the developing countries have to face in furthering the exports of the products of their infant industries. We would sincerely welcome a consistent, well co-ordinated and speedy industrialization of these countries. Only by a diversification of their economies can they really expect to get started on the road to economic prosperity. From our own experience, I would consider it advisable to explore, at an early stage, the possibilities of specialization. I recognize, however, that the developing countries may have serious difficulties in introducing their products in the markets of the highly-industrialized world. What is required is a generous

opening-up of these markets. The industrial countries will have to combine their efforts for an early achievement of this objective. The question whether the granting of preferences to the developing countries would constitute an effective contribution thereto deserves careful examination by this Conference. As for the establishment of preferences between developing countries, I feel this is an experience well worth trying. The markets of these countries might serve, for certain products, as useful proving grounds before more ambitious possibilities are considered, quite apart, of course, from the value they have in themselves.

As far as the institutional framework is concerned, our views are quite pragmatic. It seems to us that we should on the one hand make full use of all the possibilities offered by existing institutions and not shrink from their further development and proliferation. On the other hand we must have the courage to devise new ways and means, if necessary, to make economic assistance to developing countries more effective than it is today. What is especially needed, in our opinion, is a better co-ordination of all the manifold efforts in the field of development aid. There is altogether too much waste of time, money and human energy. So let us by all means beware of adding to the already existing complications and concentrate on streamlining methods and procedures.

And now a final remark. I am sure that everybody will agree with me when I say that trade policy alone cannot supply the solution to all the economic problems of the developing world. Financial aid can do

much, but not everything. The mainspring of success will have to be provided by the developing countries themselves, by bringing to bear sources of energy which are more spiritual than material. It is the individual human beings, their feelings, their ambitions, their intellectual and moral background, their education—in short, all they know and are and want to be—which will, in the final analysis, be decisive for the future of the country they live in. The individual citizens will determine the picture which their country will present to the world—whether it will be a politically stable, economically healthy and promising one or not. Economic help from abroad is important; but the human element, its quality and distinction, are truly irreplaceable.

To these factors, economic consequences are attached which we must not forget. Confidence breeds confidence: on this very subtle, but very essential element alone can true co-operation be built. Once this spirit of co-operation exists, additional energies will be set free in the industrial countries, directed towards their developing sister countries. In particular, a flow of private capital seeking investment can be expected to move to the developing world. A close network of relationships will be established: human, commercial, industrial, and so on. Switzerland, with its traditionally outward-looking foreign trade policy and a full-fledged private capital exporting system, has a long tradition of this kind of co-operation. We would only be too glad to have this tradition, after a good start has already been made, profit ever more fully our partners in the world of developing countries.

**STATEMENT BY H.E. Mr. GEORGES TOMEH,  
MINISTER OF ECONOMY, HEAD OF THE SYRIAN DELEGATION**  
at the twenty-fourth plenary meeting, held on 8 April 1964

[Original text: English]

Permit me, first of all, on behalf of my delegation and in my name, to extend to Mr. Kaissouni and to his country, my warm and sincere congratulations on his unanimous election to the high office of this historic gathering.

I would like also to associate myself with those who have preceded me to this rostrum in extending my congratulations to the officers of the Conference for the confidence given them by this international assembly.

I am also honoured to extend to this distinguished gathering the sincere wishes of the Syrian people and Government for the full success of this Conference.

To this I would like to add the admiration of my delegation for the lucid analysis and courage contained in the report and statement of the distinguished Secretary-General, Mr. Prebisch.

While Syria shares with all the developing countries their problems, restlessness and yearning for a fuller existence, there are specific reasons, I venture to say, which give this Conference an added particular significance to us. They stem from the history of Syria, and result partly from its strategic position in relation to the three historic continents—Europe, Asia and Africa—and its position as a bridge for transmitting the cultural influences from its neighbouring

civilizations together with their commercial wares. As the core of the Near East, which itself lay at the centre of the ancient world, Syria, through trade and commerce, became the connecting link within the region between the two great civilizations that arose on the valleys of the Nile and the Euphrates on one hand, and between the European shores and the Indian continent on the other hand. The achievements of Egypt and Mesopotamia were carried by Syrians as civilizing influences to all the Mediterranean peoples.

It is well known that economic development is a function of complex factors such as the will of the people to economize, the adequacy of resources, the availability of capital, the state of technology, innovations and the existence of favourable social and political conditions including the maintenance of law and order. This is not the place, however, to elaborate on the role these factors play in economic development. It is relevant, however, to stress the paramount role that capital formation plays in promoting economic growth. Capital formation expands the productive capacity of the economy and often involves the application of science and technology.

But a considerable proportion of capital formation consists of imports of capital goods and other required material. In Syria, for example, 52 per cent of capital formation is in the form of imported capital goods and construction materials.

These brief remarks lead us to conclude that if economic growth is to be accelerated, imports have to be increased at an adequate rate.

But the increase of a country's imports is limited by its import capacity, which in turn depends mainly on exports.

Unfortunately, the import capacity of the developing countries is undermined by the following problems.

The first is the long-term deterioration in their terms of trade.

In his brilliant statement to the Conference, Mr. Prebisch has shown that the loss of income suffered by the developing countries owing to the deterioration in their terms of trade in 1962, as compared with 1950, was \$2,600 million. A conservative estimate shows that during the last ten years, a small country like Syria has lost more than £Syr.400 million, or more than \$100 million, of income in the form of foreign currency as a result of deterioration in its terms of trade. The main cause for such adverse movement in the terms of trade is the fact that the demand for primary products, exported mainly by the less-developed countries, has lagged behind the demand for industrial products exported mainly by the developed countries. The major reasons are the following:

(1) The low elasticity of demand for many agricultural commodities;

(2) The change in the structure of industry in the developed countries from light industry, which has a

high import content of raw materials, towards heavy and complex industry, with low input requirement of raw materials;

(3) The substitution of synthetics for natural primary products;

(4) The inability of the developing countries to adjust the pattern of their production and export quickly enough to changing patterns of demand.

The second problem that undermines the import capacity of the developing countries is the persistence of barriers such as tariffs, quotas and the like in the face of their exports of manufactures and semi-manufactures.

The third problem is the short-term fluctuation in the export earnings of developing countries owing to fluctuations in production and thereby export volume and fluctuation in prices. My country, Syria, is painfully aware of the decline in export earnings due to the decrease in the volume of exports resulting from adverse weather conditions. In 1957, the value of Syria's exports stood at the figure of £Syr.571 million. It declined afterwards, owing to four successive years of droughts, to a low level of £Syr.405 million in 1961.

These problems are aggravated by the high rates of interest and other charges such as transportation and insurance costs, paid by the less-developed countries to the developed ones.

These problems which I have briefly outlined are impeding the developing countries from achieving a higher rate of economic growth and thus aggravating the widening gap between the rich nations and the poor ones. The world of today is so unified in terms of human relations that it cannot afford not to take action to reduce this widening gap or, at least, bring it to a halt.

This is necessary and desirable on grounds of justice. The representatives of developing countries are meeting here to open a dialogue with their colleagues from the developed countries in order to eliminate injustice and to establish a new order in international economic relations.

We are conscious that economic development depends mainly on national effort. But we are here to see to it that the problems of international trade which I have already mentioned do not hamper the domestic effort of the developing countries to achieve a higher rate of growth.

I am pleased to offer in the name of my delegation the following proposals, which are shared by a number of delegates, in an endeavour to contribute to the solution of the problems that beset international trade and the growth of the developing countries. These proposals are general and my delegation will deal with them at length in the appropriate Committees.

First, my delegation supports the extension of international commodity agreements to a number of

commodities including cotton in order to stabilize prices and expand the market of primary products.

Second, we support the establishment of compensatory finance schemes in order to compensate for the fall in the export earnings of the less-developed countries.

It is a well-known fact that expenditure on armaments is of the order of \$120,000 million a year. Since the purpose of this Conference is to contribute accelerated development in order to uphold world peace and universal understanding, the Syrian delegation suggests that some percentage of this expenditure be earmarked to the compensatory fund proposed above.

Third, the Syrian delegation is in favour of reducing tariff and other trade barriers in the face of the exports of manufactures and semi-manufactures from the developing countries.

Fourth, we also support the reduction of interest rates on international loans and other charges such as insurance and transport costs.

Fifth, my delegation feels that there is great merit in the proposal of the Soviet delegation for the establishment of an international trade organization.

Moreover, we are happy to find ourselves in agreement with the Indian proposal for making this Conference a periodical one to be convened every three years, and establishing a standing committee for this purpose.

As we stand today on the threshold of a new world, and as we are moved by the vision of a new order, it is imperative that we distinguish between ends and means. Trade is only a means to development and development is an end and the ultimate end is undoubtedly man: man in his strife for a fuller existence. However, the picture that obtains in the world today is a sad and tragic one, and to use the eloquent words of the delegate from Lebanon, "What a sad plight is the world in when it contains a thousand million well-fed people, a thousand million under-nourished people and a thousand million starving people". This is the greatest moral challenge that faces mankind today. The depth and the dimensions of this widening gulf and what it entails of human misery is too large for dialectics to contain. Prometheus is not a mere figure of Greek mythology; Prometheus Unbound—who has become the topic of many a modern writer—to illustrate the crisis of modern man—is beyond doubt our problem and crisis today. Shall we face up to the challenge? Shall we meet the hopes and aspirations of mankind? Shall we face up voluntarily—and not forcibly before it is too late to the crying desire for progress and fullness which legitimately motivate the majority of mankind today? My delegation genuinely hopes that this Conference will grasp the historical significance of this moment and may partially succeed, at least, in giving some constructive answers to it.

STATEMENT BY H.E. Mr. C. G. KAHAMA,  
MINISTER FOR COMMERCE AND INDUSTRY  
OF THE REPUBLIC OF TANGANYIKA, HEAD OF THE DELEGATION  
at the fourteenth plenary meeting, held on 1 April 1964

[Original text: English]

May I join the many speakers who have preceded me in offering to Mr. Kaissouni my sincere congratulations upon his election to the high office of President of this important Conference? My congratulations, belated because I have had no opportunity publicly to express them earlier, are none the less sincere.

I would also like to thank the Preparatory Committee for the considerable volume of work which it undertook in making the necessary preparations and arrangements for this Conference.

I should also be failing in my duty were I to overlook the contribution made by the Secretary-General of this Conference, Mr. Prebisch. I regard his brilliant document, "Towards a New Trade Policy for Develop-

ment", as a Magna Charta which could provide a solution to the many ills which confront the developing and the developed countries alike. If only it could be signed by all the countries represented at this Conference, we would enter a new era in the trade and development relationships between the rich nations of the world and the poor.

We are not beggars seeking alms; we are apprentices trying to learn our trade. Therefore, I would like to express the appreciation and the gratitude of the people and of the Government of Tanganyika for the assistance, both financial and technical, which my country has been given during the two-and-a-quarter years it has been independent.



Our apprenticeship has been greatly assisted by the generous help we have received, particularly from the Federal Republic of Germany, the United Kingdom and the United States of America, and from the international agencies such as the International Bank for Reconstruction and Development. The various forms of assistance which Tanganyika has received and continues to receive have greatly helped us to grapple with the many acute problems which we inherited on 9 December 1961.

But there must be many countries in all parts of the world who are in a position to extend us a helping hand in our constant efforts to tackle the many problems of development with which we are still faced and to which, at present, no solution is in sight.

#### *Climate for the success of the Development Decade*

In the preface to the report prepared by the Secretary-General of this Conference, the Secretary-General of the United Nations has said:

“The United Nations Conference on Trade and Development meets at a time of growing world-wide recognition that there is no acceptable alternative to international co-operation if mankind is to survive. Only through co-operation between all countries, irrespective of their political or social system, can the peace of the world be ensured. And only through co-operation can sufficient impetus be given to the struggle of mankind for a better and fuller life.”

This is an undisputed statement of fact which I fully endorse. A house divided against itself is bound to fall. It is my belief that the peoples of this world are living in such a house and, unless we all take concerted action to unite it, it must sooner or later fall and topple us with it to destruction.

The house in which we live under the same roof is occupied by a diversity of people; by the very rich, by the not-so-rich, by the very poor and by the not-so-poor. The very rich eat well and sleep in comfort whereas the very poor suffer from malnutrition and sometimes from actual starvation. The very rich and the very poor both meet in the same corridors and they use the same entrance as they come and go about their daily tasks. If they are not blind, the very poor see the very rich and, unless they avert their eyes, the very rich see the very poor. At present, the under-privileged subdue their feelings in silence, but unless this inequality is ended once and for all, they cannot remain mute much longer; and if they give voice to their feelings of injustice, it will be in such volume as to endanger the peace of the world.

This is the situation in which we find ourselves today. The United Nations has named the period from 1961 to 1970 the Development Decade. But real development can only take place in an atmosphere of peace and tranquillity. This means that if the development targets which we have set ourselves are to be achieved, we must as a prerequisite, create this desirable atmosphere.

This means also that all of us—by which I mean all countries, great and small—must concentrate on the imperative tasks of development to the total exclusion of any acts which can only bring more misery to mankind.

If we are to live as brothers, we must behave as brothers, for our degree of interdependence is probably greater today than at any other time in the history of mankind.

Who is to say that the American members of the world family have no need of the co-operation of the Russian members of that family? If they are sincerely devoted to the same task of creating more-favourable conditions for the less-privileged members of the world family, then their moral interdependence, if not their physical interdependence, is automatic.

Likewise, if we are sincere in our concept of one world, how can we ignore the physical entity of the People's Republic of China with its 650 million people? Who knows? Russia may need America one day, and the Americans may come to need the Chinese. If we regard this view as too Utopian, then we approach this Conference in a spirit of pessimism, because unless we have this goal of one world ever before us, all our development efforts will come to nought. We all know that brothers sometimes quarrel, but equally we know that within the family there is usually reconciliation. Therefore it is our task to concentrate the plentiful resources of the world for the betterment of mankind generally and not for those sections of the human family that at present regard privilege as their right. I am told that the annual expenditure on armaments amounts to some \$120,000 million. How much better off mankind would be if this vast sum were diverted from the purposes of destruction and expended for the well-being and betterment of mankind.

I have spent some time on this preamble only because it is a matter of grave importance which the nations of the world, particularly those nations most deeply involved in this destructive occupation, must consider with the utmost seriousness. I say this in full awareness of the fact that disarmament talks have been taking place for some years. It is a matter for deep regret that so much talk should have produced so little result.

#### *The expansion of international trade and co-operation with a view to assisting the developing countries*

Now I turn to the more specific matters which must engage the attention of this Conference.

The views and aspirations of the developing countries have been adequately outlined by the Secretary-General in his report which we have before us. It has been clearly stated that in order to assist the developing countries in their efforts to combat their major enemies of poverty, ignorance and disease and to raise the standards of living of the people in those countries, the industrialized and developed countries should remove the various barriers which are now



imposed and which impede the exports of the developing countries. While I associate myself with the various recommendations which have been put forward, I would like to make one or two observations. Firstly, on the General Agreement on Tariffs and Trade (GATT). My country has been associated with this organization for more than two-and-a-half years and the impression which I have of GATT in its present form is that it does not meet fully the needs of the developing countries. Undoubtedly, GATT has served a useful purpose by preventing the international trade situation from becoming much worse than it is at the moment. But as now constituted, it serves much more the interests of the developed than those of the developing Contracting Parties. Tanganyika does not advocate a substitution of GATT, but maintains that if GATT is to continue to enjoy the support of the developing countries, its constitution and methods of working must be drastically and speedily revised to give greater recognition to the needs of those countries which have embarked upon the long road to full development. Whereas the most-favoured-nation clause can be rightly applied between developed countries, it imposes a great disadvantage upon the developing countries when applied between them and the Contracting Parties which have reached the goal of full development.

If, however, because of vested interests or political pressures the structural changes that we of the developing countries believe must take place in the constitution and operation of GATT are not implemented, then we would have no alternative but to press for GATT's abolition, and for its replacement by a new, stronger and more realistic organization, truly global in character and dedicated to its task of expanding trade and development. We would like such an organization, if it became necessary, to be evolved within the framework of the United Nations.

My second observation concerns preferences. I agree that developing countries should be given preferences on the markets of the developed countries, preferably by admitting their exports free of duty. But here I must emphasize that equity has to be exercised—difficult though this may be—by classifying or zoning developing countries into categories of under-development in order to give more help to the needy. The criteria on which such classification could be based has been outlined in the Secretary-General's report. I need only point out that the under-development of Latin America is not the same as the under-development of the mass of Africa, nor is the under-development of Yugoslavia to be compared with that of the bulk of Asia; while the under-development of Australia and New Zealand cannot be equated with that of the United Arab Republic.

If the Programme of Action which was considered by a Ministerial Meeting of GATT in May 1963 were implemented *in toto*, it would go a long way to assisting the development programme of countries such as I represent. Similarly, if the "Kennedy round" pro-

posals were also implemented, the result would be an expansion of international trade, even though such proposals might benefit the developed nations more than the developing ones.

Unfortunately, talk seems seldom to be translated into action. What is now required is a change of attitude on the part of the developed countries. Although the problems confronting the developing countries are critical and urgent, the developed countries, from their position of strength, tend to consider them with a kind of leisurely tolerance which accords ill with the realities of the situation. Perhaps it is because they have forgotten the birth-pangs of their own development and because for most of them poverty is only a word seldom encountered within their own boundaries. But if they could come to Africa or to India, they would see for themselves the real and grisly meaning of poverty, with people on the verge of starvation, bereft of food, clothing and shelter.

It has been estimated that the *per capita* income in most African and Asian countries is as low as £20 per annum, but even this figure is an average and takes into account the incomes of the well-to-do. So there are in fact many people whose incomes are less than £20 per year. This is not because such people are idle. In most cases their poverty stems from historical circumstances over which they had no control, or as the result of natural environment from which their escape is in hands other than their own.

The only hope our Government has of raising the standard of living for the masses of its people is to ask them to work harder to produce more, and so earn money to buy the necessities of life. I can assure the developing countries that our people are in fact working harder. The slogan of my own country is "Freedom and Toil", but the efforts, both of the Government and of the people, will be thwarted if, having produced more, they find they have no access to markets on which to sell their products. This is not a form of moral blackmail on our part. It is simply a demand for recognition by the developed countries of the fact that there is no point in the developing countries helping themselves if the fruits of their labours are to be allowed to rot for want of markets. That is why, time and time again, the developing countries have come to the developed countries and asked for markets to be put at their disposal. There are mutual advantages in this because what in fact we are saying is "Give us the markets for our produce at remunerative and stable prices, so that you in turn may create markets for your own skills and techniques".

It is, of course, encouraging that the theme of this Conference is trade and development, because the two are inseparable. In Tanganyika at the present moment—and I suppose this applies equally to many other developing countries—the major financial restraint on our development programme in the public sector of the economy arises not so much from any absolute shortage of external financial aid, as from our inability to raise sufficient revenue within our recurrent annual

budget to meet the local costs of development expenditure, and the increasingly recurrent costs which our development programme generates.

Therefore, there must be some form of stabilization linked to an assurance of an expanding market for our major export crops and manufactures. We do not ask for inflated prices, because inflation is the harbinger of slump, but we do believe that it is possible to evolve a pattern of trade giving assurances both of reasonable stability and of markets.

#### *Aid to developing countries*

Developing countries have drawn up, or are in the process of drawing up, development plans. In order that these plans may be implemented, aid is needed from the developed countries, either by way of grants and loans on a government-to-government basis, or from international financial institutions, or from private financial corporations and institutions. It would help the developing countries tremendously if loans were granted on soft terms over long repayment periods. With the exception of the International Bank for Reconstruction and Development and some Governments, loans are offered at a high rate of interest, ranging sometimes from 7 per cent to 9 per cent, repayable over a comparatively short period. Governments should persuade the institutions, banks and private sectors concerned to liberalize their loan terms. Even where loans from international financial institutions are concerned, they take a painfully long time to negotiate. In just the same way, we find that when we ask for experts and technicians to be seconded to us from international bodies, many months go by before we see them in the flesh. These are causes of irritating delays in the implementation of our development plans and illustrate what I said just now, that the attitude of the developed countries lacks that sense of urgency by which our lives are governed.

Another aspect of this problem is that in granting loans, some countries tie them to specific projects, and if a developing country lacks the expertise to prepare these projects, then the loans cannot be used. Therefore, if the developed countries really mean to help, they should also make experts available for project preparation if requested to do so.

And this leads me back to my reference a moment ago to the limitations of opportunity afforded by our annual revenue budget in its relationship to our expanding development. This is the question of local costs. It is our experience in Tanganyika that when developed countries give us grants or make us loans, they normally do so for the purpose of meeting the external costs of development, and they impose the condition—quite a valid condition from their point of view—that the recipient Government should raise the revenue to meet the local costs involved in the project.

I think this perhaps illustrates more clearly than anything else the lack of understanding manifested by

developing countries, however generous, to the plight of the newer developing nations. Our resources, inhibited by price fluctuations and unstable markets, are barely sufficient to maintain the *status quo* and seldom permit margins for any but the most simple development. In other words, left to ourselves, we would spend all our time running flat out to stay in the same place; if we faltered, we would be carried swiftly backwards.

And so we would ask donors to allow recipient countries to meet part, if not all, of the local costs from their capital contribution if it became necessary to do so and the recipient country found that it could not meet such obligations from its own resources.

#### *The role of the private investor*

The representative of the United States of America stressed the important role which the private investor can play in the advancement of developing countries. In the case of Tanganyika, the private investor is very welcome, and some countries like my own have gone out of their way to attract the investor by offering a number of incentives. Indeed, we have enacted legislation, in the form of a Foreign Investment Protection Act.

But the Governments of developed countries must also take the necessary measures to encourage the private investor to think aright. What is not always realized by the wealthier countries is that some private investors demand concessions which are considered by the developing countries to be prohibitive. For example, they demand such concessions as tax holidays for periods of ten to twelve years, or the free importation of all raw materials and components required for the factory that they want to set up. Some even ask for free land and other privileges. In such cases, the object of the private investor is obviously the maximization of profit with no regard at all for the benefit and welfare of the country in which he invests. The assistance of countries to which such private investors belong would greatly help developing countries in matters of this nature.

As a concomitant to this point of view, I would refer to the changing pattern which is beginning to emerge in the developing countries as a matter of policy. The old colonial pattern whereby the colonial territory was regarded as the supplier of raw materials and the metropolitan power as the supplier to the colony of industrial goods, must be discarded and pushed into limbo once and for all. This again involves a change of attitude. It is our policy that factories should be established at the source of supply of the raw materials. Of course, I do not mean by this that we think that factories already established in industrial countries should be dismantled. That would be an absurd argument. What we do say is that when any expansion of industry is contemplated or a new plant is planned, it should be directed to the developing countries which more often than not are the source of the raw materials.

The development of our infrastructure depends mainly on grants and loans, whereas we believe that if the developed countries encouraged industrialization in the developing countries, it would enable us gradually to establish our own infrastructure from the mounting strength of our economy.

### *The role of the United Nations*

Although we are physically one world, we are developing as though we were confined to different segments. Under the present structure, this is inevitable because we are divided into different continents and different nations. Each nation seems to plan independently of the other without knowing what the other may produce. If we had one world Government, perhaps our plans could be co-ordinated with a view to the maximum utilization of available resources in the most orderly manner, thereby avoiding overlapping and consequent waste. We could even make maximum use of the international division of labour to each member country's comparative advantage. But in the absence of one world Government, we must accept the existing alternative, which is the United Nations. For this reason, I would like to see set up an organization, under the auspices of the United Nations and supplementary to GATT, which could maintain a global view of all the development plans of all countries. It would be its function to advise all nations, both developed and developing, what the results of such plans were likely to mean on the international trade scene. Such an organization could also act as adviser to the developing countries on the prospects of their production in the international markets.

### *The role of developed countries*

The requirements and needs of the developing countries have been stated at length to this Conference. The five Main Committees which have been set up will examine the various recommendations which have been made by the Secretary-General and also the policy statements which have been issued by Governments such as those of France, Belgium and the Soviet Union. They will also have taken note of the policy speeches, both long and short, made by representatives attending this Conference. When these Committees finish their work and make their recommendations, I do hope that the developed countries will get together and agree on a sort of "Marshall Plan" which will help the developing countries to achieve their aims and aspirations. Even if all the developed countries cannot agree on such a plan, let those who can lead the way, so that we of the developing countries may know once and for all which developed countries truly have our interests and welfare at heart and which have not.

I am aware that certain countries will only help if by so doing they can extend the sphere of their influence

over the areas in which their aid is spread. This is no longer a secret known only to the countries concerned. But what we in the developing countries need is genuine help and not help calculated to lead to an extension of influence over us, be it called economic or political.

No doubt the Committees will also offer suggestions as to what we, the developing countries, should do to help ourselves. My hope is that we too will sit together, acknowledging our obligations and considering any such suggestions soberly and objectively, because the problems which are before this Conference face the developing countries equally squarely. After all, charity begins at home and it would be both unrealistic and impertinent for us to expect a massive reappraisal of our needs if we ourselves were unprepared to ensure their success.

### *Conclusion*

This Conference has been hailed as the most important ever to be held to discuss international trade relations and kindred problems. We of the developing countries place our profound hopes upon the results of the deliberations of this world gathering. God forbid that it should fail!

I can do no better than conclude by quoting from the words of the revered President of Tanganyika, Mwalimu Julius Nyerere, when he delivered the McDougall Memorial Lecture to the Food and Agriculture Organization of the United Nations in Rome last November. He said:

"As rational people, in control of our own destinies, obviously the under-developed nations cannot allow the present situation to continue indefinitely. Either we go forward with everyone else into a world economic development plan, or we shall have to go backward for the time being into economic isolationism. When only the law of the jungle reigns, the struggle for existence must naturally end up with the survival of the fittest. This may be all right when it applies to beasts; as a method of contact between human beings, it is intolerable. But as long as this law prevails, it is only prudent for the weak to keep a good distance between themselves and the strong.

"The choice is clear. Either we really become One World, with the problem of poverty in certain areas being attacked scientifically on a world scale; or, alternatively, we recognize that there are two worlds — the rich world and the poor world — and the latter gets down to the problem of protecting itself against the dominance of the other."

That is the responsibility which confronts this Conference. If we succeed, even upon a limited scale, we shall have justified our place in history by giving hope to millions whose lives are drab and drear. But if we fail, we shall condemn to darkness and despair the lives of countless generations yet unborn.

STATEMENT BY H.E. KASEM SRIPHAYAK,  
MINISTER OF ECONOMIC AFFAIRS, HEAD OF THE DELEGATION  
OF THAILAND

at the sixteenth plenary meeting, held on 2 April 1964

[Original text: English]

We are indeed meeting at a time when the developing countries of the world are passing through a very critical stage of development. It cannot be denied that the basic aspect of the development process is for the developing countries themselves to provide their own economic resources as well as intellectual leadership, but since the tasks with which the developing countries are confronted at present are immense, they can hardly be tackled adequately by national effort alone. It is for this reason that Thailand attaches great importance to this Conference in the hope that it will lead to effective solutions of the many complex problems of how to expand international trade and stimulate economic growth, particularly those of the developing nations.

It is hardly necessary for me to recapitulate the fundamental trade problems of the developing countries, for they are well identified and amply illustrated in the excellent report of the Secretary-General of this Conference and many constructive proposals have already been advanced. However, I believe our deliberations will be far more objective and practical if we should begin by examining briefly the economic background leading to the existing pattern of international trade, and then I am certain that we shall be able to see our way to adopting the right kind of suggestions and recommendations.

Permit me to begin first of all by examining the inequalities of economic structures of nations from the aspect of the density of population. It is quite evident that some countries have relatively low density of population, some have reached a stage of optimum density, and others have high density. Let us take, as an example, a primary producing country with low density of population: it can easily be observed that at an early stage of development such a country is essentially dependent on an export economy. Its economy is mainly agricultural, with low cost of production and comparatively low standard of living, and in addition its level of production is also low owing to under-development.

Inasmuch as the cost of production in these countries is relatively low, they can remuneratively dispose of their surplus at a comparatively low level of prices in the international markets. However, as their economy continues to develop as a result of the impetus given them through their ability to dispose of their surplus in the international markets, extensive cultivations will be applied in order to increase the

production further. In the development process, increased investment in economic infrastructure will be required, particularly in the transport and communication sector of the economy. Consequently, any additional income accrued to them from their ability to sell their primary products in the international markets will be needed for national development. All these developments tend to create inflationary conditions, and hence a rise in the cost of the factors of production.

When the population of these countries continues to expand and approaches the optimum stage, any further increase in the production will naturally be the result of intensive utilization of economic resources, which will require further investment, particularly by the private sector. At this stage of development, the per unit cost of production will level off and may even be reduced as a result of increasing returns.

However, when these countries have progressively attained a high level of standard of living and further population growth, any further intensive production will tend to increase the per unit cost; it will likely lead to the use of production subsidy as well as export subsidy.

The foregoing observation points clearly to the fact that the level of international primary commodity prices should be one that is remunerative to all countries at all levels of development. For those countries which have passed the point of saturated intensive production, it will be most appropriate that diversification should take place in both the agricultural and industrial fields. It may be noted that unfortunately most of these countries nowadays are still pursuing a policy which has resulted in increased import restrictions and highly protected domestic market. To my mind, this is an important contributing factor which is aggravating the present international commodity situation.

I wish to make it clear at this point that the necessity for countries to maintain domestic price stability as well as international monetary stability is a prerequisite to the concept of international price level as stated above. Many fundamental trade problems besetting the world today have arisen from the fact that both developed and developing countries have not been able to maintain price stability within their own countries.

Furthermore, another problem facing us today is that free market forces have been unable to provide a reasonably remunerative price for most primary products of the developing countries. During the decade following the Second World War, the Marshall Plan and other United States aid programmes, including stock-piling, stimulated economic recovery both in the developed and developing countries and led to rising demand for primary products, thus creating purchasing power of the supplying countries. The economies of the other industrialized countries have now expanded far beyond their pre-war level, and have resulted in widening the economic gap further between them and the developing countries. It is therefore quite clear that the time has now come for these industrialized countries to undertake greater participation not only in international financing but also in the purchases of primary commodities. If this is done, I am certain that the pressure on primary commodity prices will not be as great as it is today.

On the other hand, the practice of bilateralism in the immediate post-war years has posed some difficulties to the development of the developing countries. It is generally acknowledged that if bilateral trade is to be beneficial to both sides, it must have as its basis predictable future prices of imports and exports. However, since we are living in a world of dynamism, the obligation to supply a certain amount of goods for exchange of a stipulated amount of loans or imports at a presupposed value will certainly in the end be an obstacle to the growth of production and trade of the developing countries.

In the context of these observations, I believe the objective to be achieved at this Conference through operational and institutional measures is quite clear—namely, the attainment of an expansion of international trade should be guided by the economic development needs of the developing countries and should be achieved within a multilateral framework.

It is also clear that the emphasis to be given to the various measures in dealing with the problems of expanding world trade, especially the trade of the developing countries, should first and foremost be based on the area which is conducive to common agreement—namely, the need for progressive reduction and early elimination of all barriers and restrictions impeding the exports of the developing countries, without reciprocal concessions on their parts. Serious consideration should also be given to the desirability and feasibility of developed countries granting preferential treatment to imports from developing countries and the possibility of developing countries granting reciprocal preference to one another. Moreover, in expanding trade with the developing countries, the developed countries should not insist on bilateral balancing of accounts but should apply such payment methods as meet the interest of their trading partners.

As regards the adoption of measures for expansion of market opportunity for primary commodity exports, we are of the view that any action programme adopted

should include the object of effecting tariff reductions, removal of non-tariff barriers, elimination of quantitative restrictions, elimination of discriminatory tariff and non-tariff practices and liberalization of national policies towards imports and consumption in developed countries. In other words, the action programme to be adopted at this Conference should not be at the minimum less than the GATT programme agreed by the majority of members of the GATT at its Ministerial Meeting of May 1963.

May I now turn to the measures for stabilization of primary commodity markets? Its main objective should be the elimination of excessive fluctuations in commodity trade through the promotion of stable and remunerative prices. Although commodity agreements have been increasingly accepted as a means of solving the instability of commodity prices, we feel that any effective international commodity agreement should provide for expanding production to meet estimated future demand rather than to restrict production. Prime consideration should also be given to the productive potential of particular commodities of each exporting country, bearing in mind the differences in the stage of their economic development. In examining the possibility of extending commodity agreements to a wider range of products, we believe that a commodity-by-commodity approach would serve the best interest of developing countries; for the nature of the primary commodity problems varies with different products and for certain commodities the conclusion of commodity agreement may not be desirable.

The continued deterioration in the terms of trade of many primary exporting countries has led to a number of interesting proposals involving both short-term and long-term compensatory financing. On the matter of offsetting balance-of-payments difficulty arising from short-term fluctuations in the export earnings of the developing countries, we are inclined to concur with the view that the newly-adopted procedures of the International Monetary Fund should be tested by further experience, and if they do not go far enough in meeting the short-term difficulties, we may then consider the possibilities of modifying the Fund's procedures or instituting supplementary arrangements.

Regarding the possibility of applying compensatory financial measures to offset longer-term problems, we have great sympathy with the view put forward in the report of the Secretary-General. However, before any scheme could be accepted, we feel that extensive study and examination should be carried out; particularly, the problems of methodology and statistical procedures should also be overcome. In connexion with this long-term problem, we hope that the International Bank for Reconstruction and Development and the International Development Association can also broaden the scope of their activities.

In view of the difficulties facing the exports of primary products as well as the problems of vulnerability of the economy of the primary exporting countries, the possibilities of diversifying their economy and exports

have assumed great importance in recent years. In developing countries with high density of population, the need for stepping up industrialization programme with a view to expanding exports of manufactures and semi-manufactures has also been urgently felt. The extent to which this can be achieved will not only depend on the capacity of these countries to facilitate the expansion of production, but also depend very largely on the conditions of access to markets of the industrialized countries. To gain easier access to such markets, we feel that not only are there needs for reduction and elimination of restrictions hindering the industrial exports of the developing countries but also the needs for reduction and removal of differential duties which are discriminating against processed or semi-processed products as compared with raw materials. In addition, we feel that serious consideration should be given to the suggestion that non-discriminatory preferential treatment may also be accorded so that an increase in consumption in the industrialized countries can include a fair share of the products of the developing countries.

The continued deficit incurred in the balance of payments of the developing countries has directed many of them to adopt import substitution policy. But domestic markets in most developing countries are not large enough to permit effective import substitution policy. Hence the developing countries have in recent years looked with favour towards regional arrangements among themselves. However, the motives that lead to preferential groupings among industrialized countries are quite different from those of the developing countries, which I hardly need to elaborate here. Suffice it to say, we fully understand the motives and aims of industrial countries within different economic groupings. But it is in our interest and in the interest of the world at large that the fulfilment of such groupings should not adversely affect the welfare of third countries, but should contribute to the expansion of world trade as a whole.

I believe that if solutions are to be sought along the lines I have indicated so far, there are considerable opportunities for expansion of international trade. However, a faster rate of progress can be achieved if international trade can be supported by international transfer of resources. The developing countries will require for a long time to come new imports of capital goods to achieve a more rapid rate of development, there will also be an increasing need for a greater inflow of capital on easy terms. If international aid is to be effective, the donor countries must co-ordinate their commercial policies with their aid policies with the aim of assisting the developing countries to achieve diversification in their production and exports. In this connexion, it appears also appropriate that the Inter-

national Bank for Reconstruction and Development and the International Development Association should be called upon to play a leading role in helping to augment the availabilities of international financial resources urgently needed for accelerated economic development of the developing countries.

The last/main topic on the agenda of this Conference is the question of institutional arrangements, methods and machinery to implement measures relating to the expansion of international trade. I fully realize that there are divergent views on this question, but to arrive at acceptable solutions, one must ask oneself whether the slow progress in trade is due to inadequate machinery. As far as we can see, there already exists basic institutional machinery, although admittedly it does not cover world trade and related problems as a whole, particularly those relating to the developing countries. If this is the case, the only step called for would be the strengthening or modifying of the existing machinery, so as to facilitate a comprehensive approach to trade problems within the framework of development. In this connexion, we have to admit that if GATT is willing to modify its philosophy along the lines of its action programme, taking into account the concept of inequalities of economic structure between developed and developing countries, it will indeed be a positive move in the right direction.

We also find merits in the suggestion that a regular Conference on Trade and Development be arranged under the United Nations auspices. At the same time, the existing institutional arrangements may continue to function with suitable modifications of their duties and structure. However, care must be taken that there is no duplication of functions and that such regular Conference on Trade and Development will contribute to the implementation of the measures which have been agreed upon.

Finally, I wish to emphasize that the solutions to the problems of readjustment of international trade and the need for accelerating the economic development of the developing countries are closely linked with the peace and prosperity of the world. I am sure no one will dispute the fact that it is in the economic interest of the developed countries to assist the developing countries in achieving their development goals of self-sustaining economic growth as early as possible. The struggle of mankind for a better and fuller life can only be won through co-operation and sympathetic understanding among all nations, irrespective of their political or social system. I believe that with international good will and willingness to recognize each other's problems and needs, our deliberation will not fail to lead to more stable and healthy international economic relations and thus will contribute to peace and prosperity and to a better and fuller life of mankind.

STATEMENT BY H.E. Mr. JEAN AGBEMEGNAN,  
MINISTER FOR COMMERCE, INDUSTRY AND TOURISM,  
HEAD OF THE DELEGATION OF THE REPUBLIC OF TOGO

at the eighteenth plenary meeting, held on 3 April 1964

[Original text: French]

First of all I should like to congratulate Mr. Kaisouni on his election and to tell him how glad my country is that the choice of this Conference has fallen on him. We feel sure that under his enlightened guidance our work will lead to concrete results, and I can already assure him that the contribution of my delegation, modest though it may be, will be none the less sincere and frank.

Everything has been said already; all the aspects of the problems with which we are concerned and the possible solutions to these problems have been expounded in detail and with great skill by our very distinguished Secretary-General, Mr. Prebisch, and by the representatives whom I have the honour of succeeding at this rostrum. Togo, a developing country like so many others, has the keenest interest in these solutions, and it is its duty on the occasion of so important a Conference to make its voice heard and to state its preference for some of the solutions that have been dealt with here at length and whose obvious urgency runs the risk of passing unnoticed in the midst of these learned expositions.

It has become a truism to say that the malady from which our countries are suffering is the deterioration of their terms of trade, resulting in a decline in our export earnings. These earnings come to us mainly from the sale of our raw materials, and if we analyse the situation we find that the prices of manufactured goods are rising rapidly all the time, while raw materials, apart from occasional boom conditions, are much less favourably placed. This naturally leads us, if we wish to survive and develop, to endeavour to obtain the maximum profit from our exports of raw materials and at the same time to set our feet firmly on the road leading to industrialization, the only means of making the most of our economic potential.

With regard to raw materials, Togo considers that the removal of customs barriers, which is in fact linked with the principle of non-discrimination, is undoubtedly a method that has its advantages under certain conditions. My country has shown its awareness of this by practising the open-door policy and granting no preferences to any country, not even those to whom we owe a special debt of gratitude for the financial and economic aid that they have always brought us. We are nevertheless forced to recognize that, taken alone, the tariff approach to the solution of the raw materials problem is far from being satisfactory. On the one hand, the developing countries are not all equally well equipped and the variety of stages

of development they have reached necessitates individual treatment for each country. All Governments are aware of this, and do not apply the same methods or expend the same efforts in every region of their territories. On the other hand, a number of countries have long disposed of their products on the open market, and as those countries have always had the advantage of an organized and controlled market, where they have had guaranteed outlets and prices, it is only natural that they should be allowed a certain time to enable them to improve their structures and make their products competitive.

It is moreover true that the demand for many raw materials is not indefinitely elastic, that certain trade habits are firmly established. It is true, too, that it is not always easy to change the taste of consumers and also, alas, that synthetic products represent a permanent threat that will become greater and more pronounced in step with technical progress. All these facts show us the limitations of the tariff solution and the need to view the raw materials problem in its true light. In this connexion, the need for measures to stabilize the prices of these products at remunerative and equitable levels cannot be too strongly stressed.

As many delegations have already done so, I need not dwell on the enormous loss of earnings caused by fluctuations in the prices of our industrial raw materials, which *ipso facto* wipe out the beneficial effects of foreign aid. In the case of the countries that profit by falling prices, this aid becomes a question of equity, or even of simple accounting, to take up an idea expressed by President Senghor.

The success of our development plan and the establishment of our economic infrastructure are unfortunately still at the mercy of fluctuations in the prices of our raw materials. Among the measures affecting prices, international agreements on the principal commodities are an undeniable necessity, and my country entertains the hope that the work of this Conference may lead to the successful reopening of the discussions on the International Cocoa Agreement.

While action is being taken on prices, markets must be secured for our products and, as I have stated above, the existence of substitutes is a definite threat to the carrying out of this policy. For many developing countries, the success of this world Conference will depend on the concrete resolutions adopted on prices and markets.



Furthermore, the completion of the agreements in question will not produce its full effect unless it is accompanied by the establishment of international machinery for compensatory financing, making additional resources available to us and enabling us to meet more effectively the requirements of our development plan and to make good the chronic deficit in our balance of payments.

Of the various measures concerning our raw materials, these are, in our opinion, the ones that provide by far the most important solutions.

I have said that the second cause of the deterioration in our terms of trade—the main source of our difficulties—is the constant rise in the prices of manufactured goods at the expense of raw materials. This fact encourages us to increase the value of our products through industrialization. Successful industrialization will be made possible through regional economic groupings, which will enable us to create a big domestic market with neighbouring countries and which, by establishing a sort of division of labour, will prevent duplication of production and so lead to the most profitable use of the international financial aid that we may receive. There are at present a number of international credit institutions that could help us more if their procedure were better adapted to the realities of our countries. This is a point to which the Conference might usefully devote its attention. Furthermore, in connexion with the necessary co-operation between industrialized and developing countries, it is to be

hoped that more national aid organizations, an excellent pattern for which is provided by the French *Fonds d'aide et de coopération*, will be established. The activities of these national bodies would be supported by international or multilateral aid institutions like the European Development Fund for Overseas Territories. It is extremely desirable that the aid should be as free of political strings as possible and particularly that the developed countries should not seek immediate concessions in return, for we know from experience that these cancel out any effective assistance.

These are a few ideas that the Conference will be able to study more deeply. There is a further point, one which I am unfortunately not sure that there is room for in our work and which, at the risk of being charged with lack of realism, I venture to bring to the attention of the Conference. I mean expenditure on armaments, without which we, the developing countries, could benefit from increased aid. This is a problem of capital importance, since such expenditure is a drain on the vital forces of the developed nations and reduces in like measure their ability to give aid. The whole international community must reflect on this question, which should lead us to establish priorities, the most obvious of which is undeniably the struggle for development, or in other words, for the happiness of mankind, for that, in short, is what is involved. I hope that this idea and this alone may form the backcloth to our work, for, if it does, this Conference will, I do not doubt, one day receive the just tribute of history.

**STATEMENT BY H.E. Mr. L. MARCONI ROBINSON,  
MINISTER OF AGRICULTURE, INDUSTRY AND COMMERCE,  
HEAD OF THE TRINIDAD AND TOBAGO DELEGATION**

at the twenty-second plenary meeting, held on 7 April 1964

[Original text: English]

This Conference, if it means anything at all, means only one thing—economic decolonization. It is a revolt against the economics of colonialism. It is an attempt, on the part of the developing countries in particular, to redress the imbalance that was inevitable in the colonial system.

Two basic principles dominated the economics of colonialism. The first was that colonial trade was stifled by restricting it, in respect of both imports and exports, to the markets, nationals and ships of the colonial Power. The system was appropriately described as “the exclusive”. The second was that

colonial production was restricted to raw materials, and to particular raw materials. The classic expression of this principle was that the colonies were to manufacture “not a nail, not a horseshoe”.

The practical result of these two basic principles was that the colonial Power imposed a preferential system on the colonial territories to ensure to it a monopoly of the colonial market for its machinery, foodstuffs and clothing; a sufficiency of colonial products which would supply a basis for further processing; full employment for its labour force; utilization and expansion of its shipping.



The inevitable revolt against the economics of colonialism has come principally from four quarters: first, from the colonial countries themselves—the economics of independence cannot possibly coincide with the economics of colonialism; secondly, from the non-colonial Powers; thirdly, from the developed countries themselves, which, in seeking to diversify their own trade patterns, have, not infrequently, found the colonial preferential arrangements costly and restrictive; and finally from countries, whether developed or developing, outside a particular trading bloc against that trading bloc.

The dominant notes in this Conference, whether in the speeches of the developing countries or in the Secretariat's analysis, reflect this revolt against the economics of colonialism. Four dominant notes can be identified:

(1) Removal of restrictions on access to the world's markets, including the abolition of preferences and quota restrictions, with the supplementary objective of greater trade among the developing countries themselves;

(2) Access to the markets of the developed countries for manufactures of the developing countries, as a special aspect of the larger question of unrestricted access to world markets;

(3) More favourable terms of trade for the developing countries—that is to say, a more equitable relationship between the prices for primary products of the developing countries and prices for the manufactured goods of the developed countries;

(4) Greater stability in prices for primary commodities, and a reduction of the fluctuations to which they have been exposed.

Out of these dominant notes at the Conference, three further questions arise: greater scope for the products of developing countries by the expansion of trade between the centrally-planned economies and the free-market economies; the institutional facilities under which world trade is to be conducted in future; economic aid from the developed countries for the developing countries, as a supplement to the expansion and greater freedom of trade.

Trinidad and Tobago unequivocally pledges its solidarity with the developing countries in respect of all these objectives. For, together with other communities in the Caribbean, Trinidad and Tobago has suffered more and for a longer period from the colonial system than any other part of the world, with due respect to my friends from Ghana.

Thus, we of Trinidad and Tobago, regard this Conference as of crucial importance. We congratulate the developing countries on their initiative in agitating for this Conference. We congratulate Mr. Prebisch on his forthright analysis; with his vast experience of Latin American conditions, no more appropriate analyst could have been secured. And we join in the universal acclamation of the selection of Mr. Kaissouni

as President, not only in his own personal right, but as the representative of a developing country that has perhaps made the greatest strides in the last five years.

The United Kingdom statement, to which we listened carefully yesterday, is of special significance because, more than that of any other developed country, it goes to what we consider to be the heart of this Conference. The implementation of its ten specific points would go a long way towards achieving the Conference objectives.

The United Kingdom statement stressed the diversity of the developing countries and the differences between them in economic structure, size, dependence on trade and rate of economic growth. This provides me with a convenient opportunity to draw the attention of the Conference to certain special problems of Trinidad and Tobago and the West Indies which are not of our making, and which are a legacy of the colonial system that it is not possible for us to ignore.

The first problem is that of size. The majority of the West Indian communities are very small, with limited land area. To be specific, Trinidad and Tobago has less than a million people on less than 2000 square miles. Such a small population cannot possibly constitute a significant domestic market. The production—whether of oil, sugar, cocoa, citrus, coffee, tobacco or spices—is consequently a mere drop in the bucket of total world production. In the circumstances of a limited domestic market, however, the West Indian communities are more heavily dependent on export trade than any other part of the world.

Our friends advise us to unite—if not politically, at least to form a larger domestic market. That is a consummation devoutly to be wished, and the official policy of Trinidad and Tobago is to work towards the ideal of a Caribbean economic community. The possibility has been raised of the union of Trinidad and Tobago with one of our small island neighbours, Grenada. With our colleagues in Jamaica, British Guiana and Barbados—the two latter not yet independent—we have already taken the initiative in organizing an informal association of Heads of West Indian Governments, designed to achieve the largest possible measure of co-operation in economic matters.

To extend this area of co-operation is a matter of enormous difficulty in the light of the political divisions in the Caribbean, which are the legacy of over four centuries of rivalry among the developed countries of the world. The Caribbean is divided today into five independent States, two of which are traditionally associated with the Commonwealth, a number of non-self-governing countries associated with the Commonwealth, and other islands either assimilated to France, or forming part of the Kingdom of the Netherlands, or integrated in the customs area of the United States. Whatever progress may be made in the future towards an objective which is nothing less than common sense will call

for a great deal of help from the developed countries themselves and from the international family as a whole.

Our second difficulty is the absolute dependence of the Caribbean countries on some form of preferential arrangement with some metropolitan area or regional grouping. This is particularly the case in respect of the most important agricultural raw material produced in the Caribbean: sugar. Under the terms of the Commonwealth Sugar Agreement, the Caribbean countries associated with the Commonwealth enjoy a guaranteed market for a percentage of their sugar production at a price negotiated annually; at the end of each year, one year is added to the original ten-year Agreement. This Agreement has assured us of a certain stability in years of low prices in respect of employment, workers' wages and Government revenues; it has also made possible long overdue improvements in the field of housing of sugar-workers. Where prices are concerned, the Agreement has been worth to the West Indian countries £62 million above the world price over a ten-year period; though some £13 million will have to be deducted from this in respect of last year's high prices.

The Commonwealth Sugar Agreement is in our view one of the best of the commodity agreements, which is not to suggest that it is not capable of improvement. But the stark reality for us in Trinidad and Tobago is that the sugar industry employs 8 per cent of our labour force in an economy in which 14 per cent of the labour force is unemployed—I repeat, 14 per cent of our labour force is unemployed. The abolition of our sugar preference would therefore mean, as our colleagues from Jamaica have already emphasized, the creation of more confusion and more problems in the world. We in the West Indies, in fact, regard the sugar preference as a form of compensation, however limited, to the people of the West Indies themselves for the preferential position which the United Kingdom has enjoyed for centuries in the markets of the West Indies.

What is more important, however, is that, whatever the law or the theory might be, West Indian preferences can in practice be largely illusory. For example, the limited production of the natural asphalt of Trinidad and Tobago is now threatened by the substitute of coal tar. Trinidad and Tobago's unique flavouring product, Angostura bitters, is exposed not infrequently to hostile customs classifications. Our rum, its high quality notwithstanding, has to contend with high taxes and unfair competition. The protection enjoyed over relatively few years by our citrus industry is facing a crucial challenge from a highly-developed country, though a satisfactory compromise seems to be in sight. The small textile industry of Trinidad and Tobago, like that of Jamaica, is faced with serious marketing difficulties. Trinidad and Tobago does not benefit substantially from the privileges or preferences extended in the Western Hemisphere to other Western Hemisphere countries.

Our third special problem relates to economic aid. Developing countries are always told to help themselves. That is precisely what we in Trinidad and Tobago have been doing; our first Five-Year Development Plan of a little less than £50 million was financed to the extent of over 90 per cent from our own independent resources. We receive no appreciable quantities of economic assistance; it is argued that we qualify for such economic assistance neither by virtue of our *per capita* national income nor by virtue of our balance-of-payments problem. The developed countries should know as well as I how impracticable it is to talk to 14 per cent of a labour force that is unemployed about balance of payments and *per capita* national income.

We are the forgotten areas of the modern world. It was the West Indies which gave the first real stimulus for two centuries to that capital accumulation which alone made possible the development of many of the countries that sit in this Conference today as developed countries. Today we are dismissed as specks of dust. Whilst we do not underestimate the importance to the developing countries either of injections of private capital or of full employment in the developed countries, we can tell the developing countries at this Conference a great deal about the insensitiveness of private capital, with its automation and mechanization, to the social objectives of an independent country, and about the importance of full employment to both the political stability and the social welfare of a developing country.

We are now engaged in another effort to help ourselves by finding new markets and developing new trading relations with some of our partners among the developing countries. The obvious limitation here, as the Conference will readily understand, is the problem of shipping—not merely the question of freight rates, but the absence of any shipping communications at all outside of the traditional pattern developed over previous centuries.

Thus, I am compelled to propose to this Conference, for its sympathetic consideration, the following three measures for the protection of small countries;

(1) A differentiation between preferential arrangements in the interest of a developed country and preferential arrangements in the interest of a small developing country.

I suggest as a basis of discussion, that the following criteria should be taken into account in the determination and identification of small developing countries which might qualify: (a) the size of its domestic market; (b) its economic potential; (c) population density and unemployment; (d) any of its domestic commodities which represents less than one per cent of total world production of that commodity; (e) the historical antecedents of any existing preferential arrangements.

(2) A comprehensive and realistic appraisal by the United Nations of all forms of economic assistance to developing countries, whether bilateral or multilateral,

and the development of appropriate criteria which would take into account the peculiar problems of small countries, especially unemployment.

(3) The study of existing shipping limitations on the possible expansion of the existing marketing arrangements among the developing countries.

In the final analysis, however, the real protection for the developing countries, and especially the smaller ones like Trinidad and Tobago, rests in the United Nations. We take this opportunity to testify not only to the tangible assistance we have received from the United Nations, but to the opportunity it provides for us to present our point of view without any inhibitions in respect of inequality of size or resources, or our age as an independent country. It is for this reason that, whilst we would be prepared to endorse the moderniza-

tion of the GATT rather than the establishment of a new organization, we do so on the distinct understanding that this Conference on Trade and Development should become a regular and permanent feature of the United Nations, with its own secretariat and standing committee.

The road ahead is inevitably long and arduous; the economics of independence cannot be worked out overnight. The continuation of this Conference under the auspices of the United Nations, with the opportunity this forum provides for a real meeting of minds in an atmosphere of reason and friendship, affords the best hope for the achievement of the legitimate aspirations of the developing countries, and, therefore, for the creation of conditions conducive to world economic stability and world peace.

STATEMENT BY H.E. MR. AHMED BEN SALAH,  
SECRETARY OF STATE FOR PLANNING AND FINANCE  
OF THE REPUBLIC OF TUNISIA, HEAD OF THE DELEGATION  
at the twelfth plenary meeting, held on 31 March 1964

[Original text: French]

I take pleasure in laying before this Conference the contribution of the people and Government of the Republic of Tunisia. The problems referred to this Conference reflect the essential concerns of a world which has undergone a political renewal since the Second World War and, more particularly, since the attainment of independence by many countries. Indeed, the liberation of those countries has largely been the means of bringing to light evils which had long been accumulating and long been concealed by the many veils of the will to dominate and the will to exploit. With the attainment of political independence, the peoples swiftly gained a general awareness of the state of under-development from which they had suffered for long decades and which was characterized by, among other things, imbalance in production and the disintegration of an economy, of modes of thought and of social structures, which hampered their development. To these phenomena, which were often intensified by severe pressure of population, were added other factors arising specifically from political liberation, especially when that liberation found tangible expression in a methodical process of *de facto* decolonization. It is a familiar fact that independence has almost always aroused mistrust in some countries: mistrust on the part of investors, of enterprises, and even of technical experts, not to mention the

excolonizing States themselves, which find it hard to bring themselves to change relationships of colonization into relationships of free co-operation. It is sufficient to glance at the statistics on the flight of capital from newly-independent countries to realize how much importance the owners of this capital attach to "colonial guarantees". It must be said that no concerted action was taken in time to prevent the new factors from making matters worse for the formerly colonized countries. Today, we are convinced that the whole world appreciates the need to approach these new problems with a renewed policy of international co-operation designed to set relations between nations, societies and human beings on a new foundation in keeping with the requirements of the universality of human civilization and of world peace.

It is true that sporadic efforts have been made in the past, both by the developed and by the developing nations, to find a way to fruitful co-operation. It is on a world scale, however, that this co-operation, which has still to be organized, ought to be given a fresh impetus.

It seems to us important that this impetus should be apparent in the economic policies of the developed and of the developing countries.

I should like, with your permission, to examine briefly the steps which in our opinion would meet the requirements for our joint effort.

(1) First of all, we consider it vital that the economic and social structures of the developing countries should be reshaped so as to enable the nations and peoples concerned to derive full and real benefit from the development achieved through industrialization and through the modernization of agriculture and trade.

We say this because there seems to be no assurance that the new approaches to trade relations between developed and developing countries are enough in themselves to solve the real problems. There is certainly no assurance that the product of the revalorization and expansion of the developing countries' exports will be used to promote the advancement of the peoples concerned and will not continue to strengthen the many foreign or other outside interests which are predominant in a great many such countries.

(2) It is important that the developing countries should look beyond their particularism and strengthen their economic solidarity in order to arrive at regional integration as quickly as possible.

Other speakers before me have very clearly demonstrated the desirability of regional groupings. I shall say only that the need for them is increasingly urgent.

(3) There is still a great deal to be done to facilitate trade among developing countries which is, alarmingly, a mere trickle at present. Without any doubt, if the barriers to the expansion of trade between developing countries—such as diversity of systems of payment and customs practices, shortage of transport, and the like—were broken down, there could be a swift rise in such trade.

(4) As regards trade between developed and developing countries, our task must be to revise prices of exports upwards and expand their volume, now and in the future.

In this connexion, it seems to us that prompt action relating to primary commodity prices may prove as effective as action by the consumer countries in the matter of customs tariffs, charges and internal taxes.

For this purpose, we suggest that the international commodity agreements should be reviewed on the principle of remunerative prices. The proceeds from the upward revision of export prices could be used to finance a "modernization and reconversion fund", to be administered by an international agency, from which to finance investment programmes designed

to diversify production in the exporting countries. As regards the problems of markets for primary commodities, semi-manufactures or manufactures, short-term solutions should be sought, as well as those for the medium or longterm.

In the short run, the need is to find out what is available and to seek solutions which can be applied in the near future.

In the long run, what is needed is a more intensive study of production and marketing techniques, to be financed in part by the industrialized consumer countries. The problem of trade in manufactures and semi-manufactures also comes under this heading.

It is important that the developing countries should meet with broad comprehension in this matter, and that markets should be opened up to them so that marketing difficulties do not hamper the process of industrialization which, along with the modernization of agriculture and the training of skilled personnel, must remain our chief concern.

(5) The reorientation of international trade, as generally envisaged, will not, of itself, solve the growth problems confronting the developing countries. It is important that the intentions expressed here and elsewhere by the developed countries should be fully reflected in their policy of aid to the developing countries.

In many cases, despite the decisions taken in principle regarding aid for development purposes, the forms in which this aid is provided are such that it is sometimes risky to count on actually receiving it.

Similarly, with regard to private investment, it is important that the Governments of the developed countries should plan effective measures to promote investment in the developing countries as part of their development planning; the latter countries welcome capital on terms of respect for guarantees freely given, which have taken the place of the old-style "colonial guarantees" based on occupation and exploitation.

So far as multilateral aid is concerned, it is eminently desirable that the volume and nature of such aid should continue to be adapted to the needs of the developing countries.

Such are the comments I am able to make on behalf of the Republic of Tunisia at this stage of the proceedings.

It is my earnest wish that this Conference, which is opening amidst great hopes, may usher in a new era in relations between economic systems and nations, in all their diversity of spiritual and material wealth.

STATEMENT BY H.E. Mr. FERIDUN CEMAL ERKIN,  
MINISTER FOR FOREIGN AFFAIRS OF TURKEY,  
HEAD OF THE DELEGATION

at the fifteenth plenary meeting, held on 2 April 1964

[Original text: French]

When after a long interval of thirty years I returned to the Palais here on 23 March, I had a momentary feeling that I was again living in a period of the twentieth century which seems to have been forgotten or to be misunderstood by most of us. I thought back to the heroic days of the League of Nations, mankind's first attempt to build up an international community with a view to safeguarding peace by endeavouring to find solutions for the difficult problems which then confronted the whole world.

Barely forty years have passed since then; not even the space of a generation. Yet during this lapse of time the spirit of international co-operation has undergone a remarkable evolution.

Gathered together here in this conference room are the representatives of more than a hundred and twenty countries, seeking solutions to problems which were not even mentioned in the Covenant of the League of Nations. How can we fail to note with pleasure this satisfactory and promising trend?

However, it must be admitted that without the initial experiment carried out by the League of Nations, the United Nations would probably never have been born, and in that event it would have been impossible for us to be meeting at this Conference, which indeed constitutes yet another striking instance of recognition by the international community of the political and economic changes which have taken place since the Second World War.

The first of the changes to which I allude is the end of the colonial system and the appearance of many nations which have recently acquired independence; the second is surely the realization by mankind of the need for international co-operation and concerted action both in confronting major political problems and in furthering the hope of the peoples of the world for a better and more prosperous life. It is not improbable that this century of ours will be recognized by history not only as the "era of the great awakening of nations" but as "the era of the birth of the idea of international co-operation in the economic and social fields".

During the post-war years, many efforts have been made to ensure the orderly development of the countries of the world with a view to satisfying the legitimate aspirations of people everywhere. I have no desire to enumerate at great length all that has been achieved in twenty years towards the achievement of

balanced and equitable economic development. I should like to point out that all these efforts, praiseworthy no doubt in themselves, have unfortunately not been sufficient to remedy what might be called the disease of our century, in other words, the development fever which is uppermost in the minds and hearts of the peoples of the under-developed countries. It is an undoubted fact that the adjustments needed to foster the economic progress of the under-developed world have not kept pace with the evolution of the post-war period because the idea made its way much more quickly than it could be put into practice.

The slowness of the adjustments has been especially perceptible in regard to the links between trade and development. These links, we must admit, have long been neglected both in economic literature and in the sphere of practical achievements. Happily, this trend has been reversed of recent years, as a result of the adoption by the United Nations General Assembly of two resolutions of major importance: on the "United Nations Development Decade" and the second on the "United Nations Conference on Trade and Development".

I mention these two resolutions together because no measure alone and in isolation would, I feel, be sufficient to solve the vast and complex problems of the under-developed countries. These two comprehensive resolutions call upon the United Nations bodies, Member States and specialized agencies to concert together, to co-operate among themselves for the application of integrated policies to ensure the creation of a community of economically balanced and socially stable nations, by introducing broad programmes, whereas in the past action by the United Nations family and other institutions on behalf of the under-developed countries had consisted merely of large numbers of isolated measures, often independent of each other and sometimes vitiated by rivalries.

The priority task for this assembly is clearly to find suitable means of increasing in the less-developed countries the revenue from exports, since its steady fall is an obstacle, first of all to the implementation of their economic development programmes, and secondly to the enjoyment of the benefits of the financial and technical assistance they receive from the wealthy countries. This Conference cannot therefore in the strict sense of the word be held to be an international trade conference. Its essential aim, as stressed by the

United Nations Secretary-General, U Thant, in the preface to the report submitted by the Secretary-General of the Conference, is "to create an international trade environment that would facilitate the growth of developing countries and not thwart it". Any attempt to treat the problems of international trade separately from the main aim, which is the acceleration of development in the economically weak countries, and any action tending to impose on our Conference tasks which may divert it from its ultimate objective, would therefore not be acceptable to my Government.

The Preparatory Committee and the Secretary-General of the Conference have made extraordinary efforts to ensure thorough and adequate preparation in keeping with the objectives which the Conference has set, and this will, I am sure, contribute greatly to its success. Thus we have been gratified to receive a number of excellent studies on the problems confronting us, and the high scientific standard and objective outlook of these studies is worth stressing.

I should like on this occasion to pay a tribute to our Secretary-General, Mr. Prebisch, and through him to the members of his secretariat, as well as to the Chairman and other members of the Preparatory Committee for the excellent work they have done.

I cannot but stress in this connexion that in my opinion it is above all the responsibility of the Governments of the participating countries to ensure the success of this Conference, however sound the preparatory work may have been.

May I be allowed to give expression to my Government's keen hope that all the countries taking part in this Conference, and particularly the economically-advanced countries will, regardless of their economic and social systems, contribute with a sincere determination to co-operate in seeking means of solving the trade problems of the developing countries.

Our Secretary-General, Mr. Prebisch, points out to us in his excellent report several ways in which this end might be achieved. Some Governments have also made very useful proposals to this end.

I agree with Mr. Prebisch that ways and means much more ambitious and effective than those which have been used in the past are absolutely indispensable if the trade problems confronting the less-developed countries are to be solved.

The very nature of the products that the developing countries have to dispose of brings us to recognize that the first of these problems concerns primary commodities. All the countries represented here agree, I am certain, that the difficulties encountered by the developing countries in disposing of their production of raw materials and commodities, and the steady fall in the prices of these products, are the two basic causes of the reduction in their export earnings. As an example of this phenomenon, I might say that these factors caused a reduction of 20 per cent in Turkey's earnings between 1953 and 1961.

This state of affairs faces the developing countries with the necessity of deciding between compensating for a reduction in export earnings by reducing imports and resorting to supplementary foreign aid, with all the harmful consequences that such decisions have for the planning of development.

It is true that the efforts of international bodies have fortunately made it possible to devise remedies for this evil, such as the conclusion of international agreements covering a certain number of products. My Government, while in favour of extending agreements of this kind, nevertheless believes that the problem calls for an over-all solution which would offset the losses suffered by the developing countries on account of fluctuations in the prices of primary commodities. The solution must not, of course, on any account affect the system of financial aid already put into operation by several developed countries.

Apart from measures concerning primary commodities, diversification of the export structure is needed in order to strengthen the position of the developing countries in respect of foreign trade. The type of diversification I have in mind relates to the export of manufactured products, which naturally raises new problems.

We are sincerely of the opinion that a process which would open the markets of the industrialized countries more widely to the manufactures and primary commodities of the under-developed countries can be put into effect by stages, the transition from each stage to the next being carefully arranged so as to avoid the risk of disorganizing these markets, and all other necessary steps being taken to prevent the dangers that this opening-up of the markets might have for the developing countries.

I am happy to acknowledge the efforts made in this direction by the General Agreement on Tariffs and Trade. The November 1961 Declaration of the GATT Meeting of Ministers and the Programme of Action adopted at the May 1963 meeting contain very valuable indications to guide us in removing the obstacles to trade in the products of the developing countries. Particularly noteworthy is the idea of unilateral preferences to be granted by the advanced countries; this notion was explained by Mr. Prebisch most vividly in his report. I think there are many reasons for hoping that our Conference will be able to make progress in this sphere. The achievement of such progress would also depend on the willingness of the industrialized countries not members of GATT to conform, as a preliminary, to the spirit of the GATT discussions.

In his report, Mr. Prebisch draws our attention to another very important fact that warrants detailed study by the appropriate Committee of this Conference, namely the burden of servicing and other aspects of external financing. Any improvement in this direction would certainly strengthen the position of the developing countries in the community of nations. I can only repeat the observations of our Secretary-General and say that in our opinion too it is necessary and even

urgent to consider adjusting the repayment periods and the terms of the external debt of certain countries.

It was a happy thought on the part of our distinguished Secretary-General to devote a chapter of his report to what he calls "the responsibility of the developing countries". I quote his words: "The policy of international co-operation is only complementary; it cannot be a substitute for internal development policy".

He likewise states that the necessity for development requires the developing countries to adopt new attitudes and make a gigantic effort to solve the problems entailed.

My Government is fully aware of the responsibilities of the developing countries. The Prime Minister of my country, Mr. Ismet İnönü, stated a few months ago in the National Assembly that it was impossible to contemplate a developing country basing its economic development exclusively on foreign aid supplied by the taxpayers of the advanced countries.

The establishment of a climate favourable to development and the adaptation of the political, administrative, social and financial structures to the exigences of development are absolutely essential prerequisites for the success of the efforts both national and international, towards this development. The views of the Turkish Government are entirely in keeping with the principles laid down in this connexion by the resolution on the Development Decade and with Mr. Prebisch's views.

My Government has already made a vigorous start in establishing the essential foundations for the economic expansion and the strengthening of the social structure of Turkey. A first five-year development programme has been in operation since the beginning of 1963.

This first five-year plan will be followed by two others that will come into force at the beginning of 1968 and 1973 respectively. The aim of these programmes is to secure an increase in the national income

at the rate of 7 per cent so as to attain a real increase of 4 per cent, the annual rate of increase of the Turkish population being 3 per cent.

Among the efforts of the Turkish Government to bring about development, I must also mention the signing, at Ankara on 12 September 1963, of the Agreement of Association between Turkey and the European Economic Community. This Agreement, which provides for the gradual establishment of a customs union and the economic integration of Turkey with the Community, also aims at strengthening the economic and commercial relations between the partners and so speeding up the development of the Turkish economy and reducing the gap between it and the economy of the Community.

The basic problem of our time, one which calls for urgent solution, is the necessity for reducing and eliminating the gap between the under-developed areas and the more fortunate parts of the earth. The world is no longer what it was. Today, the future of the developing countries and the prosperity of the developed countries are intimately bound together.

Structural changes, both national and international, concerning all sectors of the economy, such as the rehabilitation of labour, the reorganization of land use, changes in systems of transport and financing, the re-examination of international trade flows in the light of possible modifications in their nature and purpose, must be carried out if we sincerely desire a better and more prosperous life for all the peoples of the world.

Like all changes, they are liable to cause difficulties, and they demand efforts and sacrifices the magnitude of which I do not by any means minimize; but I do not doubt that we shall succeed in overcoming these difficulties by national and international measures, for all countries have already committed themselves to achieving the aims of the Development Decade. The resulting improvement in the international division of labour will, I am certain, be in the interest of all.

**STATEMENT BY H.E. MR. JEHOASH SIBAKYALWAYO MAYANJA-NKANGI,  
MINISTER OF COMMERCE, HEAD OF THE DELEGATION OF UGANDA**

at the eighteenth plenary meeting, held on 3 April 1964

[Original text: English]

If Mr. Kaissouni would kindly grant me his indulgence to begin my address on a sentimental note, I would like to recall that from time immemorial the river Nile—our own daughter—has been the source of sustenance, the fountain of life itself, for millions of the sons and daughters of his country, the ancient

land of Egypt. We Ugandans take special delight in this fact, and find satisfaction in a bond which is so natural, so historical. What happens to him, therefore, is of interest to us. The representatives here assembled have unanimously elected him to the high office of President of the Conference. He is now the pilot of our



ship, so to speak. It is a great honour for him and a glory to his country. My delegation would like to congratulate him most warmly, and to state that we have every confidence in his skill and ability to steer the ship safely into harbour.

As I stand here on the rostrum and look at this impressive and anxious gathering of representatives, I cannot help wondering, although I should not, why this Conference was ever convened. Yet somehow the reason is clear. This is not a gathering of evil conspirators. It is a gathering of honourable men and women who are determined to consult together for the common good of mankind. Nations have agreed to meet and confer because they have realized that all is not well with the international economic system. As in matters of the spirit, the great world community has come to realize, perhaps more than ever before, "that we are all members one of another", that the United Nations should not be united—or appear to be united—in political matters only, but should carry that spirit of unity and fellowship into the field of economic relationships among nations. The fact that we are not meeting here as consumers' co-operatives, or producers' societies, is an encouraging testimony to the fact that the world has abandoned the outmoded notions of unbridled autarky, both in principle and in fact. This short-sighted policy has never commended, nor could it ever commend, itself to us in Uganda; for our economic welfare is highly dependent upon the actions or omissions of the international economic community, part of which is represented here. You can therefore appreciate why the Uganda Government attaches the greatest importance to this Conference.

My delegation is determined to contribute, small though its contribution may be, to the success of this Conference. The nations which are gathered here cannot afford to fail. The problem of want—of scarcity in its generalized form—which confronts the under-developed countries such as my own is common knowledge, and the story, once told, can hardly be profitably improved upon. Our Secretary-General, Mr. Prebisch, to whom we are greatly indebted, has carefully and almost exhaustively analysed for us the material issues. These issues have been stated and restated with unmistakable clarity and emphasis from this rostrum. To inform you further about them would therefore be superfluous. If then, in what follows hereunder, we make reference to particular aspects of our country's economy, or spotlight some of our recent economic experiences, it is not because we wish to educate either the President or the representatives in the problems of economic under-development. Our humble hope is that by judging these experiences and measuring them against their own, representatives will be in a better position to appraise the value of any proposals there may be for solving the problems confronting us all.

The burden of the Conference's deliberations has properly centred around the role of export earnings in

developing economies. For some countries' economies, exports are just another item, important perhaps, but not fundamental. But our exports constitute the very core of our monetary economy, as the following factors can show. Uganda is predominantly an agricultural country with agriculture accounting for two-thirds of the country's gross domestic product, and 90 per cent of all our exports. We have, generally speaking, no minerals and our industrialization process has just begun. Cotton and coffee constitute our leading exports and consistently make up more than three-quarters of our exports. These commodities, together with copper, our third export, are directly responsible for the generation of a sizeable proportion of the cash income of our people. Consequently, changes in the export value of these particular commodities are quickly amplified backwards throughout the entire economy, affecting not only the rate of income generation, investment, saving and employment but also the financial ability of the Government to provide the necessary administrative and social services. Without external financial assistance, whether in the form of loans or grants—and this source is both small and unpredictable—the situation can become critical. Furthermore, Uganda forms part of the East African currency area, which is managed by the East African Currency Board. The quantity of money which can be created by the Board outside the fiduciary issue, and the fiduciary issue forms only a marginal part of the total issue, depends on the amount of foreign exchange which Uganda, together with Kenya and Tanganyika, can muster on the external account, since the East African shilling is backed by sterling. We must earn this sterling or some other foreign currency which is convertible into the pound sterling. It is easy to understand what would happen if our export proceeds materially declined for an appreciable period, as they did between 1952 and 1962 owing to adverse terms of trade. One cannot of course claim, with mathematical exactitude, that there is an inexorable relation between the total supply of money in an economy and the volume of business activity which can be undertaken. However, there is sufficient empirical evidence to confound the sceptic. With the relatively simple monetary institutions such as we have—and we have as yet no central bank—the Government cannot rely on an effective monetary policy for purposes of economic development. It is thus forced to rely almost solely on fiscal methods, and everyone knows the difficulty of doing this in a less-developed country. Finally, in this connexion, Uganda's dependence on imports has always been very great and it is imperative that the country's capacity to earn imports must not be impaired, particularly at this stage when lots of imports are required to promote our industrialization programmes. If anyone wants Uganda's economy to take off, there is one controlling button to press: Exports.

I have described, albeit not in exhaustive detail, those salient aspects of our economy which I feel have particular reference to the business before the



Conference. What then are the views of the Uganda Government regarding policies which should be adopted? There are a number of specific questions before the Conference—namely, free trade, the stabilization of export earnings of primary commodities, financing and aid and finally institutions. I propose to deal with these issues seriatim.

Uganda firmly believes in the liberalization of international trade, that is to say, the removal of all barriers to trade, both tariff or quantitative restrictions, or even internal taxes which affect the consumption of commodities which are of interest to developing countries in particular. This process of liberalization should run through every portion of the international economy, be it “free” or “managed”, capitalist or socialist. We have heard some encouraging expressions of intention on the part of some of the major developed countries. Indeed, a start has been made, but there is still a long way to go.

If I may appeal to the socialist countries in particular, increases in the consumption of coffee by these countries are obviously of the greatest importance to Uganda. While *per capita* consumption of coffee is levelling off in Western markets, it would appear that it has not been allowed to rise at its natural rate in the socialist countries. According to a recent GATT study, the *per capita* net amount of coffee consumed in the Eastern European countries was 0.24 kg in 1961, while the lowest of nine Western countries was four times this amount and the highest was forty times greater. Quantitative restrictions, tariffs and internal taxes on consumption must be eliminated in order to promote increased consumption not only of coffee but also of the other products emanating from the developing countries. While on this question of the consumption of coffee, I am told that in a certain Western country experiments are being conducted with a view to producing artificial coffee. This seems to be technology run mad. While we support trading by means of bilateral agreements, where appropriate, efforts should nevertheless be made to trade on a multilateral basis, and for convertible currency, in order to strengthen the purchasing power of developing countries in international markets.

Our general policy of free trade admits of one exception and we earnestly urge the developed countries to accept this exception: allowances must be made in favour of the developing countries in view of their comparatively weaker economic competitive strength *vis-à-vis* the developed countries. This sounds like flogging a dead horse. But the fact that as yet no effective agreement has been reached on such issues at the “Kennedy round” or, what is more important to us, the General Agreement on Tariffs and Trade (GATT) Programme of Action, means that the fight for free trade must still be sustained. Uganda supports preferences which give privileged access to particular markets as a necessary exception to the general rule, so as to enable developing countries to develop their infant economies and continue to collect revenue,

until they are strong enough to compete with the relatively more-developed countries. In other words, the rationale of granting preferences should be an attempt to equalize the competitive strength of countries at different stages of development. If this principle is accepted, then it must follow that even among the less-developed countries, so far as it is possible to classify them, this principle should be allowed free play, particularly in the field of manufactures and semi-manufactures. If, for instance, it can be established that developing country A is relatively more developed than countries B and C, then it should be agreed that if country B gave tariff preferential concessions in its domestic markets to products of country C, then that preference should not be automatically demanded and accorded to country A.

Obviously there may be conceptual difficulties in defining stages of development but, a number of indicators come to mind: for example, the degree of technological and industrial development, the gross national product, the national income *per capita* (properly deflated to take account of the size of population), power consumption *per capita* in the manufacturing section of an economy, the relative development of social services, and so on. If we seek after an ideal we shall fail: we need to be pragmatic and realistic. Anyhow, this is the sort of thing which the experts can look into.

With regard to existing preferences which certain countries enjoy, our view is that the beneficiaries should not necessarily be required to relinquish them unless they are detrimental to the trading interests of other countries. The objective should be to increase total international income, and not merely to redistribute it.

With regard to “regional groupings”, our delegation feels that for countries, particularly those in Africa, which are only just beginning to industrialize their economies, it is essential that preferences, in the sense of privileged access to each other’s markets, should be allowed to operate, even where there are no customs unions or contractual free trade areas.

In this connexion, we would like to express our dissatisfaction at the way the Article on “General Most-Favoured-Nation Treatment” in GATT has operated. In our experience, it has inhibited somewhat the development of the economies of some of the developing countries. Why should a developing country extend preferences to highly-developed and less-developed countries alike, irrespective of the relative competitive strengths of the countries involved? This Article must be changed. How about the GATT Programme of Action and the related issue of reciprocity? The Uganda Government strongly feels that the developed countries should adopt this programme as the irreducible minimum, and without reciprocity.

Some developed countries have stated that they do not expect “full reciprocity” and yet they do not define what they mean by “full reciprocity”. The Uganda delegation accepts reciprocity in principle though not

in fact, because the state of the economies of the developing countries just cannot warrant reciprocity. We accept reciprocity in principle because, in operating the rules of liberalization of trade, we have no intention as such of robbing the developed countries. Preferences are necessary factors of economic growth.

One cannot subscribe to the infant industry argument and at the same time demand reciprocity, either full or partial. It would appear that some developed countries do not want to open markets to the products from the less-developed countries because they fear that this will result in serious dislocation of their domestic markets. We find little force in this argument. It is not even supported by empirical evidence. Is there not more trade between the developed countries of the world? One has only to look at statistics to find the answer.

The developed countries may find it necessary to rationalize the structure of their economies. But so will the developing countries, and taking the international economy as one, this is not necessarily an economically bad thing.

Let me now turn to the problem of stabilizing the export prices of primary products. As I have stated above, coffee and cotton are the life-blood of our economy, and naturally we are immensely interested in schemes to stabilize the export prices of primary commodities. International commodity agreements should be made sufficiently flexible to prevent crises such as the ones which we have recently witnessed in the coffee market under the operation of the International Coffee Agreement. Whatever quotas are fixed should be easily adjustable to respond quickly and effectively to changes in demand. These agreements, however, should be limited to those commodities which are amenable to quantitative control. As is generally recognized, commodity agreements cannot but be temporary panaceas for the problems arising out of excessive supply. Accordingly, our delegation feels that apart from working out the necessary commodity agreements, this Conference should be able to devise a "crash programme" whereby developing countries which predominantly depend on one or two export primary commodities, such as our own country, can be helped to diversify their economies in order to reduce their dependence on exports whose fortunes they cannot easily control. This brings me to the question of compensatory finance.

It would appear that the word "compensation" is being used with a double meaning. If it is taken to mean the giving of recompense for an injury or loss suffered, in which case no obligation is imposed on the recipient to repay anything, then my delegation would support any measures, for example those proposed by the United Nations Committee of Experts, whereby a developing country would be compensated for loss of export earnings suffered as a result of a deterioration in the terms of trade of its primary exports. Such compensation should be in the form of grants, and the initial fund should, we feel, be set up by the developed

industrialized countries, especially those which consume the commodities whose terms of trade are subject to deterioration.

If, however, the word compensation is used in the sense of "offsetting" certain effects, be they good or bad, then schemes of compensation should be linked with the proceeds of particular export commodities of developing countries which are, where possible, the subject of commodity agreements rather than be tied to the *whole* of the proceeds of a country's exports. *A fortiori*, compensatory financing should not be linked to adverse changes in a country's balance of payments unless changes in all items, including those on the capital account, are taken into account. This is because, unlike prices at which commodities are traded in on the world markets, it is very difficult to control internationally the actions of a country in relation to the capital account of its balance of payments. For the same reason, compensation should not be tied to quantities exported. Nor should the emphasis be on "primary", with reference to primary commodities, since a number of rich countries are exporters of primary commodities. The emphasis should be on need or under-development. Obviously, these schemes can only take account of short-term fluctuations in a country's trade balance, and should assume cyclical fluctuations along a rising trend. If, however, an economy shows an irreversible downward trend, then we feel that the situation calls for other more effective methods, particularly in the form of aid or loans, since what is needed is a fundamental structural change in that economy.

Several proposals have been put forward, and these no doubt will be examined by the experts in committees. But in general, the Uganda delegation suggests: first, that an international system of compensatory financing should provide automatic rather than discretionary compensation according to a simple formula. It should introduce a new element into international financial arrangements which provides only a partial offset to export fluctuations, but which is akin to contractual insurance.

Second, a system in which compensation predominantly takes the form of repayable loans would be more likely to constitute a net addition to present flows in financial aid, would be focused clearly on the distinctive problem of export stabilization, and would still be in the interest of developing countries which are relatively successfully attaining a rising trend of export earnings.

Third, such a compensatory scheme could be financed by initial capital contributions from all participants, but with developed countries with centrally-planned economies bearing the bulk of the cost of the new financial institution. In essence, the system would be a once-for-all expansion of the world monetary base.

Fourth, it would be desirable, if practicable, to shift the basis of the system from fluctuations in value of all exports to fluctuations in prices of major primary

products; such a system would deal explicitly with the main source of difficulty, would be, for developing countries, a more comprehensive and flexible complement to present international commodity agreements, and above all would make the system more attractive to countries which succeed in attaining rising trends in export volume.

Fifth, we feel that the International Monetary Fund should be encouraged to continue looking after those aspects of temporary imbalances which relate to the whole of a country's balance of payments.

Let me at this juncture turn my attention to the issue of aid. First, we want here to emphasize the objections which have already been raised by previous speakers regarding the tendency of some donors of aid or of private investors to try and squeeze the maximum concessions from developing countries, usually by encouraging competitive bidding which developing countries can ill afford. Is it not possible for there to be an international agreement—a convention, if you like—spelling out a general code of principles governing lender-borrower relations, the concessions and obligations which should be attached to loans, with these concessions and obligations reflecting fully the needs of the developing countries in their search for capital? Some developed countries have signed bilateral investments guarantee agreements with a number of developing countries. Would it be possible to extend this bilateralism to multilateralism in the form of an international investments guarantee charter? This should be able to help reduce the harmful competition between developing countries for aid and loanable capital.

Secondly, aid should be genuine aid, and not proceeds of taxes on commodities which developing countries export to the industrialized countries. Some countries have argued that they need to put internal taxes, for example, on our coffee which is consumed in their countries, in order that they may raise aid for developing countries. In four European countries, tariffs, revenue and other taxes range from 101 to 177 per cent of the import value of coffee. Surely, such taxes cannot but adversely affect consumption, and if aid is to stand in the way of our trade, then we opt for trade.

Thirdly, there appears to be a vicious circle about the granting of aid or loans. In some cases, aid or loans will not be granted to a country if it is politically "unstable"; that country may be politically "unstable" because it is economically poor; it is economically poor because it lacks the necessary investment capital. Yet in other cases there is reason to believe that aid is given to a country because it is, or considered to be, politically unstable, the instability being defined with reference to a political ideology. The result is that a politically "stable" country might not get the necessary grants or loans for its economic development projects. But must a country "sin, that grace may abound"? If there is any speck of truth in what I have just stated, I would appeal both to the donor countries and to

international investors to support developing countries financially, not because there is a "security" or an "ideological" risk, but because the country is poor, is hungry, is ignorant, is diseased.

The Uganda delegation supports the policy of combining aid with trade for the developing countries. But there are a few problems which we have experienced in connexion with aid and we would like to draw the attention of the Conference to them in the hope that a solution will be found for them.

Bilateral aid is now a jungle. A few countries give, or have given in the past, loans or grants which are wholly or partly untied, but few now do this, and repayment terms, rates of interest, procurement rules, limitation of commodity types, limitation on disposal, limitations on shipping which can be used, taboos on helping certain types of production, antipathy to private or State enterprise and multifarious technical standards all increase costs and multiply organizational effort.

The truth is that for the same expenditure of resources more could be achieved if assistance were not so hedged around with conditions; for example, aid tied to the donor country is likely not only to involve higher prices but also problems of technical specification and spare parts. It also leaves the problem of local costs—for example, buildings, which can be so large an item that it is not possible to make use of all the external aid offered.

Aid tied to particular projects makes it difficult to maintain national priorities in development planning and, most developing countries being as short of money as they are, getting the priorities right is most important. Furthermore if, as often happens, the donor is averse to helping certain industries or types of organization, or wants to concentrate on large prestige-creating projects, it can become quite difficult to make effective use of the assistance.

It is, of course, understood that there are reasons, economic, political, or both, for these attitudes of donor countries. In our view, donor countries could go a long way to meet these difficulties, possibly on the following lines.

(a) Loans and grants could be tied in so far as they were used for imports, but with some relaxation to meet specifications and some portion of a loan or grant could accordingly be available for local costs;

(b) If donors insist on offering aid on a project-by-project basis, at least they could offer to cover any project up to a given size in a country's development plan, or perhaps any project in certain sectors, leaving the final selection to the recipient;

(c) It is reasonable to ask donors to make up their minds quickly whether and how much they will contribute to the development of a particular country, over a specific period, and that they should not seek to alter their share, except of course upwards. Long delays, such as we in Uganda have experienced in one case, play havoc with systematic planning and waste the time of scarce administrative and professional staff;

(d) We would ask the wealthier countries to realize that for a poor developing country, the difference between a loan at around 2 per cent and a loan at around 5 or 6 per cent can be tremendously important. The capacity of developing countries to service debts is already very limited, and high rates of interest may land receiving countries in grave difficulties, for example, if there is a failure in one of the main exports or collapse of the price of the export.

The truth is that with reasonably low capital charges, the pace of cumulative development can be made much quicker and thus enable developing countries to reach a stage of self-sustaining growth when massive external aid is no longer needed.

Our stand on the subject of "institutions" is that we should fit institutions to purposes and not purposes to institutions; we repeat, after a certain eminent political thinker, that "For forms of government let fools contend, Whate'er is best administered, is best". The Conference should therefore concentrate on defining the purposes which the institutions should serve. If the existing institutions such as GATT cannot faithfully serve these purposes, then it is the duty of each one of us to devise some other institutions which would be able to deliver the goods. I think we should not refuse to do this just because GATT is an institution which some of us started or belong to—and Uganda is a member of GATT. Nor should we simply refuse to examine whether such an institution, if properly reshaped and given wider terms of reference, could not perform the functions entrusted to it, simply because GATT was begotten under circumstances which we do not accept. Even if it involves a change of name, then let us change the name; for what is in a name? "... that which we call a rose, By any other name would smell as sweet."

We agree that GATT has so far been not very effective in promoting the interests of developing countries

especially in the field of development finance, and indeed, in that of reducing various barriers to trade. But then, GATT is precisely "a General Agreement on Tariffs and Trade", and unless its terms of reference were wider than this—which they are not—it would be rather unreasonable for anyone to criticize GATT for having left undone those things which it ought not to have done.

Finally, the very important issue of land-locked countries has been raised by Afghanistan and supported in statements made by other delegations, who have emphasized the need for international recognition of the rights of land-locked countries to free transit through other countries for purposes of their trade. As is known, Uganda is right at the centre of Africa, it is a completely land-locked country, and this issue is therefore of interest to our delegation. Fortunately, we form part of the East Africa Common Services Organisation, and we have no problems of transit. However, this fact does not blind us to the necessity of supporting as strongly as we can the rights of countries such as Afghanistan to unrestricted transit through other countries for the purposes of their commerce. This is not a new claim, of course, but we feel that the world must declare anew its support for these claims and this Conference should recommend to the United Nations that the necessary international convention be worked out and put into effect without undue delay.

This is a moment of action. Let not posterity say that we met for weeks, for months, but accomplished nothing.

"There is a tide in the affairs of men  
 "Which taken at the flood leads onto fortune;  
 "Omitted, all the voyage of their life  
 "Is bound in shallows and miseries.  
 "On such a full sea are we now afloat,  
 "And we must take the current when it serves  
 "Or lose our venture."

**STATEMENT BY H.E. Mr. G. L. SAKHNOVSKY,  
 MINISTER OF TRADE, HEAD OF THE DELEGATION  
 OF THE UKRAINIAN SOVIET SOCIALIST REPUBLIC  
 at the twenty-second plenary meeting, held on 7 April 1964**

[Original text: Russian]

On behalf of the Ukrainian delegation, I should like to join in congratulating Mr. Kaissouni, on his election to the high office of President of our Conference, and to wish him success in his important and rewarding work.

Delegations of the developing countries of Asia, Africa and Latin America, of the socialist States and of the capitalist countries, are present at this Conference. Thus, all the main groups of countries in the modern world are represented here. This opens before

us great possibilities for fruitful discussion of the complicated and important tasks facing the Conference, and for working out decisions acceptable to all sides.

Unfortunately, however, it is impossible to ignore the fact that universal representation at our Conference has not been achieved. For reasons which are clearly contrary to the principles of peaceful coexistence and the rules of international law, socialist countries like the German Democratic Republic, the People's Republic of China, the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam are deprived of the opportunity of participating. It is obvious to any impartial person that such a state of affairs can only have a bad effect on the results of the Conference's work.

One of the main questions facing our Conference is the problem of strengthening the independence and overcoming the economic backwardness of the developing countries.

The Ukrainian delegation fully understands the problems and aspirations of the young sovereign States. What the peoples of these States are fighting for today is something that is part of the history of our own people. Before the Revolution, the Ukraine was a backward agrarian fringe region of Tsarist Russia, and its economy was dominated by foreign capital from the Western European Powers. Many sons and daughters of the Ukraine could not find work in their own country and were forced to go abroad. More than a million people emigrated from the Ukraine between 1907 and 1913 alone.

The task of creating an independent, strong and diversified economy with which the young States of Asia, Africa and Latin America are confronted, was solved by us in a short time. Supported by the fraternal co-operation and mutual assistance of all the Soviet peoples, the Ukrainian SSR achieved great success in developing its productive forces. Today, our Republic is one of the ten major industrial countries of the world by volume of industrial output.

In our Republic, the iron and steel, fuel, chemical, mechanical engineering and energy-producing industries, as well as light industry, the food industry and many others, have undergone extensive development. The mechanical engineering works of the Ukraine are now producing powerful diesel and electric locomotives, 300,000 kilowatt turbines, rolling mills, tractors and motor cars, agricultural machines, metal-cutting lathes and many other kinds of equipment and instruments.

Side by side with its mighty industry, the Ukraine has a diversified, highly-mechanized agriculture, capable not only of fully satisfying its internal needs but also of exporting some of its agricultural produce.

Our share in international economic co-operation is expanding rapidly. While the exports of the pre-revolutionary Ukraine consisted mainly of raw

materials which were sent to a small number of countries, our goods, mainly industrial products, now go to seventy-four countries throughout the world.

More than 300 industrial plants are being constructed abroad with help from the Ukrainian SSR. Some 3000 foreign students are at present studying at universities and technological institutes in the Ukraine.

In their statements to the Conference, many representatives of the developing countries have rightly pointed out that very unfavourable conditions for the development of the developing countries' economy and foreign trade have established themselves in the world economy, which up to the present has, as is well known, been greatly influenced by the capitalist monopolies.

These representatives have pointed out, in particular, that the prices for primary products are subject to sharp fluctuations and show a general tendency to fall. As the years go by, the difficulties of disposing of the developing countries' produce on the world market increase. Despite the growth in the physical volume of exports, the developing countries' earnings are increasing much more slowly and are frequently liable to fall owing to changes in the economic situation in the industrially-developed countries of the West. At the same time, the prices of the industrial equipment and machinery imported by the developing countries and needed for carrying out their economic development plans are steadily rising. These trends have a disastrous effect on the developing countries' balance of payments and on the implementation of the young States' development plans, for they freeze up the possibilities of their economic growth. Consequently, the developing countries derive less and less benefit from the international division of labour which has taken form in the conditions of capitalist activity.

The foreign trade of the developing countries is at present severely limited by the single crop pattern and one-sidedness of their exports—by this and also by other relics of the colonial past.

Many developing countries at the Conference will raise the question of the need for devising a number of international measures which would assist them in the shortest possible time to strengthen their economic independence and overcome the backwardness inherited from colonialism. These demands are justified and we fully support them.

Various international measures are possible, but the main ones are undoubtedly the following:

It is essential, as the leaders of the United Arab Republic, Indonesia and some other developing countries have pointed out on more than one occasion, that the colonial Powers should, as a moral obligation, restore to the peoples of their former colonies at least some of the wealth which they took from them over a period of many years.

In the view of our delegation, the developing countries must also be securely protected from any

manifestations of colonialism and neo-colonialism, in economics and international trade as in other fields.

Furthermore, an analysis of the structure and defects of the international division of labour as it has developed in the course of history inevitably brings to the fore the question of the principles on which international economic, and in particular trade, relations should be based in future. The vital necessity of establishing such principles is now recognized by many countries and is dictated by life itself.

These principles of international trade relations should provide for a new rational international division of labour, and should be based on strict recognition of sovereignty, non-intervention in the internal affairs of countries and genuine equality.

Consideration at the Conference of the developing countries' trade and economic problems cannot be divorced from the vital problems of international trade development as a whole, including questions which concern trade between the socialist and the developed capitalist countries. The normalization of trade between East and West will undoubtedly contribute to the economic development of the developing countries.

As is well known, one of the basic principles which regulate trade relations between nations is the principle of most-favoured-nation treatment. It is essential that no nation should be discriminated against in trade with another. At the same time, it must be emphasized that the granting of certain advantages and preferences to the developing countries by the developed countries should not be regarded as a violation of this principle.

The progressive reduction and speedy liquidation by the developed countries of the West of all barriers which impede the exports of the developing countries should also be effected without reciprocal concessions from the latter. Nor should the developed countries lay claim to the advantages and preferences granted by the developing countries to each other.

Economic and technical assistance to the developing countries, whether rendered by the developed countries or by the international organizations, should supplement and facilitate the developing countries' own efforts to ensure the steady growth of their economies. It is important that such assistance should not be subject to self-interested conditions of a political, economic, or military nature, as has often been the case with assistance from the economically developed capitalist countries. All this has been set down in the draft "Principles of international trade relations and trade policy", submitted to the Conference by the delegations of the Soviet Union, the Polish People's Republic and the Czechoslovak Socialist Republic, which we fully support.

In this draft full account is taken of the developing countries' determination to speed up their economic and social progress, and also of the need for the economically developed countries to assist them.

The document submitted by the three countries mentioned not only enunciates the principle of most-

favoured-nation treatment but also provides for a number of other measures designed to protect the developing countries' interests. Thus, it deals, among other things, with the right of free access to the sea for every State that has no coastline of its own, the improvement of transport, insurance and credit conditions and the stabilization of raw material markets.

The Conference will not fulfil all its tasks if it confines itself to the study of trade problems without creating permanent international machinery to put the decisions of the Conference into effect. A universal, international trade organization must be established to organize the efforts of all States, irrespective of their social and economic systems and level of economic development, and to direct those efforts towards the attainment of a generally acceptable solution of the problems of international trade in relation to the problems of economic development.

Some representatives have argued that such machinery already exists in the General Agreement on Tariffs and Trade (GATT).

The Ukrainian delegation considers that GATT cannot serve as a basis for the international trade organization because, by its composition, GATT is not a suitable instrument for solving the problems of the developing countries' trade and of trade between countries with different social and economic systems. This is so because basically GATT operates within a narrow sphere of tariff policy, but chiefly because the whole work of GATT is essentially directed towards protecting the interests of the industrially-developed capitalist countries.

Following our Secretary-General, Mr. Prebisch, we may say (and here I quote from his report): "...GATT has not served the developing countries as it has the developed ones. In short, GATT has not helped to create the new order which must meet the needs of development..." And further (I again quote): "...GATT had not been effective from the standpoint of developing countries..."

And here we agree with the criticism of GATT's activities voiced by the delegations of Brazil, Kenya, Afghanistan and many others.

If to this it is added that GATT is unable to promote the development of trade with the socialist countries, it will be obvious that GATT does not meet the requirements of universality, indispensable for an international trade organization.

The principle of most-favoured-nation treatment was proclaimed to be the foundation of GATT's work, but GATT has lost its significance even in the sphere of tariffs owing to the formation of closed economic groupings in Western Europe. As is pointed out in the document prepared by the secretariat of the Economic Commission for Europe for the present Conference, GATT is becoming more and more a forum for general discussions. No matter how much GATT is boosted, there is no denying that, owing to the numerous

reservations, this tariff agreement leaves the way open to discriminatory practices of various kinds and to procedures such as that whereby individual developed countries subsidize the sale of agricultural surpluses at dumping prices, even though this disorganizes the world market.

Yesterday, the United Kingdom representative affirmed that GATT was a suitable instrument for solving important problems of international trade, and that its effectiveness could be strengthened; but he did not say how that could be done.

What reliance can be placed on an organization which has always concerned itself with solving problems affecting only the developed capitalist countries, and has ignored those which affect the developing countries? In order to solve the wide range of current problems of vital importance, a new approach and new forms of organization are required.

The idea of establishing an international body to make sure that the decisions of the Conference are put into effect is gaining more and more support. This is reflected in the Joint Declaration of the seventy-five developing countries, in the recommendations of the fourth Afro-Asian conference on economic co-operation, in the documents of the group of economists from eleven countries which met at Bellagio, and lastly in the meeting of Latin American Government Experts on Trade Policy at Brasilia on 20-25 January 1964.

It is essential to establish an international trade organization, especially since there is as yet no specialized agency in the United Nations system which deals with the whole complex of international trade problems. During the years that have passed since the Charter of the United Nations was adopted, more than fifty colonial countries have achieved independence and become

full and equal members of the world community and Members of the United Nations. The time has come to put into practice all those positive ideas which are contained in the general provisions of the United Nations Charter relating to international economic co-operation, particularly in the sphere of international trade.

It is precisely on the present Conference, which has to work out a set of measures to ensure application of the agreed principles of international trade relations, that the duty falls of establishing an international trade organization to deal with the whole complex of international trade problems.

The Ukrainian delegation fully supports the draft resolution on the establishment of an international trade organization, contained in the document presented by the Soviet Union, Poland and Czechoslovakia.

The adoption of this proposal by our Conference will provide a firm foundation for international economic co-operation between all States, great and small, economically developed and developing, and between countries with different social and economic systems.

Our debate is drawing to a close. We have heard many interesting ideas and proposals expressed from this rostrum concerning the alteration of the existing situation in world trade. There is, it seems to me, a good basis for detailed work in the committees.

Allow me, on behalf of the delegation of the Ukrainian SSR, to express the hope that the present Conference will be fruitful, and that it will lead to the establishment of a new, equitable system of law and order in international economic relations in the interests of the peoples of all countries.

STATEMENT BY H.E. Mr. N. S. PATOLICHEV,  
MINISTER FOR FOREIGN TRADE, HEAD OF THE DELEGATION  
OF THE UNION OF SOVIET SOCIALIST REPUBLICS

at the seventh plenary meeting, held on 26 March 1964

[Original text: Russian\*]

May I on behalf of the Soviet delegation congratulate Mr. Kaissouni on his election to this high and responsible office of President?

The Soviet delegation fully shares the confidence that Mr. Kaissouni, whose profound erudition and wide experience are so well known, will very successfully cope with the responsibilities vested in him, while we all shall render him assistance and support.

The Soviet Government had instructed me to express deep satisfaction on the occasion of the convocation of the United Nations Conference on Trade and Development and to convey to the participants of this important international forum which

\* The English text of the statement has been supplied by the delegation of the Union of Soviet Socialist Republics.



brought together the representatives of more than 120 countries the wishes for fruitful work.

We regard the very fact of the convening of this Conference, of which the Soviet Union is one of the initiators, as a success of the policy of peaceful co-existence and we believe that this important event may contribute to further relaxation of international tensions.

The convocation of the Conference is also an expression of the will of the people, the precept of our time—to make international trade and economic co-operation a powerful accelerator of economic and social progress, and effective instrument of mutual understanding and strengthening peace among nations.

The consistent struggle of the Soviet Union for peace has always been, from the first days of the Soviet power, linked to our desire to develop trade and economic relations with all countries irrespective of their social and economic systems and levels of development.

As N. S. Khrushchev, Chairman of the USSR Council of Ministers, notes in his message to the President of the Conference the Soviet Government is convinced that international trade and economic co-operation may and must greatly contribute to the strengthening of peace and co-operation among nations, and he expresses the hope that our Conference will open up a new page in the history of international economic relations. The Soviet Union is prepared to make its contribution to a successful solution of urgent problems of further development of international trade and economic co-operation.

However, the Soviet delegation has to express its regret that not all countries wishing to participate in the Conference have been given an opportunity to do so. It concerns the German Democratic Republic, a peace-loving German State which occupies an important place in world trade.

Is it not a great absurdity that the seat of China at the Conference is taken by persons who represent nobody? Is it not clear that the Chinese people may be represented only by the Government of the Chinese People's Republic? It is unjust that the Democratic Republic of Viet-Nam and the Democratic People's Republic of Korea have not been invited to the Conference.

I do not intend to analyse in detail in this statement the present state of international trade. I shall only mention that swift development of national economy of socialist countries and the creation of the conditions for the development of national economy of the States which have liberated themselves from colonial dependence, constitute in our time important factors of the development of world economy and trade.

We cannot miss the fact that a number of most negative factors operate in this field of international trade. The consequences of the activity of capitalist monopolies in the markets, the policy of neo-colonialism, the activities of closed economic groupings of

Western countries and the abnormal situation in trade caused by the cold war—all this seriously hampers, and cannot but impede the development of international trade.

Before discussing our stand on major problems at the Conference I would like to express on behalf of the Soviet delegation our thanks to the Secretariat of the Conference and personally to Mr. Prebisch, Secretary-General, for great and fruitful work in the preparation for this Conference.

#### *The development of external economic relations of the USSR*

The growth of economy and development of trade are known to be in the direct relationship. The increase in production opens the prospects for the extension of trade, makes it more diversified. On the other hand, the extension of foreign trade relations contributes to the acceleration of economic development.

Our Conference is convened to consider the problems of trade and development. The developing countries, which are so widely represented at our Conference with their major and difficult problems, attentively and hopefully size up each country, its ways of development, its possibilities and prospects for the progress of economy and trade.

To explain the role played by the Soviet Union in today's world trade and to see more clearly the vistas of the extension of our foreign trade relations, one should dwell, at least briefly, upon certain matters of the development of national economy of the USSR.

Despite the wars imposed on us and heavy damage which we suffered, our country within a historically short period of time has completed the transfer from backwardness to progress and has been turned into a highly-developed industrial power. Nowadays, the weekly output of our industry equals the annual output in pre-revolutionary Russia. By the volume of industrial production, we have left far behind all major European countries. Today's image of the Soviet Union is first of all associated with spaceships and gigantic electric power stations.

The transformation of the USSR from a backward country into an industrial power, leaving aside the political aspect of this matter, has a great significance in the field of international economic relations and in particular for the developing countries.

Firstly, our country has clearly exemplified that other countries may within a short period of time put an end to century-old backwardness.

Secondly, an end was put to the monopoly of certain countries in the fields of exporting equipment, granting credits and technical assistance. Great economic changes in the Soviet Union have been realized by its people on the basis of their internal resources only. Unfortunately, we did not have any other resources. We have done away with parasite classes, with foreign capital's plunder of the country, and all national

wealth has become people's property. It goes without saying that we had to economize on many things in order to allocate more funds for economic construction. The Soviet Union also faced an acute problem of training engineers and technicians. But this problem has been solved as well. Our institutions of higher education train at present more specialists than any other country of the world.

We have covered a difficult way, but we still have many urgent needs both in the field of industrial development and agricultural production. We still face quite a few unsolved tasks in the field of raising the living standards of our people and in the field of increasing effectiveness of production and capital construction. The Soviet country is now carrying out the programme of the creation of the material and technical basis of communism. We plan within twenty years to increase industrial production six times and to raise the output of agricultural produce three-and-a-half times. This programme is being successfully translated into life. Today, we pay special attention to the realization of vast programmes for development of the chemical industry and intensification of agricultural production.

The high tempo of the growth of the USSR economy in the post-war period, the successes in the field of science and technology, in mastering and utilization of the richest natural resources have created a material basis for steady expansion of our foreign economic relations. The diversified and varied character of the economy of the USSR is a condition for a many-sided structure of our export and import.

The USSR has always adhered to the course of the development of trade with foreign countries since the policy of friendship and co-operation with other nations, stems from the principles of Soviet foreign policy, from our social system.

I want to tell you about foreign trade of the Soviet Union. Constantly developing foreign trade of the USSR reflects the invariable economic growth of the country, considerable extension of its possibilities in economic exchange with other States as well as a drastic change in the international situation. With the transfer to the road of socialist development of many nations of Europe and Asia there has been formed a community of socialist countries responsible for more than one-third of world industrial production.

Another important factor lies in the fact that with the winning of political independence the countries which were colonies in the past, have got the opportunity to establish and extend direct economic relations with the Soviet Union and other socialist States.

To this it should be added that in many capitalist countries under the pressure of life the sound approach towards the development of friendly relations with the socialist countries is making ever greater headway. We can only welcome this.

The annual rate of growth of the volume of the USSR foreign trade in the post-war period exceeds

12 per cent. The foreign trade turnover of the USSR reached almost 13,000 million roubles (more than 14,000 million dollars) in 1963 and by physical volume surpassed the pre-war level by almost twelve times.

The Soviet Union will continue in future its course for the development of economic relations with the interested countries.

According to the calculations by the Soviet economists, in 1980 the volume of the foreign trade of the USSR will grow approximately four times. According to the Seven-Year Plan for the development of the USSR national economy (1959-1965), the increase in foreign trade turnover as planned will be 1.5 times. However, within the five past years it has grown 1.6 times already.

Now a few words on the nature of economic relations among nations. The Soviet Union has been honoured to charter the road of new economic relations which are based on a real respect for sovereignty, mutual interests and rights.

The just principles of international economic co-operation form the basis of relations among the countries of the socialist community.

The States which have recently won political independence are also persistently standing for new principles of economic co-operation.

However in the international economic relations, and all of us present here are aware of this, some countries are resorting to the methods of discrimination and even blockade. These facts were so justly mentioned in a very convincing and bright speech delivered yesterday by the distinguished representative of Cuba, Mr. Guevara.

In this connexion, it is appropriate to recall some facts from the history of our country. The young Soviet State in its time repelled joint attacks of the Western Powers who sought to dictate their terms of economic relations to our country at the Conferences at Genoa and at The Hague.

The USSR is known to have stood firm even at the time when the enemies of our system resorted to the breaking off of diplomatic and trade relations with us. And at that time we were the only country of socialism and we were economically weaker than the States hostile to us.

I found it necessary to say this in order to emphasize again that nowadays supporters of the policy of discrimination and blockades have even less grounds to count on gaining their aims. It is convincingly proven by many facts of our time.

#### *The USSR backs justified demands of the developing countries*

The Soviet Union has always been on the side of the peoples of colonial and dependent countries in their justified aspirations and struggle against oppressors. Great Lenin emphasized that the principles of

the foreign policy of the Soviet State are based on complete renouncement of the barbaric policy of the *bourgeois* civilization building the prosperity of the exploiters in a small number of the privileged nations upon the enslavement of hundreds of millions of the working people in Asia, in the colonies in general, and in minor countries.

Immediately after the victorious Revolution, Soviet Russia following the Leninist principles of foreign policy, abolished all unequal treaties of the tsarist Government with the countries of the East, renounced the privileges which the old Russia enjoyed in the neighbouring countries.

At the fifteenth session of the United Nations General Assembly, the Head of the Soviet Government made a proposal to adopt a declaration on an early elimination of the vestiges of the shameful colonial system. The General Assembly is known to approve the Declaration on this matter. However, we have to regret that not all the colonial countries have yet been liberated. We hope that the peoples of these countries in the nearest future will win their freedom.

The majority of the developing countries, after gaining their political independence, are putting forward the task to achieve economic independence. All of them seek to end the economic under-development and poverty.

This problem is really one of the most important problems facing mankind. I feel it my duty to quite definitely declare from this high rostrum that the Soviet Union will continue actively participating in solving this problem. At the same time I ought to mention that it was not us who had created this problem and for that we bear neither moral nor material responsibility both in respect of peoples of developing countries and history.

The preservation of commanding positions of foreign monopolies in the economy, foreign trade, banking and insurance of developing countries is at present the main obstacle in the way of the solution by these countries of the urgent problems of their economic development.

The Soviet delegation would consider it useful for the Conference to adopt a decision on appropriate measures to eliminate the manifestations of colonialism in regard to the economic development and foreign trade of the developing countries.

May I express observations concerning the concept of "rich" nations used here? They unite in one group of the "rich" countries both colonialist and socialist States.

But in so doing, they camouflage the question of the responsibility for the economic under-development of the countries of Asia, Africa and Latin America, they wipe out the differences in the sources of the accumulation of wealth. In this connexion, it is probably appropriate to recall once again that the Soviet Union and other socialist States have achieved and will achieve great economic success due to inten-

sive labours of their people without any exploitation of other countries.

We fully share the views of the liberated countries and are worried with the instability and shortage of external markets for the sale of their products, unfavourable relation of prices in their exports and imports, constant monetary difficulties.

We understand the desire of the developing countries to put an end to a monoprodukt nature of the economy and export, to increase the degree of processing exported primary commodities, to expand and find new foreign markets for their products and in particular for those turned out by the newly-created national industries.

The Soviet Union is prepared to participate with other countries in the elaboration and realization of measures on the extension of trade and economic co-operation with the account taken of the interests of the developing countries.

Attaching great importance to the stabilization of prices for the primary products of developing countries, we support their desire to find ways for the elimination or reduction of the damage caused to their economies by the fluctuation of both demand and prices which characterize world capitalist market.

One of the practical measures in the international aspect aimed at the reduction of this unfavourable situation would be, in the opinion of the Soviet Union, the conclusion of international stabilizing commodity agreements. All major exporters and importers of corresponding commodities should be parties to such agreements, measures should be provided for to ensure the growth of the volume of trade in these commodities and an economically justified level of prices should be established.

We deem it expedient to consider the question of conclusion of international stabilizing commodities agreements based on the aforesaid principles—for example, on such goods as cocoa beans, oil seeds, vegetable oils, cotton, citrus fruits, bananas, lead, zinc, copper, petroleum.

In our view, measures should also be taken to revise on the basis of these principles and with the consideration of interests of developing countries the international commodity agreements which are now in force.

We express our solidarity with the proposal contained in the report of the Secretary-General concerning the need to take steps so that the sale of agricultural "surplus" and strategic stockpiles of primary products would not be detrimental to the volume of exports and to the prices on products of developing countries.

It is necessary to eliminate all forms of colonial dependence and to repulse a new yoke of neo-colonialism in order to ensure real independent development. This will require measures of an international nature and the own efforts of the developing countries. The outstanding statesmen of a number of developing countries have repeatedly emphasized great impor-

tance of internal progressive reforms. We understand such an approach. This is confirmed by the practice of many countries which constantly struggle for the strengthening of their national independence. The very character of the reforms which are carried out determines the degree of independence also in the field of foreign economic relations.

The Soviet Union attaches great importance to the economic co-operation with developing countries on a bilateral basis. In 1953-1963, the annual increase in the turnover of the USSR with the developing countries exceeded 20 per cent, i.e., was two times higher than the rate of the growth of the total volume the USSR foreign trade. We proceed from the assumption that in the future also our trade with developing countries will grow faster than the total volume of our trade.

The distinguished representative of Belgium in his speech compared the volumes of imports by Western European countries and the socialist countries from the developing countries.

If the representative of Belgium had given a genuine analysis of these figures, he would hardly have indulged in comparing the incomparable. The Soviet Union has started its trade with the developing countries only recently because the colonialists hampered this trade. Is there any delegate at this Conference who does not know this? The representative of Belgium also knows it well. How can he reproach us? We call it laying one's own fault at somebody else's door.

According to Soviet economists, the foreign trade turnover of the USSR with the developing countries may by 1980 grow approximately eight times as compared with 1963 and exceed 10,000 million roubles (11,000 million dollars).

We hope for a considerable increase in the number of the developing countries which are trade partners of the Soviet Union.

The Soviet Union takes into account the significance of export for the economies of the developing countries.

The difficulties which they confront in marketing their products are well known. We sympathize with the desire of the developing countries to extend markets for their traditional products, to enlarge the share of manufactured and semi-manufactured goods which are produced by their national industries in their exports.

I am authorized to declare that desirous of promoting the expansion of exports of the developing countries the Soviet Union:

Will increase the purchases in the developing countries of primary products as well as manufactured and semi-manufactured goods both through trade agreements and as a repayment of the credits granted by the Soviet Union to these countries;

Is prepared to co-operate with the interested developing countries in the matters of specialization and co-operation in production of certain kinds of products in particular through the conclusion of long-term agree-

ments and contracts as well as through the matters of rendering necessary technical assistance;

Is prepared to promote the expansion of trade between the developing countries even at the expense of reducing exports from the USSR to these countries of such products which they themselves will be able to deliver to each other.

The planned further upsurge of the living standards of the population of the Soviet Union provides for a considerable increase for the consumption of some foodstuffs and in particular of the products of tropical agriculture. This opens up favourable prospects for the increase of imports to the USSR of cocoa beans, coffee, tea, citrus fruits, oil seeds, vegetable oils, bananas, pineapples, spices and many other products exported by the developing countries.

At the same time, the USSR will increase imports from the developing countries of cotton, jute, wool, some kinds of products of mining industry and raw materials for chemical industry.

The growth of Soviet imports from the developing countries will naturally be accompanied by corresponding increases in purchases by these countries of goods from the Soviet Union.

The trade of the Soviet Union with an increasing number of the developing countries is carried out on the sound basis of bilateral trade agreements providing for a steady growth of mutual deliveries of goods. We shall in the future seek to conclude such agreements also since we feel that the wider use of long-term agreements and contracts which ensure permanent marketing of the products of the developing countries will contribute to the stabilization of markets and prices.

Developing bilateral trade and economic relations with other countries we at the same time do not exclude multilateral agreements when they are considered economically expedient for all partners in trade. The opportunities for the realization of the multilateral forms of trade and payment relations with other countries will grow alongside with the process of further normalization and expansion of international trade.

The Soviet Union believes that the solution of the problem of the acceleration of economic growth will be facilitated if the efforts of the developing countries are supplemented by economic and technical assistance and aid rendered by the industrialized States on easy terms and with due respect for national sovereignty of the recipient countries.

The Soviet Union has no excessive capital which should be invested abroad. This practice runs counter to the very nature of our system. This policy of seizing external markets and exploiting other countries is alien to us. The Soviet Union finds possibilities to allocate a part of funds which could be effectively used inside the country for rendering assistance to the liberated peoples in the development of their national economies. At the same time I wish to stress quite definitely that all

enterprises and projects constructed with the assistance of the USSR remain as a national State property of the developing countries.

The total amount of the Soviet credits and other allocations for the needs of the economic development of liberated countries has reached almost 3,000 million roubles (more than 3,000 million dollars). At the present time, 150 industrial and other projects have been built and commissioned in the developing countries with the assistance of the Soviet Union, while approximately 350 projects are under construction.

The Soviet people share the joy and pride of the people of the United Arab Republic in the completion of the first part of the Aswan High Dam, one of the major hydrotechnical installations of the world which is constructed with the assistance of the USSR. As it has been announced, N. S. Khrushchev, Chairman of the USSR Council of Ministers, accepted the invitation of the Government of the United Arab Republic to arrive in May for the festivities on the occasion of barraging the ancient Nile.

The economic and technical assistance of the USSR to the developing countries is an important factor facilitating the development of the economy of these countries and of international trade.

The principal portion of the economic and technical assistance granted by the Soviet Union is channelled for the development of the key industries required for the creation of independent national economies of the developing countries.

The Soviet Union also renders assistance to the developing countries in the field of agriculture, transport, communications, public health, science and culture, in training national technical personnel.

There is no doubt that economic co-operation between the Soviet Union and the liberated countries will unswervingly grow in the future. Our socialist national economy grows fast and this means that our opportunities of economic co-operation with these countries will constantly increase. The success of the economic development of the liberated countries will in its turn strengthen the basis for such co-operation.

N. S. Khrushchev, Chairman of the USSR Council of Ministers, has emphasized that while facilitating the economic upsurge of the developing countries we get no profits since we cannot and do not wish to enrich ourselves at the expense of the countries to which we render assistance. We are guided by the sincere desire to fully help the peoples of the former colonial countries to achieve as soon as possible genuine economic independence and drastically raise their living standards.

Taking into consideration the financial and foreign exchange difficulties of the developing countries as well as an acute need to ensure markets for their exports the Soviet Union grants these countries low interest long-term credits with the repayment as a rule through deliveries of traditional items of export and products of their developing industries.

Of great importance is the question of providing easier terms of credits to the developing countries. In particular an international agreement should be reached so that the interest rates on credits granted by international organizations as well as on State loans and private credits guaranteed by the Governments were fixed at a level not exceeding 3 per cent per annum by all countries granting assistance to the developing countries.

In order to create for the developing countries the most favourable terms of repayment of their external debts, we deem it expedient that all industrialized countries should make maximum use of funds received from the developing countries as repayment of credits, for purchasing goods in the developing countries and in particular the products manufactured by the enterprises constructed with the help of the credits.

The Soviet delegation is also prepared to discuss other practical proposals aimed at the strengthening of international co-operation and improvement of the conditions of trade for the developing countries.

The Soviet Union believes that the discussion of trade and economic development of the newly-born States is of primary importance. At the same time the USSR delegation is convinced that the radical solution of the problems of the developing countries is inseparable from the normalization of the international economic life as a whole.

*For normalization of international trade, for new principles of international trade relations*

The possibilities of swift expansion in world trade are much larger now due to the greatest scientific and technical achievements and social reforms in the world. If we wish to keep pace with the time, we should make a new approach to world trade and co-operation among nations.

This Conference has to find such solutions for the development of international trade which would lead to the strengthening of peaceful coexistence of States with different social systems and promote normal economic co-operation for the purpose of ensuring better living conditions for the peoples.

Guided by the desire to improve world trade, the Soviet delegation, together with the delegations of Poland and Czechoslovakia, has submitted to the Conference a draft "Principles of International Trade Relations and Trade Policy". In working out these principles, we sought to take into account the considerations of the developing countries expressed in particular in the joint Declaration of seventy-five countries.

In the submitted draft we proceed from the belief that economic relations between countries should be based on strict equality, respect for sovereignty, non-interference in the internal affairs of States and mutual advantage. Trade and other economic relations between States should be based on the most-favoured-nation principle, with the account taken of special

interests of the developing countries. We favour grants of preferences and advantages by the developed countries to the developing countries destined to promote expansion of their export, diversification of its structure, and eventually, supplement and facilitate these countries' efforts to ensure a stable development of their economy.

We are gratified to note that the submitted draft attracted wide attention. The Soviet delegation is prepared to make necessary clarifications and carefully consider the considerations and proposals of other members of the Conference.

Seeking to normalize international economic relations, one cannot tolerate discriminatory practices of certain Western countries in regard to the socialist countries. This question should not be reduced to the relations between West and East only. We are opposed to discriminatory practices since they impede the relaxation of international tension and relations of confidence between States.

The absurdity of all sorts of prohibitions and restrictions in the trade with the USSR has been well ridiculed by one outstanding Western politician. He has asked the supporters of discrimination policy a question: "If we buy certain Soviet goods, shall we be in a position to re-export them to the USSR without violating our embargo lists?"

General and complete disarmament is of paramount significance for the development of international economic relations.

The implementation of general and complete disarmament will make it possible to use gigantic material resources, now wasted in the form of military expenditure, and to use them productively to the benefit of mankind. In particular, this would make it possible in a historically short period to put an end to the backwardness in the countries of Asia, Africa and Latin America. We appeal to the participants of the Conference to make their contribution to the elaboration of trade aspects of the economic programme of disarmament.

The convocation of this Conference is undoubtedly a major world event. The Conference discusses the problems of vital importance for all peoples. We hope that the Conference will give a good start to the normalization and expansion of international trade in the interests of all countries of the world. However, we cannot diminish the difficulties in fulfilling this complicated task. The continuation of joint effort by the countries participating in the Conference will be required to translate into life the recommendations which, as we hope, will be approved, as well as in order to further promote international co-operation.

In this connexion the solution of the problem of organizational forms of future work in the field of international trade is rather important.

In the United Nations there has been so far no such body which would deal with the whole complex of complicated and varied problems of world trade and in which all countries concerned would participate. This is a paradox of the present United Nations structure. Within the framework of the United Nations there is quite a number of specialized agencies, many problems are regularly discussed, but there is no organ which would systematically and comprehensively deal with the questions of international trade. And this, apparently, is not accidental. The fact that we still lack such an organ is used by certain countries for pursuing the policy detrimental to the interests of their trade partners including the interests of developing countries. This situation is intolerable. The Soviet Union deems it necessary to establish for world trade a unified and universal international trade organization under the auspices of the United Nations.

The principal aim of such an organization should be to give the utmost assistance to the development of international trade as an instrument of economic progress in the interests of all countries and peoples of the world, to promote the ensuring of the benefits for all countries of the world from a rational international division of labour based on equality.

An international trade organization open for the participation of all countries concerned might ensure practical implementation of the Conference decisions as well as other decisions which will be adopted in the United Nations on matters of trade.

The international trade organization should become a centre co-ordinating the activities of the United Nations subsidiary bodies and other international organizations in the field of trade.

In our view, this organization should be established on the basis of principles acceptable to all countries regardless of the differences in social and economic systems and levels of economic development.

The Soviet Union sincerely desires to see this Conference as an important milestone in the radical improvement of the whole system of world trade and serve the cause of its further growth and development. We believe that each country may and should act constructively to ensure the success of the Conference. On its part, the Soviet Union is prepared to co-operate in the search for mutually acceptable solutions of urgent problems of international trade and give the utmost encouragement to the economic upsurge of the developing countries.

**STATEMENT BY THE Rt. Hon. EDWARD HEATH,  
SECRETARY OF STATE FOR INDUSTRY,  
TRADE AND REGIONAL DEVELOPMENT AND PRESIDENT OF THE BOARD  
OF TRADE, HEAD OF THE UNITED KINGDOM DELEGATION**

at the nineteenth plenary meeting, held on 6 April 1964

[Original text: English]

We are all here to see what must be done to expand world trade. Thus we can speed up economic development. Together here we face the intolerable problem of poverty in the world. We are determined to find ways in which trade and growth can help to banish it.

This Conference is the greatest collective effort that mankind has yet made for this purpose. It must succeed. What is required for this is firmness of will and generosity of spirit.

It is over so momentous a gathering that Mr. Kaisouni has been called upon to preside. I add my congratulations to the many which have already been received by him, and offer our best wishes for the success of his efforts. As I intend to show, my delegation will contribute all in its power to help him in his difficult task.

The United Kingdom is firmly committed to the objectives of the Conference. We ourselves know well how closely trade and development are linked. Our whole economic history has been bound up with the expansion of international trade.

It was through world-wide trade that our own industrialization prospered. We have been for centuries one of the world's greatest trading nations. Today, our currency provides the means of financing about a third of world trade. Moreover, we, in Britain, have a very deep understanding of the problems with which this Conference is concerned for we have long had close ties with countries at all stages of economic development.

The developing countries have many special trade problems. They depend heavily on exports of primary products and they greatly need imports of capital equipment for development. Most of them suffer seriously from lack of diversification in their economies. Mr. Prebisch and his colleagues in the Secretariat have undertaken an interesting analysis of these problems and we are all most grateful for it. I would like to assure Mr. Prebisch that he never fails to stimulate and influence us even though we cannot always agree entirely with him.

The delegates of developing countries have stressed the fact that their trade has been rising at under half the rate of that of the developed countries. I share their concern. Trade is a major instrument of develop-

ment. We agree that measures are needed to expand and diversify their exports, to enlarge their markets in the developed countries, to stabilize commodity prices, and to increase trade among the developing countries themselves.

We in the United Kingdom have had real experience of the relationship between trade and development. We are a major market for all kinds of products from the developing countries. After being the greatest exporter of cotton textiles in the world we now import as much as 32 per cent of our total consumption of cotton textiles from developing countries. In 1963 alone we bought goods worth nearly 4,500 million dollars from developing countries. This was more than 30 per cent of our total imports. The products of developing countries have achieved their position in our market because they have easy access to it. The scale of their success has depended on the fact that our market is a large and growing one. We have abolished nearly all our import restrictions. The products of the developing countries of the Commonwealth enter free of import duty, and most of them enjoy tariff preferences. They include not only food and raw materials but also semi-processed goods and manufactured products. Six hundred and twenty million people—more than half the population of the developing countries represented here in this hall at this Conference—are within the Commonwealth and enjoy these rights. These policies for increasing trade have already contributed enormously to economic growth in developing countries. We would like to join with other countries in carrying them further.

I have stated these facts frankly at the beginning of my speech. I want to make it clear how deeply we feel ourselves involved in the problems of this Conference. I want to show that we are equipped to offer constructive and practical suggestions for dealing with them.

#### *Three basic considerations*

I speak towards the end of this plenary debate. What I would like to do is to draw out some of the strands of thought which have been running through the wide ranging speeches that have been made.

Two basic considerations have been emphasized by many speakers. First, all of us here have a common



interest in achieving the aims of this Conference. It is our Conference. It belongs to every one of us. Secondly, there is an immense diversity in the problems with which we are faced. This requires a wide variety of techniques to achieve a satisfactory solution. And to these I would add a third consideration. Trade and development are of their nature not static but dynamic. It is to a developing world economy that we must look for the improvement of conditions in the developing countries.

Let me then deal with each of these in turn. Our common interest here in the success of this Conference reflects the realities of the world economy. We in the United Kingdom know that it is to our advantage no less than to that of the developing peoples that their standards of living should rise, that their trade should expand, and that their development should be accelerated. It is in all our interests that they should prosper because they are a large and potentially growing part of total world demand. It is in all our interests that they should have stability because peace is indivisible.

Conversely, growth in the industrialized countries means expanding markets for the developing countries. It means additional resources for investment, aid and technical assistance. Let me make it clear that in this speech I am concentrating on trade. But increases in aid will remain essential and my Government will continue to do all it can in this field as indeed it has already made plain in its White Paper on this subject. Above all, expansion in the developed countries makes it easier to carry through the changes in their economic structure which must follow changes in the international division of labour and the trade which flows from them.

Some delegates have suggested that this is a two-sided Conference. It is not. Nor must it become a confrontation of rich and poor, old and young, North and South. This is a joint enterprise. As the delegate from Ethiopia said, it should lead to a future of fuller co-operation and greater interdependence. Our aim is to create jointly new trade and new wealth. It is not enough merely to divert trade or transfer wealth from one group to another. Our purpose must be to share a common prosperity.

The second basic point which has emerged is that the developing countries and their problems differ greatly one from another. It is of course true that the developing countries have much in common. It is therefore natural that they should make common cause, as they have done in promoting this Conference. But they differ in the structure of their economies as well as in their size. They differ in the degree of their dependence on trade and in the types of trade on which they depend. They have differed recently in their economic growth. Some have grown by nearly 5 per cent annually per head. Alas, some have declined. Even when some countries share many of the same economic characteristics, their political or social circumstances may be very different. When the point comes for producing solutions, we need policies

which are directed to specific problems, or which can be adapted to a wide variety of economic situations.

The third consideration which I would like to add to those which have emerged from the debate is that economic development in rich and poor countries alike is a dynamic process. All the elements which make up the world economy are in a state of constant change. They are continually interacting one on the other.

In his report and speech, Mr. Prebisch has attempted to identify the economic laws underlying these changes. He argues that the existing rules of international trade take no account of fundamental differences in structure between the developed and the developing countries; that these differences tend to lead to a continuing deterioration in the terms of trade of primary producing countries and redistribution of income to their disadvantage. It is true that the terms of trade of most of the developing countries deteriorated during the 1950s. Many speakers in this debate have vividly described what this meant to their peoples in human terms. On the other hand their terms of trade have generally improved during the last two years. No one can yet say whether this is merely an interruption of the previous trend or a reversal of it. Indeed Mr. Prebisch himself stated in his speech that he cannot tell. The question to my mind, therefore, is whether we should seek to draw final conclusions from these particular movements based on some underlying causality or whether we should adopt some less ambitious approach. My belief is that we should deal with these individual problems as they exist today and as they develop in the future, without necessarily trying to find rules of permanent and universal application. My general conclusion is therefore that, given the limitations on our ability to predict the future and on the total resources at our disposal, we should adopt a pragmatic approach in deciding what particular measures are required to meet the differing needs of the developing countries.

To be practical, our policies must be flexible enough not to obstruct economic evolution. Let us not seek to impose on the future a rigid adherence to some historic pattern of trade or prices. Let us work with change and not against it.

The problems we have to face are not the fault of a few. Neither can the solution lie only in the efforts of a handful. To suggest this is to shirk the real issue. The basic problem is to wrest a decent living from nature for a rapidly growing world population. We stand at the point in history when this problem is more acute than ever before, when it is more widely recognized than hitherto, and when for the first time humanity has in its hands the means of solving it. As I have said, the fundamental answer is, the continuous creation of new economic resources. The path of economic development is a hard one. All those of us who have travelled some way along it should join in making it easier for those who follow.

### *Some specific issues*

I turn from these broad themes which have emerged from the debate to some more specific points made by previous speakers.

Many delegates have expressed their belief in the benefits of a liberal trade policy. A particularly valuable point in this connexion, if I may say so, was made by the delegate of Belgium, who referred to the disadvantages inherent in negotiating bilateral agreements when the weak had to bargain with the strong on terms which were only nominally equal. Some delegates of countries with centrally-planned economies have made statements that their Governments do not exclude the possibility of concluding multilateral trading agreements. We, in Britain, as is well known, base our trading policies on the principle of multilateral trade and payments. Indeed, by the pursuit of these policies we help some important State-trading countries to buy more from developing countries. I therefore welcome the statements of these delegates. I hope they can become a reality.

For our part we are working wholeheartedly in the "Kennedy round", in the GATT, for the 50 per cent linear cut in tariffs and the reduction of non-tariff barriers. We attach the greatest importance to the success of these negotiations. This should benefit the developing countries without requiring equivalent concessions from them. Thus the United Nations Conference here and the "Kennedy round" of negotiations in the GATT are complementary. If both achieve the success we all desire, this, as the delegate of Canada so rightly said, would be a major accomplishment.

Much has also been said about commodity problems. Here there has been a difference of emphasis. Some countries believe that commodity agreements are possible for a large number of products. They take an optimistic view of what can be done about raising the level of prices. Others adopt a more restrained attitude. There has been a general consensus of opinion, however, that progress in this field is an essential component of the solutions we are seeking. I shall say more on the United Kingdom position later on in my speech.

Many references have also been made to institutional arrangements. Here the differences of view are rather wider. I will explain our own attitude more fully later. At this stage, I will only comment on the suggestion that the GATT should be made universal, and in particular that it should include the countries with centrally-planned economies. The GATT is basically a system of rights and obligations appropriate to the trading methods of countries with market economies and accepted by them to govern their trade relations with one another. It is proving sufficiently flexible to accommodate many developing countries whilst at the same time taking account of their special needs. But in this connexion the question is really this: Can other industrialized countries, although they have centrally-planned economies and quite different trading methods, carry out the obligations of the GATT in such a way as to entitle them to its full rights?

Finally, I was greatly impressed by the President's reference to a new element in the situation, namely the rapid rate of increase in the population of the world. This is indeed a factor of the utmost importance. The paper submitted by the Secretariat which discusses recent trends in the gross domestic product of the developing countries is most interesting. It shows very clearly how rapid population growth, perhaps more than any other factor, can make the struggle against world poverty longer and more arduous.

These are the themes to which I wish to draw the attention of this great Assembly.

What now should be done?

### *General tasks*

Before I put forward a number of specific suggestions, there are some preliminary comments of a general nature which I should like to make about the tasks facing both the developed and developing countries.

In the developed countries we must work in the interests of all of us to achieve and maintain high rates of economic growth. That is self-evident. We must also try to ensure that our policies do not disturb the international payments system. We are already working together in the International Monetary Fund towards solutions to the problems of international liquidity in both their short and in their longer term aspects. Mr. Prebisch and M. Schweitzer have both emphasized the importance of this subject to the developing countries. We agree with this and hope that the discussions will be fruitful.

These are important tasks for the developed countries but we recognize that the developing countries have still greater responsibilities. Even if every constructive proposal which has been, or will be made at this Conference, were to be immediately implemented many of the basic problems of economic development would remain. If this Conference is successful, it can improve the conditions in which the developing countries have to work. It can create the opportunities for them to seize and the rest is up to them. Those countries who most effectively pursue their development policies and most successfully adapt their social and economic structures to change, will reap the greatest rewards. Many developing countries have already made great advances often in conditions of extreme difficulty and they deserve our utmost admiration.

### *Ten key points*

Now I come to my specific suggestion. There are *ten key points* which in our view should receive the particular attention of this Conference. They take account of discussion in other organizations, and particularly in the GATT. In our view they offer the greatest hope of practical progress.

I commend these points to the consideration of all countries participating here, regardless of their social and economic systems. Different formulations may of course be required for some of them to accommodate

advanced centrally-planned countries. We have already said something about this in the paper we submitted originally to the Preparatory Committee and have now resubmitted to the Conference.\*

The first six of my ten points are concerned with the freeing of trade. They are these:

*Point 1.* A standstill on new barriers to the trade of less-developed countries in products which have been identified as being of particular interest to them.

*Point 2.* The ending of quantitative restrictions adversely affecting the trade of developing countries.

*Point 3.* The removal of duties on tropical products.

*Point 4.* The removal of duties on primary products imported from developing countries.

*Point 5.* The reduction of tariffs on semi-processed and processed products imported from developing countries.

*Point 6.* The ending of internal taxes and revenue duties applying specifically to products wholly or mainly produced in developing countries.

These points were considered by Ministers of the GATT when they met in this building last May. In the formulation and application of such points as these, the GATT is providing invaluable services to the interests of developed and developing countries alike. Of course we recognize that policies of Governments cannot be changed overnight. Some of us may need to deal in special ways with individual problems or particular responsibilities either domestic or international. But the time has come for action. Let us now get on with it.

My remaining four points deal with action designed to give special forms of assistance to the trade of developing countries:

*Point 7.* The granting of preferences by the developed countries. Surely we ought all now to be willing to move more quickly in reducing import duties on goods from developing countries than we may be able to do in trade among ourselves. We in Britain are prepared to extend tariff preferences to all developing countries. The preferences we give at present are designed for the benefit of Commonwealth countries. These countries might suffer by sharing them with others unless they obtained compensating advantages in other markets. We should therefore need to act in concert with the other major industrialized countries to ensure that this is brought about. Moreover, where present preferences are the subject of agreements with Commonwealth Governments, we could not act without the consent of those Governments. Such an extension of the arrangements for tariff preferences must not be allowed to impede the general reduction of tariffs among developed countries on which the continued expansion of international trade so

largely depends. My conclusion therefore is this; preferences should therefore be created, not by raising tariffs against other countries, but by lowering or abolishing tariffs for developing countries.

*Point 8.* The exchange of preferences among developing countries. We share the general view that countries can benefit greatly through regional economic co-operation. It need not be confined to formal economic unions. It should be flexible so that co-operation can take place in specific fields as necessary: in planning, in the exploitation and use of natural resources, in industry, in communications, or in commercial policy. The Regional Economic Commissions have an important part to play in devising appropriate patterns of economic association in their particular regions. We shall support constructive proposals designed to help developing countries by means of an exchange of preferences among themselves.

*Point 9.* The stabilization of commodity prices. We recognize the great importance attached to this subject. Already we take part in all five existing international commodity arrangements. We believe that the first essential is to secure maximum effective demand for commodities. Agreements, therefore, should cover the problem of access to markets as well as that of prices. This view has been widely endorsed in the debate.

We agree that prices should be stabilized at equitable and remunerative levels. But, as many speakers have warned us, they should not be so high as to lead to over production in the producing countries or substitution or autarkic policies in the consuming countries. They should be stabilized at levels which encourage the development of new markets and the growth of consumption.

Such agreements should aim to prevent the prices of commodities, wholly or mainly produced in developing countries, from falling to levels which could disrupt the economic development of those countries. To this end a floor should be provided to the prices of these commodities. The United Kingdom is prepared wherever practicable to co-operate in multilateral commodity agreements of this kind.

*Point 10.* Supplementary financial assistance. We recognize that balance-of-payments problems may arise in developing countries which call for special measures of assistance. Sharp falls in the export earnings of less-developed countries, such as have occurred from time to time in commodity trade, can be disruptive of development. The International Monetary Fund (IMF) offers certain facilities to meet the short-term effect of such falls. A number of schemes have been suggested for compensatory finance in forms going beyond short-term balance-of-payments support. In our view those so far proposed raise substantial difficulties. However, there is a risk that development may be disrupted as a result of longer term adverse movements in export

\* See document E/CONF. 46/75.

receipts. In the distribution of the aid which we in the developed countries make available, whether bilateral or multilateral, we should perhaps take more account of these risks. I hope that as the Conference proceeds my delegation will be able to offer some suggestion.

### *Conclusion*

These are the ten points to which my Government attaches the greatest importance. How are we to make progress on them? How should the Conference set about evolving practical solutions? How should we envisage action continuing after the Conference is over?

First of all, it is time for the main Committees of the Conference, which are manned by experts in their specialized fields, to get down to practical work. We do not want a repetition in the Committees of general statements made in the plenary session. There is no time to spare for that. We hope that the Committees will turn their attention quickly to the consideration of specific points.

Secondly, how can the impetus which this Conference will give to action in the field of international trade best be carried forward? In our view, the Conference will most speedily achieve its purpose if it guides and stimulates the work of existing bodies. These bodies have the practical experience. They are used to translating broad ideas into workable plans.

This raises the issue of future institutional arrangements for dealing with trade. GATT has been severely criticized by some delegates. Others, such as the Director-General of the FAO, have said that lack of progress is not due to inadequate machinery. Yet others, including the delegate from India, whilst saying there was room for improvement, thought that the GATT was doing a good and essential job. We agree with those who think that GATT is a necessary and

valuable instrument for co-operation in world trade. Let us not forget the situation before the Second World War, when there was no means of bringing order into world trade. After the war, by contrast, the GATT provided a framework for its expansion.

It is true the international scene has changed since then. Many new nations have come into existence. But this does not mean that GATT should be superseded, or swept aside for some untried new body. Surely the wise course is to ensure that the GATT continues to evolve and becomes a more effective instrument for dealing with the trade problems of the developing countries. Among these problems is the relationship between trade and development planning. Much is already being done. Much can be reasonably expected from the GATT and from co-operation between it and other international institutions. We should be opposed to any elaborate scheme for a new world trade organization. At the same time we recognize that improvements in institutional arrangements may be necessary. We would like to see the nature of the policies emerging from the Conference before we form firm views on the details of the institutions which can best serve them.

Finally, let me emphasize the need for realism. This is a very large Conference. It has a vast programme of work. It has many proposals to consider, some of them of the highest complexity. We cannot expect it to solve all the problems facing the developing countries in this short period of twelve weeks. This Conference should be regarded rather as a stage in a continuing effort. The conclusions it reaches will not provide the final test of its success. Even more should it be judged on whether or not international policies in the field of trade and development are seen to be moving in the right direction. Together we can ensure that they are. Let us now then set them moving towards greater prosperity, greater equality and greater happiness for all mankind.

**STATEMENT BY H.E. Mr. GEORGE W. BALL,  
UNDER-SECRETARY OF STATE, HEAD OF THE DELEGATION  
OF THE UNITED STATES OF AMERICA**

at the fifth plenary meeting, held on 25 March 1964

[Original text: English]

Within the past few years, the world has focused great attention on the relations between what we have come to call the developed and the developing nations. There has been a wide acceptance of the proposition that twentieth century concepts of humanity require

that all the world's peoples have the opportunity to secure a decent standard of living. There has also been recognition of the fact that, until this goal is secured, the world will not attain the stability essential to the maintenance of peace.

The tasks of development are familiar to all nations no matter what may be their average levels of income. In the United States, for example, within this generation we have seen the development of a substantial part of our South, many of whose problems approximated those of the developing nations. And, as you know, President Johnson has launched a comprehensive programme to push back the margins of poverty which still remain in the United States. But it is a major achievement of the post-war years that we have all come to accept the problem of economic development as a matter of international interest and obligation.

We have had many conferences to discuss separate aspects of this general subject. This Conference is, I think, unique. It is organized on a world scale and it is addressed to the whole problem in its full dimensions.

The general frame of our discussions in the next few weeks must inevitably be the relations between the industrial and the developing countries, but this Conference should reduce those relations to practical terms. It should consider all of the means by which the developing countries can obtain capital—and particularly foreign exchange—necessary for development, whether through the transfer of public resources in the form of foreign aid, through external private investment, through the enlargement of internal markets, or through the expansion of external trade. And all of these questions must be considered in the context of a world environment that is compatible with our larger objectives.

In the careful and imaginative papers that have been drafted in preparation for this Conference, the problem facing the developing countries has been expressed in terms of a trade gap. I think none of us—least of all, our distinguished Secretary-General—believes in a mechanistic approach to this question. I am sure he would agree with me that the trade gap should be regarded not so much as an arithmetical statement, but as a figure of speech broadly suggesting the scale and the challenge of the problem of development.

I know he would agree also that there are no single or easy or even independent solutions to this problem. It is the responsibility of this Conference to consider all the feasible ways of expanding our efforts in all relevant fields.

Of necessity, therefore, the Conference must grapple with a series of interdependent issues. It is altogether proper that the major focus for this Conference should be on the means for making trade a more effective instrument for development. But these possibilities cannot be considered in isolation. We must also explore the means of increasing and making more effective use of the flow of foreign capital and technical assistance—both public and private; the economic merits of forming or expanding regional economic groupings; and generally the full range of internal policies that are critical to the mobilization and use of capital and that will necessarily shape the contribution that the external environment can make to development.

Given the magnitude of the development problem, there is ample room for imagination and fresh ideas. At the same time, we must be wary of approaches that do not closely reflect the economic or political realities—approaches that begin and end in discussion and thus obscure the actions really needed for progress.

The representatives of my country are here to participate in the full and responsible discussion of all the relevant problems, problem by problem, and policy by policy. Since the end of the Second World War, we Americans have been greatly preoccupied with the task of creating better economic conditions in the world. This preoccupation has been manifest in our trade policies, in our economic and technical assistance programmes, in our Food for Peace programme and in the Peace Corps.

I am not here, however, to point out the merits of the policies my Government has followed. We have a great deal of business to do together in the weeks ahead, and I hope that we will all set aside the temptation to file self-serving briefs that consume the time of the Conference without advancing its objectives. Our problems lie ahead of us, not behind us.

It is in this spirit that I wish to comment briefly on the broad questions before the Conference—not as separate issues, but in terms of how they fit into the requirements for an effective development strategy.

I shall begin with the central assumption of this meeting—an assumption in which, I am sure, we all concur—that if the developing countries are to achieve self-sustaining growth, they must be able to earn a growing volume of foreign exchange in world markets. To do this, they must develop expanding markets for their raw materials at reasonably stable and equitable prices. They must also find growing world outlets for the products of their nascent manufacturing industries. This will not happen automatically. The expansion of trading opportunities involves difficult problems of policy and decision for both the industrial countries and the developing countries.

Let me begin by reviewing the contributions that the industrial countries can make to the trade prospects of the developing countries and, at the same time, to the more effective use of world resources which expanding trade can promote.

First, and in my view most important, is the need for industrial countries to achieve and maintain full employment and a high rate of economic growth. These conditions will improve both demand and prices for the exports of the developing countries. For example, sustained economic recovery in the United States and Canada and continued high growth in Western Europe and Japan were largely responsible for the recent sharp turn around in prices for industrial materials. They also contributed to a stronger market for some tropical products. This improvement in demand and prices, if sustained, will make a difference of at least \$1,000 million on an annual basis in the export earnings of the developing countries.

Full employment in the industrial countries is also necessary to create a favourable climate for the structural readjustments that accompany trade liberalization. We must devise ways and means of cushioning sudden and sharp disruptions in the markets of importing countries. On the basic issues, however, we in the industrial countries need more education in trade—both to deflate the mythology that still surrounds competition from the so-called low wage countries and to produce a better understanding of the large potential for gains from freer trade. Such education can best be conducted in an atmosphere of full employment.

Second, the industrial countries as a group must be prepared to reduce tariffs and other barriers to the imports of primary products, semi-processed materials, and manufactured goods of special interest to the developing countries. The industrial countries have done much in recent years to reduce these barriers. More can be achieved by deep, across-the-board tariff cuts in the “Kennedy round”—and we are prepared to have these benefits accorded to the developing countries without asking reciprocity. Such tariff cuts can be of immediate help to the developing countries. But even more important they can provide an environment that will make it possible for them to build productive export industries. It is at this point that the present Conference and the GATT Conference, which is to follow, so strongly complement each other.

Third, the industrial countries should be prepared to co-operate, wherever and whenever feasible, in perfecting arrangements that would reduce instabilities associated with trade in commodities and thus enhance development.

We have made some progress in cushioning the effects of fluctuations in commodity prices through the new drawing rights in the International Monetary Fund.

We also support efforts to stabilize prices of specific commodities in chronic over-supply at levels consistent both with market forces and development requirements. These problems can be usefully approached only on a commodity-by-commodity basis, and the arrangements we work out must be designed both to deal with the underlying supply imbalances and to promote development. There is no grand design for the myriad of individual commodity situations and problems. We should frankly recognize that such agreements, important as they may be for some commodities, are feasible for only a small number.

These lines of action all stem from the responsibilities and obligations of a multilateral and non-discriminatory trading system. We have worked throughout the post-war period to try to build such an open trading society in the conviction that it would promote a rational and effective use of the world's resources; that it would benefit all participants in world trade; and that it would be most fully responsive to the constantly changing conditions of a dynamic trading world.

We still hold this conviction. We believe that the principle of non-discrimination has great inherent values; that proposals to depart from that principle should be rigorously scrutinized; and that we should encourage such departures only where the case for doing so is strong and fully proven.

During the period of preparation for this Conference, there has been considerable discussion of various forms of preferential tariff arrangements designed to benefit the developing nations. Proposals have also been put forward for the organization of regional or global markets for the products of these countries. As I mentioned earlier, the United States believes that we should objectively examine any proposals that might contribute to development. But we must all be quite sure that proposals are defined with sufficient precision so that there is no misunderstanding as to their meaning. This is essential if their implications are to be fully comprehended and thoughtfully considered.

We must be sure also that such proposals will not create more problems than they solve. In other words, we must satisfy ourselves that they will produce significant economic benefits for at least some countries, and that those benefits will outweigh the costs to all countries of departing from the principles of non-discriminatory trade.

With respect to preferential arrangements, for example, we must be clear whether a proposal is global or regional in character—whether it contemplates an application to all countries or only to specific countries or groups of countries.

In the post-war world there have been two competing concepts as to how the industrial and developing countries might most usefully organize their relations. In principle, my Government has assumed that all industrial countries should accept a responsibility to advance the economic well-being of all developing countries. But the view has also been advanced—sometimes more by way of emphasis than as an assertion of discrete principle—that it would be better to organize these relationships on the basis of special responsibilities between individual industrial countries or groups of countries and individual developing countries or groups of countries.

I do not think that we can resolve fully this major conceptual question in the course of this Conference. But I do feel that, in discussing proposals for special trading relationships between the industrial and developing countries, we must be quite clear whether they fall within one pattern or the other. Moreover, we should conduct our discussions during the coming weeks in full awareness that special trading arrangements have historically evolved in the context of special political relationships, and that special responsibilities in the area of trade are likely to carry with them special responsibilities in the areas of politics and even of defence.

I do not make these points to support either one approach or the other but rather to point out that

serious departures from the principles of non-discriminatory trade—particularly in relation to trading arrangements between the industrial and the developing countries—inevitably involve the question as to how key relations among nations should be organized.

I have mentioned certain measures that industrial countries can take to improve access to their markets and to expand their demand for imports from the developing countries. Simply stated: the more access, the more trade—and the United States strongly favours lower tariffs and greater market access.

But tariffs have become less of a barrier to exports and this will be true all the more after the “Kennedy round”. To exploit the opportunities that stem from greater market access for their manufactures, the developing countries must be able to compete not merely with other exporting countries but with the domestic industries of the importing countries.

It is essential, therefore, for the developing countries to market their manufactures on a competitive basis. This, in turn, will often depend on their ability to develop mass national markets or, where necessary, regional markets.

It is in such markets that the economies of scale originate. This fundamental point is well documented in the history of countries going through the process of development. Apart from a very few special cases, manufactures have been sold massively abroad only after they have been produced for an extensive market at home.

Under these circumstances, we might all give more consideration and support to ways of expanding internal markets in the developing countries. In most cases, this will require actions in both the rural and urban areas, and the use, in combination, of private and public capital—domestic and foreign.

In rural areas, higher priority might well be accorded to raising agricultural productivity and modernizing systems of marketing. In urban areas, more could be done to break away from the traditional and restrictive marketing patterns that characterize many of the narrowly-based industries in the developing countries, and to aim at larger-scale and lower-cost production for the home market.

These two lines of action could reinforce each other and result in a rise in productivity, a reduction in costs and an increase in demand. In these ways, production for a large domestic market could help the developing countries produce and sell manufactured goods competitively on the world market.

Many countries, of course, are too small to provide domestic mass markets. The benefits of such a market may be achieved by economic co-operation on a regional basis.

Unquestionably the post-war dismantling of colonial arrangements and the birth of fifty-one new countries has involved some serious economic costs. As our

Secretary-General has pointed out, nearly one hundred of the nations represented at this Conference have populations of less than 15 million. Of these, two-thirds have populations of less than five million.

The integration of national markets into regional markets offers possibilities for recouping these economic costs—and much more. Manufacturing industries based on the larger internal needs of a regional market will reach a competitive position in international markets much earlier and much more effectively.

The United States supports further efforts in this field. We favour changing the GATT rules to give developing countries more flexibility to pursue various forms of economic integration—partial or comprehensive. But the industrial countries should continue to be subject to strict standards in this regard.

This is, in other words, a case where special trade preferences among groups of developing countries could make a contribution to economic growth large enough to outweigh the costs of a departure from non-discriminatory trading principles.

But let us have no illusions as to the underlying requirement for real progress through integration. The economic advantages of such a course depend on the degree to which competitive principles are permitted to guide the use and movement of labour, capital, and materials within an economic union or trading group. This requires that the participating nations put aside considerations of political prestige and advantage and that they commit themselves from the outset to a full line of action. Thus, each step forward will make it that much more difficult to reverse the entire process.

When we talk of a development gap, we are talking in large measure of the need of the developing countries to be able to draw on greater capital resources for investment. Part of these capital resources must be used to finance the import of equipment and other materials from abroad. All these capital resources are required to enable a nation to use its human and material resources more effectively and to gain access to the benefits of the constantly widening revolution in technology.

Private foreign investment can itself provide a major source of such capital.

In addition, it can stimulate the mobilization of domestic capital in the developing countries.

Finally, it normally brings with it technological skills and a knowledge of foreign markets that can facilitate the efforts of developing countries to expand their export industries.

However, the data on the flow of private investment in recent years are very disturbing. In 1956, the net flow of private capital from all member countries of the Development Assistance Committee to the developing countries amounted to \$2,400 million, or 43 per cent



of the total flow of foreign capital moving to those countries. By 1962, the contribution of private capital was still \$2,400 million. But it represented only 29 per cent of the total capital flow.

Over the past two or three decades, standards of conduct in international business have undergone drastic change for the better. Yet many developing countries are, I fear, still influenced by the *clichés* of the past. Would it not be useful to examine carefully the experience of countries that have been attracting a flow of private foreign investment? Would it not also be useful to study the new techniques, new attitudes and new procedures that have arisen in this field in response to the conditions of this century?

In raising these questions, I do not wish to be misunderstood. My country, while itself committed to free enterprise, does not seek to dictate the form or shape of the economic systems of others. I recognize that there are internal political and emotional pressures that may create opposition to the investment of external capital in many countries. I am well aware of differences in conditions and outlook among the nations of the world that require diversity in business as well as in other forms of social organization. I am aware also that even the facilities and organizational modes for providing such capital require adjustment to changing conditions. They have evolved in the past and further evolution is in progress.

But nations must make their choices of national policy with full awareness of inescapable economic facts. Nations that elect to pursue policies that tend to eliminate the private sector or discriminate against outside investment should be aware that they are denying themselves a source of capital that could otherwise greatly speed their own economic development.

I suggest, therefore, that in the course of these proceedings, we re-examine the possibilities of expanding the flow of external private investment capital.

Private capital admittedly cannot be more than one element in an interrelated approach to development. Yet, with regard to this question as to so many others, the developing countries have it within their own hands to determine how fast they will move in achieving growth. Their attitudes and their laws and their procedures will, in most cases, determine whether the flow of external private capital and technology takes place. Experience gives us no limits on how far the process can carry.

I turn finally to the question of foreign aid—bilateral and multilateral. Clearly this is neither the least important, nor the residual element in the package. But economic assistance is made more—or less—effective by what happens in the other fields we have discussed.

My Government believes that foreign aid should assist developing countries with a supplemental source of capital. This capital can contribute to development in the following specific ways:

First, as a supplemental source of long-term capital for certain projects that will not produce immediate returns, but which are a necessary base for other projects and a stimulant to the development process as a whole.

Second, as a source of capital to finance imports of materials and equipment that could otherwise become serious production bottlenecks in a situation of foreign exchange stringency.

Third, as a source of seed capital that can stimulate the mobilization and effective use of capital from internal sources.

We believe, in short, that foreign aid will play an essential role if it exercises the catalytic effect it is designed to produce. This, in turn, will depend on co-operation between donor and recipient countries.

We are looking forward to an extensive and frank discussion at the Conference of the requirements for aid and the functions aid can perform. At this point such a discussion could serve a healthy purpose. Almost without exception the industrial countries now command the resources that enable them to participate in supplying foreign assistance. Yet more and more of the donor countries are becoming concerned over whether their efforts are producing the results for which they had hoped. In allocating capital assistance they sometimes find a shortage of what they consider to be soundly conceived projects. The developing countries, on the other hand, have now acquired the experience to speak with some assurance on how they themselves can contribute to the process.

A constructive exchange of views can resolve misunderstanding. It can lead to the time when industrial countries, in speaking of the need for self-help, and developing countries, in emphasizing their requirements for foreign capital, will not be talking at cross purposes. In fact, at the working level where development decisions are made from day to day there is already a wider common basis of concepts, vocabulary and experience than is generally understood. I believe this Conference can enlarge these understandings among us.

There are, it seems to me, a few general comments that we should bear in mind during our discussions:

First, the economic growth of any nation is a mixture of interrelated elements. We can emphasize one element or another at this Conference, but it would be unwise for us to focus on any single element to the exclusion of the others.

Second, economic development should not be studied simply in terms of aggregates. It is a phenomenon of individual countries. It is not the summation on a world basis of unrequited needs, but the reflection of individual country programmes—carefully drawn up, faithfully executed, and reflecting a national purpose.

Third, economic development is an intricate and difficult process. It has proved difficult for the industrial countries who have gone through it in the

past, and it will be so for the newer countries that are going through it now. The developing countries of today, however, have the advantage of today's technology and of close international co-operation. These advantages can accelerate the process of growth.

These three propositions could, I think, set the tone for the Conference. After all this is no adversary proceeding between the industrial and developing countries. The distinction between the two groups is not a clear one and the differences within the two groups are very large.

We are here to solve problems we accept as common problems, not to debate. We are here to draw nations standing at different points along the historic paths of growth closer together, not to divide them.

The progress of the developing countries requires the co-operation of all and it is futile to test proposals on the assumption that what one gains the other must necessarily lose.

All of us—the industrial and developing countries—have unfulfilled aspirations at home. But we are also part of an interdependent world with collective obligations and responsibilities. We each have vested interests in the other's welfare.

My country believes strongly in this kind of interdependence and in these kinds of vested interests. We have been and continue to be committed to help those who wish to help themselves and we undertake this commitment, as President Kennedy said in his Inaugural Address, for one reason only: "Because it is right".

STATEMENT BY H.E. Mr. GEORGES BRESSON,  
AMBASSADOR OF THE REPUBLIC OF THE UPPER VOLTA,  
HEAD OF THE DELEGATION

at the sixteenth plenary meeting, held on 6 April 1964

[Original text: French]

It is first of all my pleasant duty to add my modest tribute to the many others more weighty than my own that have greeted Mr. Kaissouni on his election to the presidency. His outstanding qualities and ability, which we all recognize are a happy augury for the successful outcome of our labours.

The Republic of the Upper Volta, which I have the honour to represent here, is almost unknown to most of you, who would, I feel sure, have some difficulty in pinpointing it on a map of Africa.

This is not surprising, since it was cut up and parcelled out among its neighbours in 1932 and only reconstituted in its former boundaries in 1947. I would therefore ask your permission to say a few words about my country.

The Upper Volta is situated in a bend of the river Niger to the north of the Ivory Coast and Ghana on an almost level plateau. There are 4,500,000 people living there on 275,000 square kilometres of rather infertile soil from which, however, by dint of hard work and tenacity they obtain livelihood. There are only four rainy months. During the other eight months of drought, the people go to work in the neighbouring countries to the south, where nature is more generous and where they toil with the sweat of their brows in the rich plantations of coffee, cocoa and bananas.

This people of hardy, tenacious peasants is known throughout West Africa for its admirable physical and moral qualities. General de Gaulle, who is well qualified to speak on this point, when he wished one day to describe the Upper Volta in a few striking words called it "the land of men".

The Conference on Trade and Development, in which we have the great honour of taking part side by side with such eminent personalities, is the first and most important of its kind, both economically and politically, for, whether we like it or not, we cannot separate the economic from the political aspects. In final analysis, it is politics that will determine whether the decisions which we can only propose to Governments will be put into effect.

The Upper Volta does not come here as the member of some union of proletarians ready to strip the "haves" of their wealth to obtain something for nothing, as some have suggested.

Nor does the Upper Volta come here as a mendicant ready to withdraw satisfied when the rich have thrown a few crumbs into its begging bowl.

It wishes to make its own modest contribution to this international gathering with a view to seeking and finding, in frank and loyal co-operation with you all, ways and means of leading the under-developed and developing countries towards rapid economic progress.

Others more competent than I have already spoken to you about the type of problems with which the world is confronted, and their gravity.

In the first place the Secretary-General of this Conference, Mr. Prebisch, has submitted a report which constitutes the foundation on which we must endeavour to construct a new trade policy, inspired by the principle of universal planning. I would express to him our warmest thanks for his very able and important contribution, marked both by the objectivity of a specialist which transcends minor problems and by the deep conviction of a man of action.

Other talented personalities have put before us the views and suggestions which their countries will contribute to the work of this Conference. The Upper Volta considers that some of these documents such as the Brasseur Plan or the French Memorandum contain highly interesting and very practical proposals deserving of careful study.

Nevertheless, the problems are so numerous and so far-reaching that no single solution is possible—the solutions must be as many and varied as the different stages of under-development or development.

Everyone recognizes, and some eloquent figures have been cited, that the deterioration of the terms of trade to the disadvantage of the under-developed countries is the most striking fact in the field of international economic relations.

When we remember that to start the process of economic growth, the under-developed countries need to import more and more capital goods which are constantly rising in price whereas the prices of the commodities they export are falling from year to year, the problem becomes really alarming.

The question that arises is therefore: how to raise the level of the export earnings of the under-developed countries to enable them to purchase the capital goods required for the implementation of their development projects.

Two types of solution are proposed:

*The free-trade theory* advocates the elimination of obstacles to international trade. We are told that once quota restrictions, tariff barriers and other discriminatory measures are removed, commodities from the under-developed countries will circulate in larger quantities, thereby bringing about an automatic increase in their export earnings.

At first sight, this theory has certain attractions. It seems simple, logical and apparently fair. Actually, however, "free trade" can be applied only between countries whose levels of development are the same or very similar. Its laws lead to free competition, that is, to the rule of the strongest. Now the strongest in economic terms is generally the country with the most favourable geographical situation and the most advantageous natural and climatic conditions. Free trade tends to perpetuate differences, to widen gaps, to enrich the rich, and to impoverish the poor.

*The theory of market organization:* this theory casts doubt on the effectiveness of the mere machinery of free competition as a means of increasing the export earnings of the under-developed countries.

The elimination of restrictions of all kinds will solve nothing unless at the same time the prices of raw materials or primary commodities are fixed at a reasonable level and their stability is guaranteed.

It is necessary to correct the spontaneous trends of international trade by a deliberate organization of the markets.

The under-developed countries cannot for ever rest content with being the suppliers of raw materials. Like others they wish to industrialize as this alone can enable them to rise above the subsistence economy which is all they now know—in order to participate in exchange economy which will ensure their real progress.

Our participation in international industry and trade might start with industries such as textiles and food-stuffs, which employ most of the wealth generally available in our countries: human energy. This would create a reciprocal and fruitful flow of trade: capital goods from the developed to the less-developed countries and manufactured products needing a small input of technical capital from the latter to the former.

Once our legitimate claim to industrialization is conceded, it is only logical that the poorest countries which have a longer road to travel to reach a decent and reasonable standard of living should have priority.

On this issue, the Upper Volta is fully in agreement with the proposals of the Brasseur Plan which recommends that certain degressive and temporary preferences should be granted to the industrial production of the under-developed countries on a selective basis, so that those whose need is greatest would be the first to benefit.

In fact, with regard to under-development, the developing countries can be divided into at least three groups:

Under-developed countries with a practically non-existent industry;

Developing countries with a nascent industry;

Semi-developed countries with an expanding industry.

An eminent South American economist has proposed to GATT criteria for such a classification: an "econometer", which it seems to us could be most useful.

In short we ought to set up a sort of "educational protectionism" to enable the most backward countries to catch up with the others to some extent.

There is one final point, of special interest to my country: the question of "regional groupings".

Economic groupings between the developed countries do not seem to us to conflict with the interests of the under-developed countries if they are kept open to the products of the latter.

Economic groupings between developing countries are in our view a necessary but not an adequate condition for development.

They are necessary because in almost all the under-developed countries the domestic market is not large enough to support industrial development.

They are inadequate because economic groupings between under-developed countries would, if the free trade machinery were allowed to operate, end up with the suffocation of the poorest partners. Hence it is necessary to organize markets and production at the regional level.

The task is not so simple as it appears at first sight because the developing countries are all at the same initial stage and the opportunities are approximately the same for them all in a given region. There is too big a temptation for those who are best situated to take the lion's share.

Is a concerted regional economy possible in under-developed countries without a strong central political authority capable of disciplining conflicting appetites? Only the future can tell.

Until the conditions for the necessary regional economic integration are present, the Upper Volta thinks that the best course is association with rich countries with a view to starting its economic development rather than the replacement of such an association by the immediate link-up of the various poor States.

I will conclude by expressing my conviction that the spirit of co-operation which animates all the delegations will make our work a source of personal and collective enrichment.

More than two-thirds of humanity are suffering from hunger, ignorance and disease. This Conference is determined to examine all the problems which arise and to endeavour to find valid and reasonable solutions.

If the rich and developed countries are convinced of the need to help those who are poor, and if they go beyond dogmatism and egoism, together we shall find the right road.

But it is high time to be on the way there, for our arms are tired of holding out the helmet of Belisarius.

**STATEMENT BY Mr. DONATO GRIECO,  
UNDER-SECRETARY OF STATE IN THE DEPARTMENT OF FINANCE  
OF URUGUAY**

at the fourteenth plenary meeting, held on 1 April 1964

[Original text: Spanish]

It is my privilege and pleasure, first of all, to convey to the President of this Conference and to his country sincere congratulations upon his election to that high office, and to express the belief that his great wisdom and patience amply guarantee the successful conduct of our deliberations.

I also wish to thank and to congratulate the Secretary-General of the Conference for his remarkable work, which has happily culminated in an important document that has provided an invaluable Commentary on the purposes of the Conference. In our view, Mr. Prebisch's report exhaustively analyses the major choices open to the Conference and proposes solutions which are both realistic and commensurate with the magnitude of the problems confronting us. It will, I am sure, provide fundamental guidance for our work.

I should like to draw attention, as other speakers have done, to the fact that this is essentially a political Conference. We must not allow this fact to be obscured by the many and complex technical matters with which we have to deal. The aspirations—I would even say

the demands—of the overwhelming majority of the people of the world, which have major social and other implications for the life of nations, make it necessary for this Conference to take an unambiguous position on the questions placed before it, and always to consider the impact of its decisions on the minds of those whose fate depends on what is done here at Geneva.

We have listened attentively to the statements made so far. They may be said to have covered, in broad terms, all the points which led to the convening of this Conference. The statements which have been made reflect a high degree of unanimity in the aspirations of the various developing countries. The dominant note is an evident common interest in reducing the differences in levels of living between the developing nations and the highly developed countries.

The developing countries stress the vital need to increase the volume of their exports in order to supplement the efforts they are already making domestically towards development, not only at the national level,

but also on a broader regional basis. Both these efforts call for expansion. However, a number of measures and practices adopted by certain large countries, which gravely impair market conditions, are driving the developing countries further and further from their objective. This behaviour must be unmasked, for it is all too frequently in open contradiction with the letter and spirit of existing international agreements.

A similar comment must be made concerning the countries with centrally-planned economies, which, although they operate under a different system and advance different reasons for their action, also hamper free access to markets for the products of the developing countries.

In this connexion, we do not consider that the developing countries are seeking something for nothing. They demand only restoration of the equilibria which international agreements—agreements which, incidentally, have proved most disadvantageous to those countries owing to the subsequent trend of international trade—seek to achieve. They also ask for the elimination of those market defects which run counter to the most elementary economic rules laid down in major international agreements and which present an impenetrable barrier to all attempts to expand and diversify exchanges of capital, goods and services.

We greatly fear that, unless the great Powers pay due heed to the anxieties which the countries thus affected have very naturally expressed, those countries will be compelled to seek industrialization and general diversification of their economy in the only ways open to them, which will of necessity be of a highly restrictive character and therefore different from, and opposed to those we favour here. Their economic development efforts will then tend to turn inwards and be confined within national frontiers or, at best, within appropriate original groupings, to the obvious detriment of world trade. No one should be surprised, in that case, to see a raising of tariff levels, or the imposition of other restrictions on imports, on a scale which it would be difficult to predict.

We are well aware that such a climate would be far from ideal, for it would increase the number of factors detrimental to international trade. Moreover, the Government of Uruguay would profoundly regret having to resort to such extremes. However, there is no blinking the fact that if the unacceptable economic and trading conditions which now prevail in the world were to continue and worsen, other forces might set about solving the problem by more coercive methods which would lead to total chaos, to the detriment of everyone.

It cannot be said that the developing countries are not making adequate efforts themselves. They have, in fact, made greater progress than could possibly have been hoped, considering the obstacles confronting them, their lack of resources and technology, and the acute problem created for many of them by explosive population growth.

All these obstacles, together with the lack of enthusiasm for disinterested aid observable thus far in the developed countries, are a brake on the economic progress and commercial expansion of the developing countries.

A ravaging inflation, intensified by the external devaluation to which the developing countries are inevitably driven, makes for increasing poverty and instability which in time are bound to affect the economic and social dynamics of the industrialized countries.

It must be realized that the developing world is not simply demanding the solution of its problems. It is also striving to step up its low rate of savings and its consumption capacity through the external sector, which is at present adversely affected by the trade gap. In doing so it is seeking something which will benefit both large and small countries, the relations between which have hitherto been governed essentially by the purchasers and suppliers of the dominant economies.

For these reasons, and in the belief that this Conference provides an outstanding opportunity to find adequate solutions to these problems, the Government of Uruguay has instructed us to support unreservedly the terms of the Charter adopted at Alta Gracia. That document, which is binding on all the Latin American countries that participated in its formulation, lays down principles and operating rules for international trade, designed to convert it essentially into an effective instrument for the economic development of the developing countries. Furthermore—and this is no less important—Latin America calls in the Alta Gracia Charter for the establishment, under the aegis of the United Nations, of adequate procedures and institutional mechanisms to ensure the implementation of the decisions of the Conference, and for the adoption of concrete measures to assist in bringing about, in the shortest possible time, an increase in the foreign income of the developing countries.

We consider it highly necessary that this general debate should give clear and precise expression to a positive desire on the part of the industrialized world to co-operate in solving the problem of under-development, and a willingness to renounce once and for all the use of forms, channels and terms which have been proved ineffective. For example, there is no justification for asserting as the basic or principal approach to a solution, or as a prerequisite, that full employment and high purchasing power must be maintained in the industrialized countries in order to ensure the growth of the weaker countries. Any such assertions would merely bewilder us, for we expect a different attitude and a different appreciation of problems of such magnitude.

The same comment would apply to any attempt to deny that restrictions are imposed on goods available for export from the developing countries, when we are all aware of the true situation. Consistently with its original intention, this delegation will spare the Conference a recital of the interminable list of restrictions which, according to studies made by the secretariat of

the General Agreement on Tariffs and Trade (GATT), are imposed by some countries on the import of items of concern to us.

In identifying the problems to be solved and the type of remedial action to be taken, we cannot, again, accept formulae which were rejected as unsuitable at times and in periods of reconstruction similar to this era of development, or solutions which have failed at various times and in various countries.

Neither, of course, can we accept the over-simplification that everything can be blamed on the colonialist situation of a few countries. It is plain that countries like Uruguay, which are not affected by that position, also find heavy obstacles in the path of their development.

A climate of ambiguity and contradictions is always favourable for arriving at impracticable solutions. That is certainly not what is expected of us by our peoples, to whom we shall be accountable on our return home. My delegation therefore considers it essential that we should speak in clear and precise terms. In such terms, without the slightest intention of harming anyone, we now state that we developing countries call upon the industrialized nations to modify their restrictive agricultural policies, based on very high subsidies, and thus to permit not only access to their markets but also the stabilization of prices at an adequate level of parity with the industrial goods imported by the developing countries.

We have found again and again that there is a marked disparity between the terms of trade in manufactures and those of trade in primary commodities, to the detriment of the latter. This situation, which puts our balances of payments in deficit and is an obvious impediment to our progress, surely cannot be allowed to continue.

The inescapable imperatives of economic development require us to adopt specific measures, and it is our firm hope that the decisions of this Conference will enable us to take positive action to extend and facilitate access to markets, thus promoting the application of a liberal import policy.

We also believe that we cannot postpone the establishment of appropriate machinery to compensate the developing countries, through non-repayable transfers, for the damage inflicted by price distortion in their foreign trade.

It is also necessary to repeal forthwith the domestic taxes which the larger countries usually impose on the consumption of primary commodities. If those countries truly desire to assist in halting the deterioration in the situation of the economically-weak countries, they will have to join in offsetting the distortion of trade caused by the appearance of synthetics and by the protection which some Governments extend to substitutes for the products of the developing countries.

As to surplus disposal, it will be necessary to make sure that this does not operate to the detriment of the developing countries or of their intra-regional trade.

To be specific, it seems beyond question that all forms of protection and discriminatory practices against primary commodities, tropical or temperate, and against minerals and fuels must be abolished; that support must be given to methods of financing which will increase the purchasing power of the recipient countries, for use wherever the advantages are greatest; and that subsidies and equivalent practices must be revised with a view to a more rational distribution of world agricultural production.

In short our delegation, in the interests of international solidarity and co-operation, calls for appropriate, coherent and lasting solutions which will provide a firm foundation for a system of international trade in primary commodities.

At the risk of repetition, but in conformity with the Charter adopted at Alta Gracia, my country declares itself frankly in favour of non-reciprocal preferential treatment for exports of manufactures and semi-manufactures from developing countries like itself. Such arrangements, together with other measures already mentioned, will create a favourable climate in which to bring out new lines of products to supplement the existing flows of trade.

Without detracting from our keen interest in marketing primary commodities, which at present supply us with the major part of our foreign exchange earnings, we can acknowledge that trade in manufactures offers vast possibilities for the future. We therefore consider it essential to find solutions to two related problems; without such solutions it will be very difficult to attain the rate of economic growth to which we aspire. These problems are: the preferences to be granted by the industrialized countries to the less-developed countries, and those to be exchanged among the latter.

The services which go to make up trade in invisibles are no less important. In this connexion we will support whatever solutions enable the developing countries to take an effective part in decisions on the terms and charges for sea and air transport. My delegation attaches particular importance to all measures designed to establish non-reciprocal preferential treatment in this field. It pledges its support for any agreement which will help to bring freight charges on commodities under control and to halt practices which impede the development of the merchant fleets of economically weak countries.

We will support with the same deep conviction any move to recognize the principle of the widest freedom of transit for the developing land-locked countries.

We also consider that any effort that promotes the growth of tourist travel to the developing countries will make an invaluable contribution to the purposes of this Conference. The same applies to studies of industrial property, with particular reference to the effects produced so far by transfers of royalties.

The foregoing considerations are, of course, prompted by the sound aim of mitigating as far as possible the

effect of invisibles on the balance of payments of the developing countries.

In accordance with the decisions of the Latin American nations, my Government also pledges its support for efforts to diversify markets as widely as possible and to establish closer ties with the centrally-planned economies. To that end, however, the centrally-planned economies will have to undertake to fix quantitative targets, under conditions compatible with our needs and including access to their markets, financing and other factors, at levels not inferior to those which the under-developed countries require of the industrialized countries with market economies.

With regard to regional groupings, my delegation unreservedly supports all moves towards integration on the part of the developing countries, as a sound and sure means of advancing and strengthening economies which, in the face of the existing difficulties, would be unable to overcome in isolation the complex problems that stunt and retard their all-round growth. At the same time, however, there must be no delay in reducing or eliminating the adverse effects produced by economic groupings of industrialized countries on the first attempts at integration now being made among the developing countries and on the foreign trade of many of them.

This does not mean that the Uruguayan delegation believes that trade expansion should be envisaged exclusively as an intra-regional undertaking; on the contrary, it believes and affirms that regional groupings must and can contribute to the expansion of world trade.

In common with the other developing countries, we also consider that the contribution of international finance, though of only relative importance, is nevertheless needed as a supplement to domestic efforts, to bring our rate of growth to a satisfactory level. This contribution should be multilateral in form, according to the characteristics of development and the requirements of local expenditure. Furthermore, it should not be confined to the needs of specific programmes, nor should it be made a condition that the country receiving financial support must spend the money in the lending country.

The level of amortization charges and interest on external debts must also be taken into account so as to avoid difficulties connected with the capacity to pay of the countries requiring such aid.

The report of the Secretary-General of the Conference includes some significant figures which should make us think very seriously about the situations which already exist and which can only worsen, to the detriment of everyone, unless we rectify existing trade conditions without delay.

My delegation believes that technical assistance has a predominant part to play provided that its object is to stimulate the advancement of the smaller countries and make the best use of their internal and external resources.

We must also stress the importance of improving the machinery of payments. Although the Conference agenda does not specifically mention this point, it would be extremely useful to have it examined by one of the five Committees. Such improvement would make it possible to avoid forced balances in the trade in goods between different groups of countries with no margin of flexibility other than an agreed reciprocal credit. My delegation would support any formula designed to promote world trade to the utmost, on the understanding that it would include the building up of a special system to avert, so far as possible, any foreign currency risk. This would promote the fullest use of the economic potentialities of trade expansion.

The new policy in the development of international economic co-operation cannot be put fully into effect within the limits of existing institutions. Without prejudice to the possibility that some of the existing international institutions and organizations may prove adaptable to specific conditions and requirements, special emphasis should be placed on keeping the Conference on Trade and Development in being, and on setting up other permanent bodies. All the existing organizations, when dealing with questions concerning trade and development, should send the Conference a report proposing measures with a view to practical and effective solutions.

As we understand it, both the organizations now in existence and those we establish will be on trial in the immediate future; and it is foreseeable that we shall ultimately decide in favour of those which make the greatest tangible progress towards the goals set by the Conference.

We also wish to affirm our support for any machinery, set up as the result of our work, which will promote a closer working understanding among the developing countries in different parts of the world.

As Mr. Prebisch, the Secretary-General, pointed out, this Conference cannot be expected to produce appropriate solutions merely by making a few minor adjustments to trade or lending policies; and without undertaking a complete overhaul of those policies and concerting a series of appropriate measures on a scale commensurate with the magnitude of the problem.

A few guidelines as to what might ultimately be achieved will certainly not be enough. Perhaps any partial solution adopted at a Conference of this kind, designed to assist particular countries or particular products in isolation, might later give rise to further distortions which would affect the existing body of international trade even more severely and impair the world-wide scope of this Conference.

It must be borne in mind that the elimination of political obstacles and of all forms of subordination and inequality in trade and finance is a matter, not for any one country or group of countries, but for the international community as a whole. Nevertheless, the measures adopted at this Conference will yield satisfactory results only if they are combined with and accom-



panied by national efforts and national responsibility in proportion to the aim of speeding up development in the economically weak countries. My delegation considers it a matter of urgency to explore new and promising possibilities, ranging from co-operation in trade and production, finance, international co-operation, the co-ordination of development plans and mutual technical assistance to the establishment of a common platform and a policy in keeping with the aim of international economic co-operation in general. It will therefore espouse no proposal which does not offer positive solutions on the lines indicated.

Nor will it accept any compromise solution which unobtrusively tries to by-pass opposition, and which may operate to the detriment of the efforts made towards economic equilibrium and social progress for the developing countries as a whole.

If we are to feel that we have done work satisfactorily, the final results of this Conference must take the

form, not of academic recommendations or pious hopes, but of firm and assured directives towards the goals which the peoples must, by one means or another, attain.

What the under-developed world is asking is just and reasonable; furthermore, it is entirely in accordance with the spirit and letter of the Charter of the United Nations, whose Preamble reaffirms faith in fundamental human rights, in the dignity and worth of the human person, and in the equal rights of men and women and of nations large and small.

The international community is aware that these sacred principles have not yet been effectively applied. The present state of affairs renders the economic inequality between the large and the small nations more irksome every day and, worse still, this inequality relentlessly overtakes men and women, whose fate and fortune are predetermined by their place of birth.

STATEMENT BY H.E. Mr. MANUEL R. EGAÑA,  
MINISTER FOR DEVELOPMENT,  
HEAD OF THE DELEGATION OF VENEZUELA  
at the ninth plenary meeting, held on 30 March 1964

[Original text: Spanish]

The delegation of Venezuela has come here, as have all the other delegations, with the hope of performing a useful and beneficial service for mankind and aware that the great masses whom we represent expect that our ideas and the action we take will result in a constructive contribution towards improving the lot of all the peoples of the world. Our delegation has come intending to act with sincerity and good faith.

For many years the League of Nations, in whose initial spirit the international community saw a hope and a dream which subsequently came to nought, had its headquarters and did its work here.

When a new war brought to an end the constructive and peacemaking efforts which had brought hope to the world, we slipped back into the disagreements, enmity and lack of understanding in the midst of which the post-war generations have lived. May it be propitious to recall that initial spirit which had its origin here and the tragedies which led to its failure and defeat—due to causes contrary to its noble purpose—so that we may reaffirm our faith and trust in the United Nations and devote all our efforts to making this Conference a success.

We are certainly meeting at a critical period for the world and we must face the consequent responsibility with a determination to find political solutions to problems which leave us no other alternative. We hope that the principles contained in the San Francisco Charter will emerge strengthened and universally confirmed at this Conference.

The work of this Conference has been rendered easier by the excellent work done by the members of the Preparatory Committee which, by itemizing and distributing the topics, will prevent us from engaging in generalizations and ambiguities. Because of their work we have a specific agenda in which all the topics relate to the dynamism which international trade must acquire as an irreplaceable instrument of economic development. I also wish to draw attention to the magnificent work done by Mr. Raúl Prebisch, the Secretary-General of the Conference; the report he has presented to us is an invaluable contribution. The six points made by Mr. Prebisch in the vitally important address which he delivered last Tuesday with a view to improving the economic situation of the developing countries and the trade relations

between them and the developed countries are, in the Venezuelan delegation's opinion, fair, moderate and feasible.

The Conference acted wisely at its first meeting in electing Mr. Abdel Moneim Kaissouni unanimously as its President, thus ensuring efficient guidance because of Mr. Kaissouni's outstanding intellectual qualities.

The United Nations Conference on Trade and Development is not just another event in contemporary international life. When the preparatory work for the Conference was under way, the entire under-developed world was deeply stirred and did not conceal its intention that this forum should become the cornerstone for the conversion of international trade into an instrument of economic development. It will augur well for our forthcoming deliberations if we regard it as such. To fail to do so may be a very dangerous attitude to adopt in seeking appropriate solutions, given the aims we are anxious to achieve.

The international economic problems listed in our agenda themselves bear witness to the existence of a critical problem the solution of which brooks no delay. This problem is caused by an unequal distribution of the world's wealth and by the persistent trend which has divided the world into a small group of affluent countries and a large group of poverty-stricken and needy countries. It is essential at this historic juncture to establish the direct and indirect causes of this unjust distribution of the world's wealth and to find appropriate ways of helping to rectify them.

The analysis and diagnosis of current international trade has been the subject of painstaking studies which we shall examine in the debates at this Conference. The documentation which has been prepared and will serve as our background contains a doctrinaire exposé of the whole complex of economic problems deriving from the relations now existing between the under-developed and developed countries.

A summary analysis of the documents leads one to feel that, given the present structure of international trade, the developed regions derive the maximum benefit while the large group of under-developed countries suffers severely. The fundamental defect of that structure lies in the continuous increase in the prices of manufactured goods and the steady decline and deterioration in the prices of primary products. This is the reason for, if not all, at least most of the related problems afflicting international trade today. The disinvestment of the primary producing nations, the balance-of-payments problem, the lack of capacity for productive industrial investment, appear to be a direct consequence of this distortion of the terms of trade in respect of manufactured goods and primary products on the international market.

Statistics have proved that all the foreign aid programmes for developing countries, including those of private and public financial institutions, are insuff-

icient to compensate for the losses which those countries are suffering through the decline in the prices of their export products. This fact bears out my assertion that the fundamental problem which we have to tackle is that of rectifying this trend which has been responsible for a serious crisis in international economic relations.

My delegation does not wish, in this first general statement, to refer specifically to the various items on the agenda and to the different problems and solutions that we shall have to examine. I wish, however to emphasize that it agrees with the view expressed by the developing countries in the Cairo and Geneva Declarations that international trade should become an indispensable instrument of economic development. The Geneva Declaration, subsequently reaffirmed by the General Assembly of the United Nations, and the Cairo Declaration define the purposes of this Conference. We believe it is essential to keep their contents in our minds when we are studying the items on our agenda, since the latter are similar to the points made in both Declarations.

Latin America is an area which suffers particularly severely as a result of the relationship between the prices of manufactured and primary products in prevailing international economic conditions. Its agricultural products, both tropical and from the temperate zone, and its minerals and fuels have experienced repeated downward fluctuations on the world market. To this is added the fact that there is discrimination against its exports which are subject to restrictions, quotas and special duties and taxes, which make it difficult for it to compete in consumer centres. As a result of this unfortunate policy of the industrialized countries, a real structural crisis has arisen in Latin America's development. A growing balance-of-payments deficit, a decline in the ability to borrow from abroad, a shortage of internal financial resources to step up industrialization programmes, all this against the background of a population explosion of impressive proportions—that describes Latin America as it is today.

We have come to fight for the elimination of the obstacles which prevent our products from competing in international trade; to seek fair treatment and prices for them; and to state that the barriers which restrict our exports must be removed once and for all.

At two preparatory regional conferences, held at Brasilia and Alta Gracia, the Latin American countries outlined the position that they would uphold in this world forum. The documents adopted at Brasilia and Alta Gracia express the goal which we hope to attain in these discussions. The conclusions of those conferences defend the just cause of a group of nations beset by a great variety of social, political and economic problems and, at the same time, the destiny of more than two hundred million Latin Americans. Calmly and with a clear awareness of its responsibility, the Latin American community will give voice here to its

claims and its aspirations. It will support the principles and attitudes of the under-developed world of which it is a part. Among the developing countries, the areas of agreement are greater than the areas of disagreement.

I should like to mention some aspects of my country's economy. In its foreign trade, Venezuela depends primarily on exports of one product only: petroleum. In the period 1958-63, petroleum and its derivatives accounted for 92 per cent of our total exports. Exports of iron ore came next, accounting for 5 per cent, followed by coffee, cocoa and other products representing only 3 per cent of the total. These figures and the fact that the petroleum industry employs less than 2 per cent of the labour force and that oil is a wasting asset indicate the magnitude of this serious structural problem.

Faced with this situation, it is inevitable that Venezuela should seek, on the one hand, to obtain a fair share of the product of its petroleum industry, and on the other, to ensure optimum investment of the revenue obtained from it with a view to developing permanent and varied sources of employment so that we can achieve in our country what we desire for the whole world: a better and fairer distribution of national wealth and income.

With these goals in mind, Venezuela has introduced changes in its legal structure which have enabled it substantially to increase its share of the profits of the petroleum industry. The effect of these measures has been offset, however, by the drop in world petroleum prices. Over the past six years, exports of petroleum and its derivatives rose from 141 million cubic metres in 1958 to 178 million cubic metres in 1963, while the value of these exports increased from \$2,300 million to \$2,390 million. The volume increased by 26 per cent, while the value increased by only 4 per cent; in other words, prices fell by 17 per cent.

The importance of petroleum as a source of power, the downward trend in petroleum prices on international markets, the absence of any machinery capable of checking that trend, and the similarity in their situations led Saudi Arabia, Iraq, Iran, Kuwait and Venezuela to form the Organization of Petroleum Exporting Countries (OPEC), which now comprises eight countries in the Middle East, Africa and Latin America, which other nations will join in the future. The Organization's basic purpose is to seek for its members an adequate share of petroleum revenue and a fair price for petroleum—a guarantee to consumer countries of a reliable supply at reasonable prices, without prejudice to a fair return for investors.

Venezuela also holds that measures for the regulation of international trade in fuels should not be adopted unilaterally by consumer countries but, where

necessary, by agreement between them and the exporting countries.

In this connexion, Venezuela wishes to emphasize the fact that a large portion of the gross income from petroleum goes to the countries which finance the operations and to consumer countries situated in industrialized parts of the world. The relatively low prices paid for petroleum mean, in the end, a transfer of revenue from Venezuela to those countries—a situation which is the general rule with regard to exports from developing countries to industrialized parts of the world.

The drop in the prices of our export products has been accompanied by a rise in the prices of our imports. For this reason Venezuela, like all countries exporting primary commodities, has inevitably experienced a gradual deterioration in its terms of trade.

The steady and persistent nature of this trend over the past five years is a matter of concern to the Venezuelan Government. The situation is illustrated by the fact that only in 1958, when the prices of our main export product reached a peak owing to the Suez crisis, was there an increase sufficient to offset the rise in the prices of imports.

Our terms of trade deteriorated between 1958 and 1963 by some 40 per cent, representing an annual average decline of almost 10 per cent. In the same period, the cumulative net loss amounted \$4,000 million—an annual average of \$800 million.

Nothing is more enduring than institutions which are rooted in man's innermost being and are based on his true needs and desires, both present and future. The progress of mankind is marked by its institutions—religious, legal, social, artistic and economic. Today, we are faced with many problems, problems which we have inherited from the past but which we must not bequeath to the future. Two of these problems stand out prominently: the development of science and technology in the developed countries and the population explosion in the developing countries. New principles of trade policy must take into account both problems, which together form a single problem confronting mankind. The establishment of institutions capable of solving those problems is the greatest challenge to the Conference. The Geneva Charter or Statute must be one of the greatest events in the history of human institutions.

In conclusion, speaking both as one who was born and has lived and will die in the Catholic religion and as a Venezuelan deeply imbued with the universal spirit of the Father of our country, I should like to express the sincere hope that God Almighty will cast His light on this Conference in its deliberations and that the Liberator will guide it towards the realization of its goal—the well-being of all men and women of all creeds and all races in all parts of the earth.

STATEMENT BY H.E. Mr. ADNAN TARCICI,  
PERMANENT REPRESENTATIVE OF YEMEN  
TO THE EUROPEAN OFFICE OF THE UNITED NATIONS

at the seventeenth plenary meeting, held on 3 April 1964

[Original text: French]

In my delegation's opinion, the unanimous election of Mr. Kaissouni to the high office which he now holds has given this Conference on Trade and Development an additional and symbolic value.

As the eminent representative of the United Arab Republic—that great developing country which is doing everything possible, and much which previously seemed impossible, to hasten its development and improve its economic and social condition—he represents that unshakable and justified determination of the developing countries to improve the living conditions of their people, who are themselves anxious to change as rapidly as possible the lot which has been imposed on them.

We therefore congratulate this Conference on having chosen a distinguished economist who symbolizes our activities, our concerns and our aims, and who will thanks to his universally recognized ability and the experience of a brilliant career, bring to a successful conclusion the arduous work of this historic Conference.

Allow me, then, to extend to him my warmest congratulations on gaining that vital asset, the confidence of the whole world—a confidence which has been expressed so sincerely and eloquently by all the heads of delegations who have spoken before me. To this confidence of the international community there has been added in the last few days the confidence of his own country, which has raised him to the still higher position of Vice-President of the Council.

I also extend the warmest congratulations to that distinguished diplomat and economist, my friend Mr. Georges Hakim, on his unanimous election to the important post of Rapporteur of this World Conference.

May I also be permitted to pay a special tribute to the Secretary-General of the Conference, to whose exceptional devotion and ability we owe the fact that this important Conference has been so well organized.

Moreover, it is with pleasure that I take this opportunity to express on behalf of my country our very special and warmest appreciation to U Thant, Secretary-General of the United Nations, his immediate colleagues and the heads of all the United Nations organs and specialized agencies, who are all doing their best to understand our special needs in the matter of development and are doing everything possible to give us the valuable aid of their various departments.

Lastly, I should like to express my Government's warmest thanks to the eminent Director of the European Office of the United Nations, Mr. Spinelli, who has very special responsibilities in this connexion and who has shown that he has the development of my country at heart by channelling together all the efforts of the various specialized organizations and agencies.

The Arab Republic of Yemen considers that this great United Nations Conference for promoting trade and development is meeting at a propitious moment as far as my country's needs and its just aspirations are concerned.

The Yemen, country of ancient civilizations, lay for centuries in a state of miserable under-development. Colonialist ambitions encircled it on all sides and an anachronistic régime jealously kept it apart from the modern trends of progress and development, but did so against the will and the traditions and aspirations of a proud and ambitious people.

As everyone knows, the people of the Yemen—the Arab people of Sheba—are the heirs to three or four thousand years of history, and were among the first people in the world, if indeed they were not the first, to take part in large-scale international trade. The story of the Queen of Sheba and her visit to King Solomon three thousand years ago is recorded in the annals of the world. As we know, the Queen of *Arabia Felix* or Yemen brought with her fabulous gifts from India, Indonesia, the Far East, Africa and other countries, with all of which Yemen once carried on highly developed and highly organized trading relations.

Thus the aptitude of our Arab people of the Yemen for business and international trade has been celebrated from the beginning of recorded history.

The 650 metres-long Mareb Dam, erected nine centuries before the birth of Christ, and numbers of other dams, tunnels, canals and reservoirs, such as those which still exist in our port of Aden, are proof of the remarkable aptitude of our Arab people of the Yemen in the field of development.

Although inertia and misery may have prevailed during these last few centuries of darkness and enslavement, today, with the awakening of the country and the coming of liberty, the requirements of a decent, hard-working life will soon be fulfilled.

Nowadays, however, we realize that conditions of trade have changed and that other conceptions regarding international relations and trade prevail. New methods and techniques of development have been worked out, and our people, liberated and awakened and guided by a democratic and progressive Government, wish to adopt and adapt them, in their present search for co-operation, with an open mind and open arms. They are urged along this path of renewal by a traditional ambition thousands of years old, and are guided by the natural and hereditary aptitudes which I have just mentioned.

Unfortunately, tremendous barriers stand in the way of our ardent desire to improve our standard of living, and a yawning chasm separates us from the highly-industrialized countries which have become the undisputed masters of the world's economy and of modern technology.

Are we to despair of ever taking the immense step forward which is necessary if we are to make up for lost time, bridge the chasm and remove the barriers?

Fortunately, the principle of international co-operation for the good of mankind is now generally accepted, and the United Nations Charter is fixed forever in the hearts and convictions of all men of good will. Thus, this United Nations Conference opens for us a window through which faint rays of hope can penetrate even into the darkest corners of our national home.

My country's eyes are thus fixed primarily on the United Nations, its organs and its specialized agencies.

We are very hopeful of what may be achieved through the United Nations or on the basis of its principles.

My country also turns now, thanks to this Conference, towards the countries which are in control of international trade and modern technology, in the hope that we may achieve fruitful collaboration with them. We turn, therefore, but in no spirit of self-abasement to the highly-industrialized countries which have mastered modern techniques and ask them to help us to acquire the skills which we lack and which are essential if our programmes are to be put into effect.

Filled as we are with a great determination to develop our country and an ardent desire to make up for lost time, we are determined to change the out-moded conditions which exist in our country, so as to achieve a better life, worthy of our ambitious people.

We are faced with problems of a most varied nature in trying to promote our external trade. Most of these problems are common to other developing countries, if not to all under-privileged countries.

The Director-General of the Food and Agriculture Organization of the United Nations, when he addressed this Conference the other day, explained

authoritatively the problems with which we are faced. He said:

"It is indeed tragic that, at a time when their economies are under such strain through the requirements of development, many of the developing countries should be faced by artificial barriers to their major exports".

In addition, the report prepared by the United Nations Secretariat, entitled "A review of trends in world trade and its perspectives" gives us the following details, backed up by figures:

"... as is discussed in greater detail in section IV *infra*, the worsening of the terms of trade of the developing countries has resulted from the fact that these countries export mainly primary commodities, whose prices have been sagging, but import large amounts of manufactured goods, whose prices have been edging up. There is, in other words, a close relationship between the deterioration in the terms of trade of the developing countries and the 26 per cent decline during 1950-1961 in the ratio of the prices of primary commodities to the prices of manufactured goods entering international trade".

Now, as you know, Yemen was one of the first countries in the world to take up the planting of coffee and trade in it on an international scale.

As everyone knows, the Yemeni port of Moka, on the Red Sea, has given its name to the best coffee in the world, and the occupied Yemeni port of Aden still keeps up that tradition to some extent in spite of everything.

The export price of this primary commodity which is so vital to our export trade has dropped over the past few years by an amount which specialists estimate at two-thirds of the price obtaining eight years ago.

You can easily imagine the consequences of such a fall in prices on the economic life of a country which needs foreign exchange so much for development. You can also imagine the disastrous effect of this drop in earnings on the areas and inhabitants producing this primary commodity, and hence on the development of its production and the economic position of our country in general.

It seems to me that the alarming situation resulting from this typical example is sufficient in itself to justify tackling the question of the stabilization of prices with all the necessary determination and urgency.

My delegation notes with satisfaction that the Conference has begun its work by giving this problem all the attention and consideration which it deserves, and we congratulate it on having done so.

May I, within the framework of this great Conference, now take up a problem peculiar to Yemen and one which is of primary importance to its trade and development.

Yemen is one of the few countries present here which continues to suffer from the remnants of a

virulent, although dying, colonialism. Owing to the hazards of colonialist occupation, our national territory has been arbitrarily divided into two parts: sovereign Yemen, formed by the Arab Republic of Yemen, and that part of Yemen under foreign occupation which is called according to the whim of the Colonial Office "Aden and the Aden Protectorates", "the Emirates of Southern Arabia and Aden", or "the State of Aden and the Federation of Southern Arabia", etc.

In short, this occupation of part of my country—whatever its name—has divided the thousand-year old nation of Yemen into two parts. Although these two complementary parts form a historical, geographical, linguistic, religious and especially economic entity, colonialism in its last throes has shown itself to be more virulent here than ever and refuses to accept in this part of the world the irrevocable death sentence which has been passed on colonialism and to allow my country to recover its unity. Thus, colonialism desperately clings to this part of Yemen and is seeking new ways to camouflage its continued domination after its departure, which has become inevitable and urgent.

I am aware that this problem of colonialism is of concern to world public opinion, which will no longer tolerate it, and that our United Nations, under whose auspices this Conference is being held, is also dealing with it. It has established a special Committee to put an end to the ravages of this scourge, which has lasted for too long.

I am also aware that the Committee on the liquidation of colonialism or Committee on decolonization is at present discussing the question of Aden and the Protectorates at United Nations Headquarters in New York. Nevertheless, I do not see how we here, within the framework of this Conference, can deal with the question of trade, without being led to consider the problems of national trade relations which have assumed an artificial international aspect.

How, too, can we approach the problem of development without being confronted with a case like that of my country, a large part of which is separated from the mother country by arbitrary frontiers?

How, for example, can we discuss questions relating to international transport when transport within our natural frontiers is greatly handicapped by various kinds of obstacles?

How can our economy develop favourably when it is stifled by the seizure of our natural outlet to the Indian Ocean—I mean the occupation of our natural and traditional port of Aden? As everyone knows, this Yemeni port is under a system of colonial occupation which has transformed it into one of the greatest military bases of imperialism, and, instead of continuing to fulfil its natural and historic function as Yemen's gate to the outer world, it has now become the general command headquarters for the United Kingdom and its imperialism in our part of the Middle East.

How can an economist deal in any way—with any question relating to the exchange of commodities or any other form of trade, or to transport or development, without coming up against this fact which is disastrous for our trade, our economy and, in consequence, our development?

The disastrous situation for our economy and development is the continued separation of the port of Aden from its natural hinterland and the separation from the interior of a large area around and beyond this natural port of Yemen on the Indian Ocean.

I owe this Conference on Trade and Development an additional explanation on the subject of Aden.

Aden, which colonialism is seeking to take away from us permanently on the basis of new formulae of neo-colonialism, is not any ordinary kind of port that can be replaced by another; it is our natural and irreplaceable outlet to the South. It is not a port created artificially by the merchants of Yemen when my country was one of the arbiters of international trade.

On the contrary, the port of Aden has been used by our ancestors from time immemorial because of its exceptional geographic position in relation to the productive interior, because of the ideal natural protection which it provides and because of its geographical position in relation to the monsoons and shipping bound for the Far East and Africa, with which it is so closely linked.

British colonialism, in choosing Aden in the last century as a naval station and supply base along the famous route to India, knew what it was about. Nevertheless, the pioneers of imperialism, in occupying our port, were able to see that our ancestors, thousands of years ago, had erected grandiose constructional works there, which showed the importance that they attached to their irreplaceable port.

Therefore any serious discussion on trade and development as they relate to my country's evolution must inevitably recognize the fundamental need to restore to Yemen its natural port, to re-establish the national unity between the regions of the South which have been arbitrarily separated from the North, and thus to restore the economic and natural unity of a country whose regions are so interdependent.

I conclude that if this crucial problem is ignored, any measure envisaged by this Conference in favour of trade and development will have only limited effects in the case of Yemen. The implementation of such a measure will certainly be handicapped by this abnormal situation which persists in the South of my occupied country.

I therefore hope that the delegation of the United Kingdom to this Conference will—as we all wish—be favourably disposed towards real collaboration between developing and developed countries. It will thus be able to explain to its Government that the maintenance of this partition of Yemen and the

deprivation of its principal port of Aden represent a great handicap to its trade and development and constitutes a contradiction that cannot be explained away.

In our opinion, it is that delegation's duty to make it clear that the attitude taken by its Government in this region is in flagrant contradiction with the aims of this Conference.

I also believe that all delegations here present share our conviction that all forms of colonial domination must disappear in order that real progress may be achieved in the under-developed countries.

My delegation considers, moreover, that it is within the normal attributes of this Conference on Trade and Development to envisage the taking of adequate measures to prevent the revival of colonialism in any form.

With regard to my country, it is clear to all that the creation of puppet and dependent States on our national territory and the establishment of military bases only increase the obstacles to trade and retard development.

Permit me to add that acts of colonialism, contrary to the spirit of this Conference and to its objectives, have taken, in the past few days, the form of a flagrant armed aggression. This aggression was deliberately committed against the independent part of my country and has aroused indignation throughout the world. In view of its gravity, the matter was regarded as being within the purview of the Security Council and was duly submitted to it.

Nevertheless, my delegation believes that it is also within the competence of this Conference to consider such a state of affairs, and that is why, animated by the desire to see the Conference conclude its work successfully, my delegation, whose point of view is shared by many other delegations, would have wished that questions relating to colonialist activities with their disastrous effects on trade and development should be included on this Conference's agenda. If that was done, none of the factors which are of concern to our Conference and which have a direct influence on international relations would be neglected; such a step would promote the success of this distinguished Conference.

STATEMENT BY Mr. VLADIMIR POPOVIC,  
CHAIRMAN OF THE FOREIGN AFFAIRS COMMITTEE  
OF THE FEDERAL ASSEMBLY, HEAD OF THE DELEGATION  
OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

at the sixth plenary meeting, held on 25 March 1964

[Original text: English]

First of all I wish to express my particular pleasure in offering the President my most heartfelt wishes and sincerest congratulations on his election by acclamation as President of this Conference. His election to this high office is a well deserved tribute to the friendly people of his country and to the continuous efforts made by his country and Government to further international co-operation, the strengthening of peace and economic progress. This well deserved tribute is also paid to Mr. Kaissouni personally, since we are convinced that his exceptional ability and rich experience will be a valuable contribution to the successful and fruitful work of our Conference.

At the same time, I wish to welcome and emphasize the outstanding value of the contribution made by Mr. Raúl Prebisch, who has succeeded in presenting in an exceptionally efficient way the main issues as well as concrete proposals for their settlement. It is our sincere wish to continue to benefit from the

brilliant abilities of Mr. Prebisch; we also hope that in the future he may contribute, with the same persistence, the same enthusiasm and the same success, to the solution of development problems, particularly those relating to the rapid economic and social development of the developing countries.

I take this occasion to pay full credit to the work of the Preparatory Committee, which, under the very successful leadership of its Chairman, Mr. A. Rosenstand Hansen, of friendly Denmark, carried out extensive preparatory work which will not only make possible, but also facilitate the reaching of positive conclusions at this session of the Conference.

Allow me, owing to the limited time available, to deal only with some of the items included in the agenda of the Conference. In so doing, I do not wish to lessen the importance of any of the items on which I shall not be able to dwell in this short statement. By taking an active part in the work of



the committees, we hope we shall have an opportunity to discuss them and to make our modest contribution to their settlement, among other things, through the concrete proposals that we intend to submit to the Conference.

At the Conference of Heads of State or Government of Non-Aligned Countries held in Belgrade, at the Conference of Developing Countries held in Cairo, through our activity in the United Nations, etc., our country was among the initiators of this Conference. We are happy that the proposal for convening it has met with such wide support the world over. As a result, it is attended by 121 countries and by representatives of a large number of international organizations and agencies, which make up an impressive international gathering without precedent in the history of international co-operation. It is, however, to be regretted that, because of obstacles of a political nature, we do not see here the representatives of all the countries of the world, since the universality of the Conference would ensure an even greater success. The wide support that has led to the holding of this Conference indicates that the international community is ready to tackle more resolutely the settlement of world economic problems in the light of its general long-term interests.

It is of tremendous significance that the developing countries have always found a common ground and have taken a unanimous stand on all the basic issues on the agenda. They will do the same on this occasion again and they will make a constructive contribution to the finding of a unified platform to deal with the problem of rapid development of the less-developed countries, which is the key issue in the world economy and economic relations in general.

We shall welcome every effort and proposal made by all developed countries with a view to attaining this aim.

The central issue in modern international economic relations—and this is no longer a moot point—is the problem of the less-developed countries. The growing differences in the levels of economic development in the world are seriously aggravating political relations in general. Under present conditions this problem affects the economic progress of all peoples and the further expansion of productive forces in the world as a whole.

The rapid development of productive forces, which increasingly outgrow national frameworks, requires a closer linking up of national economies. The growing interdependence of all countries calls for the development of new forms of economic co-operation and the assuming by all countries of joint responsibility for the settlement of acute economic problems in accordance with the interests of the world economy as a whole.

The many various obstacles facing the less-developed countries, and the restrictions hindering their development, as well as the steadily widening gap that separates them from the developed countries, increas-

ingly hamper the further expansion of productive forces and the application of scientific and technical achievements.

Because it is a prerequisite for general economic progress, the rapid development of developing countries is today in the common interest of all nations, and this Conference of equally great significance for all, provided we all make the contribution which is rightly expected from us.

This, naturally, requires new forms of co-operation which will result in such rapid development. The growth of productive forces in industrial countries would run into ever greater difficulties and crises, if no efforts were made to seek jointly and without delay a solution to this international problem. Therefore, the further expansion of productive forces in the developed countries will become increasingly dependent on the rapid development of the developing countries.

The struggle waged by the less-developed countries against the remnants of colonialism and all forms of exploitation and subjugation is an indispensable condition for their accelerated economic development. Of exceptional significance in this connexion is the increasingly widespread view that rapid development can be achieved through the industrialization of the developing countries. This is extensively confirmed, in addition to other countries, by the experience of Yugoslavia.

Consequently, national efforts are a vital prerequisite for initiating, sustaining and planning rapid development, for mobilizing all national forces, and for the attainment of economic equality. At the same time, experience has shown that maximum utilization of domestic resources, accelerated development, successful investment, and the securing of international support for the development of national economies, can best be achieved through the strengthening of the public sector and its institutions, accompanied by adequate internal structural changes in the developing countries. The international community should make these changes possible instead of preventing or hindering them through the continuation of practices inherited from the past.

This Conference should therefore make decisions likely to lead to a concerted action for international assistance, which would be based on national development plans and on proposals aiming at a comprehensive settlement of the problems involved. Such action should first and foremost find expression in an adequate machinery for international financing, improved terms of trade resulting from the extension of various facilities, expanded expert and technical assistance, in all other fields of economic development and planning as well. As a result, the establishment of such relations will strengthen the economic independence of the developing countries and increase their share in international trade, which will in turn enable the peoples and Governments of these coun-

tries to assume ever great responsibility in the efficient use of international aid. All this inevitably leads to a progressive integration process and presupposes an even more resolute struggle against tendencies which, under various forms, tend to make the developing countries economically and politically dependent.

International trade, which is the most important mechanism for linking up national economies, plays an exceptionally significant role. However, it is also indispensable to change the principles on which international trade is based, if it is to help bring about appropriate changes in the production structure of the developing countries and thereby lay the necessary economic foundations for equal relations among peoples.

The earliest possible removal of all restrictions on exports from the developing countries, as well as the granting of preferential treatment without reciprocity of any kind on their part, should constitute the basic principles of a new, dynamic international trade policy. It is only under such changed conditions that immediate and resolute action aimed at increasing the exports and export earnings of the developing countries can be expected to succeed.

Despite the efforts made in this direction by the developing countries in the framework of the GATT "Programme of Action", no results have been achieved so far.

In view of the present structure of exports from the developing countries, measures for ensuring a stable expansion of earnings from primary commodity exports are of the utmost significance. It is therefore necessary to take urgent steps to abolish tariff barriers and other obstacles and restrictions which limit the exports of these commodities to the developed countries. Yugoslavia will support all proposals aimed at providing the most efficient means for increasing exports, stabilizing raw material prices and bringing them in line with the prices of capital goods imported by developing countries.

However, no lasting solution can be brought to the economic problems of the developing countries if the latter do not diversify their production and steadily increase the share of manufactures and semi-manufactures in their exports. It is indispensable for the Conference to work out and adopt a broad programme of action which would make it possible to meet these immediate needs and thus pave the way for a lasting expansion of international trade as a whole.

The granting of access to the markets of the developed countries for the developing countries' industrial products presupposes, first of all, the abolishment of all discriminatory practices, the reduction and elimination of tariff and non-tariff barriers and internal taxes, as well as the undertaking of other actions aimed at increasing the exports of the developing countries.

Of particular significance in this respect is the proposal according to which the developed countries should grant preferential treatment to imports of

industrial products and semi-manufactures from developing countries. In order to fulfil their long-term objective, preferential tariffs should be granted on a non-discriminatory basis so as to enable all developing countries to diversify their economies; at the same time, the developed countries should take appropriate measures for carrying out adequate adjustments in their productive capacity.

The Conference is expected to make decisions which will substantially improve international financing so as to promote as efficiently as possible the implementation of the national development programmes of the developing countries and thereby contribute also to their economic emancipation.

There is no doubt that the establishment of funds for financing capital development in developing countries—which is supported by the vast majority of the Member States of the United Nations—would stimulate industrial progress in those countries and the expansion of their exports of industrial products, thus improving their position in respect of trade and the international division of labour.

In addition to supporting other proposals relating to the mobilization of funds for international financing, Yugoslavia attaches particular importance to the appropriation for this purpose of one per cent of national income and part of the savings deriving from disarmament.

A thorough consideration of the economic aspects of disarmament within the framework of the United Nations, combined with an extensive analysis of possibilities to use for development purposes part of the savings realized through disarmament, should lead to the adoption of appropriate, concrete decisions.

The Conference is expected to decide upon the establishment of a fund for compensatory financing and to make positive decisions regarding other forms of development financing under the control of the United Nations, all this for development purposes. To this end it is also necessary to review the work of the International Bank and of the International Monetary Fund and also to increase the resources of the International Development Association (IDA). All such actions are aimed at increasing the volume and improving the conditions and methods of international financing, free from any political, strategic and other non-economic considerations.

Besides increasing the funds of existing technical assistance institutions, it is also of the utmost importance to give assistance in development planning, in the application of modern scientific, technical and technological achievements and industrial co-operation, all of which requires the setting up of adequate organizations and institutes, and the simultaneous expansion of the work of the regional economic commissions of United Nations in this direction.

In order to bring a long-term solution to the problems of international trade in the context of

development requirements, it is necessary for the Conference to decide upon the establishment of an appropriate organization.

The principles inaugurating new policies in international economic relations as well as the measures that this Conference will recommend should find expression in a final document to be adopted by all participating countries, which would thus formally mark the beginning of a new era in international economic relations.

The Government of my country sees in this Conference an outstanding manifestation of the general solidarity of all countries wishing to contribute to the solving of the urgent economic problems with which

we are faced today and to the strengthening of lasting peace in the world.

The resolution on the United Nations Conference on Trade and Development, which was adopted by the Parliament of the Socialist Federal Republic of Yugoslavia, and circulated as an official document of the Conference as well as the message addressed to the Conference by President Tito and read on the day of its opening, confirm the outstanding interest of the peoples of Yugoslavia to see the objectives of the Conference achieved as fully as possible.

I wish to assure you that our delegation will make every effort towards the complete success of the Conference.

**STATEMENT BY H.E. Mr. MOHAMMED ABDULRAHMAN,  
HEAD OF THE DELEGATION OF ZANZIBAR,  
MINISTER OF FOREIGN AFFAIRS AND TRADE  
at the ninth plenary meeting, held on 30 March 1964**

[Original text: English]

Before I turn to the main parts of my delegation's speech, I would like to make two points.

First, may I congratulate, on behalf of my delegation and the people of Zanzibar, Mr. Kaissouni of the United Arab Republic on his election as President of this important Conference. I have no doubt that Mr. Kaissouni represents the aspirations of the peoples of the developing countries represented here.

Second, we would like to express our regret that some countries whose diplomatic and economic relations with developing countries are reaching ever greater proportions have been excluded from this Conference. We know very well that it is not due to their unwillingness to be here nor is it the question of legality or illegality. It is because of maneuvers and manipulations by certain countries.

It is my delegation's belief, therefore, that if trade is going to play an important role in creating a new consciousness among the nations of the world, we should endeavour to eliminate from our Conference cold-war actions designed to discriminate against certain socialist countries.

I speak as the representative of a very small nation, and a very young one. But I speak also as one who belongs to a wider community of peoples, of Africa, Asia and Latin America, who are eager to transform their backward economic and social systems in order to progress towards the essential freedoms which a very

large part of mankind has been yet denied—freedom from hunger and poverty and exploitation. We have come to this Conference with hope—the hope that it will go some way towards creating more equitable trading relationships between nations and promoting more favourable conditions in which we may pursue policies directed towards economic development.

We welcome the freshness of approach which characterizes the report of the Secretary-General of this Conference and his attempt to pose the problem of international trade of the developing nations in the context of the problems and perspectives of development. For us, economic development implies breaking out of the constricting framework of a colonial economy. The old order, as the Secretary-General has reminded us, is breaking down and he is right in emphasizing that “it is out of the question to think of restoring the old order now”. But what kind of “new order” are we creating in its place? What prospects does it hold for small nations like ours who wish to preserve their economic freedom as well as political independence in order to pursue policies which will release the creative energies of our people in order to build a progressive and just society. We do not wish to, nor indeed can we, proceed with such development in isolation. Not only are we too small a country to attempt that but also our values are outward looking. In particular, we share a deep sense of community with our brothers in East Africa. Our trade and economic relationship with

East Africa will, therefore, be of a special kind. It will reflect the sense of community that is amongst us and our common purpose. But we, as an integral part of East Africa, look outwards to the prospects of improving and extending our trading relationship with the rest of the world. Zanzibar particularly has a large stake in measures that may be taken to promote international trade and to create more equitable terms of trading for the developing nations. We must rank amongst those nations which have the highest coefficient of foreign trade in relation to national income—the value of our exports is well over 40 per cent of the gross national product. Our livelihood and our prospects for economic development depend on an expansion of our foreign trade.

The Secretary-General's report has dwelt on factors which have brought about a deterioration in the terms of trade of countries dependent on export of primary produce. One aspect of this problem needs to be emphasized. We cannot fully appreciate the nature of this problem without considering also, with other factors, the influence of the institutional framework within which such trade is being conducted as between primary producing countries and the "free enterprise" economies of the Western countries. In this trade, very often the small scale producers and exporters of primary produce are confronted with powerful oligopolistic groups which are well placed to dictate prices which are thus pushed to a very low level. Perhaps little of this benefit is passed on to the final consumer. So far the primary producers have no effective remedies for securing more equitable trade terms under these conditions. Within national economies, anti-trust and anti-monopoly legislation does exist and some action is taken. But there is no parallel of this on the international level. This is an aspect which urgently needs fuller study. International action to limit the power of the great monopolies is particularly urgent in an age when the operations of such monopolies transcend national boundaries. We would recommend to this Conference that any organization that is set up by it or an appropriate organization of the United Nations be asked to undertake special studies in this field in order to establish the facts in respect of different commodities as well as to recommend possible lines of international as well as national action. We would add that this difficulty would apply also in the case of the setting up of and operation of international commodity agreements to which the Secretary-General has referred. We would recommend that the role and influence of oligopolies be fully investigated also when making any recommendations in respect of international commodity agreements.

We support the suggestions made by the Secretary-General with regard to compensatory finance. One can foresee a number of practical difficulties in the formulation and implementation of policies pursuant to his suggestions. But it is important that the idea be accepted in principle. We would express the hope that this useful idea will be followed up by way of fuller

studies which might point to practical ways of implementing it. It is important to distinguish between the principle of compensatory finance which would be a way of rectification and readjustment of the outcome of unequal trading relationship as produced by the uncontrolled forces of the market and economic aid as an altruistic idea. Compensatory finance would not be a substitute for economic aid and should not be regarded as such. It is our earnest hope that more economic aid, without strings, will be forthcoming. Economic aid is likely to remain, however, a matter of bilateral relationship between aid-giving and aid-receiving countries. In the case of compensatory finance, much of its significance and value might be lost, however, if its administration is made to depend upon the unequal relationships between the developed and the developing countries. It would be necessary, therefore, to establish some internationally recognized principles to govern such a readjustment of the trading account—and it will be of some value to the developing countries if the implementation of compensatory finance is made under the auspices of an international institution in which primary producing countries have due weight.

Of the subject of foreign aid, the Secretary-General to the Conference has referred to the accumulating difficulties of aid-receiving countries on account of the need to service loans contracted under aid programmes—especially in view of the relatively short periods stipulated for repayment and the high interest charges. These loans are often a source of large profits for business concerns in the aid-giving countries and we hope that they will approach this problem in the spirit of give and take. But one specific solution may be considered. That is to repay such obligations in kind. Instead of leaving the entire onus of raising the required foreign exchange on the aid-receiving countries which have difficulty in expanding their exports of primary produce, the repayment in kind might help, especially if it results in an increased consumption of the produce in question in the often protected markets of the aid-giving country. This would be self-defeating, however, if the barter becomes a substitute for trade conducted through normal commercial channels or at the expense of the existing trade of another primary producing country. This again is a question which needs to be more fully studied in specific contexts.

Finally I would refer to the question of trade amongst developing countries to which a reference has been made in the report only incidentally in the course of the discussion of the General Agreement on Tariffs and Trade (GATT) and the developing countries. We feel that this question deserves far more importance than has been attached to it. It is precisely in other developing countries that we can hope for expanding markets both for our primary produce as well as our new manufactures. There are many historical factors which have militated against the full development of such trade—the Secretary-General has made reference to some such factors. It is therefore necessary to consider ways and means to expand this trade as well as

the trade in manufactures with the developed Western countries, to which the Secretary-General has rightly attached much importance, and the trade with the socialist countries. This is of particular importance to us in Zanzibar as two of our largest customers are developing countries—Indonesia and India. Moreover, we look to the future pattern of our economic development to be determined by closer co-operation and increased trade with our brothers in East Africa. In countries like those of East Africa, where the domestic markets are relatively small because of the low purchasing power of our people, such regional co-operation may be the most fruitful way of stimulating economic development. Our sense of community and the existing arrangements for co-operation in a variety of fields are assets on which we can build a bright future for our people. We must remain free to promote such regional trade and payments arrangements in order to develop our reciprocal trade. If this promotes economic development, it will also, in the long run, promote trade in general. Such regional arrangements will not therefore be inward looking; nor would we wish them to be such.

Apart from specific regional arrangements, there is one general question which needs some consideration. There is an understandable desire on the part of developing countries to conserve their foreign exchange resources in order to finance essential imports. In so far as total imports are restricted by the available

amounts of foreign exchange, such restrictions have the effect of determining only the nature of the goods which are actually imported—the over-all demand from the suppliers of developing countries is not affected greatly. They remain the major suppliers. However, in some particular cases, such controls bear heavily on some developing countries who produce agricultural commodities which are traditionally consumed in other developing countries. They find that their produce is given a very low level of priority in the import bill of their customers. Such import restrictions can therefore bear heavily on the economies of some primary producing countries or in particular sectors of their economy. One example to which I might refer is, of course, that of Zanzibar cloves, which have given so much delight to the people of Indonesia and India and Pakistan. The expansion of such trade would be of great benefit not only to us and a source of delight to the good people who know what a good thing it is to use Zanzibar cloves, but also such exports would help us to expand our mutual trade. This can be of great benefit all around. It is essential therefore for developing countries to distinguish between the kind of restrictions which they impose on the luxury products from the West for which the pressure or internal demand is too great to be allowed to remain unchecked and the imports of primary produce from other developing countries which offer trade to be developed for mutual benefit.

STATEMENT BY Mr. DAVID A. MORSE,  
DIRECTOR-GENERAL OF THE INTERNATIONAL LABOUR OFFICE  
at the nineteenth plenary meeting, held on 6 April 1964

[Original text: English]

The International Labour Organisation (ILO) is vitally concerned with the purpose of this Conference: the improvement of the conditions of the hundreds of millions of people who live today in a state of abject poverty. For the ILO, poverty can never be a mere statistic, because in our councils there sit not only the representatives of Governments but also those of workers and employers from each of our member States. In every aspect of our day-to-day work, the voices of the poor and under-privileged are heard through men who have grown up and are thoroughly familiar with their conditions. The ILO, therefore, interprets economic development in human terms: as the only hope and means by which the majority of people in this world can escape from the physical degradation and human indignity which is summed up by the word "poverty".

By the progressive and painstaking elaboration of the International Labour Code the ILO has attempted, since its foundation in 1919, to construct a floor on the conditions of life and work throughout the world, a shield to protect all men from exploitation. This preoccupation remains with us, but a new perspective has been added. The emphasis has shifted from *protecting* to *promoting*—to promoting the common welfare of all human beings whatever the stage of economic development of the society in which they live.

This objective cannot be secured without effective international and national action, including measures to expand production and consumption, to avoid severe fluctuations in economic activity, to promote the economic and social advancement of the less-developed regions of the world, to assure greater

stability in world prices of primary products and to promote a high and steady volume of international trade. These principles have been solemnly accepted by all member States of the ILO as the cornerstone of ILO action and programmes and as guidelines for their own policies.

In this dynamic concept of social progress, international trade is an essential factor. For wage earners, peasants and other independent workers, it may mean the difference between prosperity and poverty. International trade served as a powerful stimulus to economic growth and development in Europe and North America in the nineteenth century. It can be made to serve the same purpose throughout the under-developed world in the second half of this century. We therefore share the view of the Secretary-General of the United Nations that there is a need for a new approach to international trade in order to cope with the present economic imbalance between developing and industrialized countries.

The two papers that the ILO has submitted to this Conference spell out some of the implications of this general policy. One deals with the position taken by the ILO on matters relating to international trade over the last ten years; the other, prepared at the special request of your Preparatory Committee, deals with the structural employment problems in the industrialized countries that may result from higher imports of manufactured goods from the developing countries. We trust these papers will stimulate discussion and also action.

It is abundantly clear from all we know of the situation, and from what has been said in this hall, that a most pressing need is for the developing countries to expand their export earnings. Somehow or other, these countries must diversify their production; they must escape from their dependence on a small number of basic commodities. Nine-tenths of their exports are at present primary commodities. Means must be found to prevent, or at least moderate, in the future, those oscillations in the primary commodity markets that have in the past so greatly injured the economies of the non-industrialized countries. No sound economic or social planning is possible if the export earnings of developing countries are liable to violent fluctuations. If general agreement could be reached on the best ways of dealing with this problem, this Conference will have a solid achievement to its credit.

But the developing countries not only need to obtain fair and reasonably stable prices for the raw materials they produce; they also want to develop their own industries in order to refine and manufacture these raw materials. Responsible opinion in the industrialized countries recognizes that competition of semi-manufactured and manufactured products from the hitherto under-developed world is an inescapable fact of modern economic life, and that it is the responsibility of the world community to promote this new international division of labour.

Two major groups of problems of special interest to the ILO will be encountered if such a policy of trade development is pursued. In the developing countries there will be problems of preparing and training the labour force for new tasks and utilizing it with the maximum efficiency. In the industrially developed countries there will be problems of adapting the structure of production and the labour force to a changing division of labour on an international scale. In connexion with both groups of problems the ILO has experience which it is prepared to place at the disposal of the countries represented at this Conference.

The first group of problems to which I have referred—those arising in the developing countries—is due to the fact that while manpower is apt to be plentiful in these countries, new skills without which development cannot proceed are often in short supply. Without an intensified effort in the field of training, it will be impossible for the developing countries to meet the increasing needs of economic development. By assisting Governments and industries in determining training needs, in planning to meet these needs, and in imparting to the available manpower the necessary knowledge and skills through the most efficient and least costly methods, the ILO has been making, and will continue to make, a dynamic contribution to the task of economic development. This effort is brought to bear particularly on the vocational training of workers, on the development of entrepreneurship and managerial skills, and on the training of technicians and supervisors at all levels. To cite but one example, our organisation will have helped to train more than 65 per cent of all the vocational instructors called for by India's third Five-Year Plan—5,800 out of 8,500. And I should hope that what the organisation has done for one country it will be able to do for others.

We have not forgotten that in preparing the labour force in developing countries for new tasks, more is needed than mere formal technical training. The great weakness of the developing economies is the absence of an adequate infra-structure of firmly established social institutions. There is a growing recognition that economic growth is only possible to the extent that individuals develop new aptitudes and society devises new forms for organizing human co-operation for production. A vast educational programme is required to reinforce the building of new organizations and procedures needed to ensure the participation of the whole community in the economic development effort: the public services, modern industrial organizations, trade unions, the machinery of industrial relations, welfare and social services, co-operatives, community development and similar organizations. The ILO's activities have been designed not only to help provide the technical skills immediately required in production, but also to help fill the needs in this area by building up a body of trained manpower on which the new institutions could rest; people whose technical knowledge and sense of responsibility will provide a firm basis for the structures which are so

badly needed. This work is an essential aspect of the development process to which the ILO must continue to devote itself, to the limit of its resources, in the coming years.

Above all, perhaps, is the need for a sense of dedication and sacrifice by all. This is the cement of common effort. The advantages accruing to developing countries from the diversification and increase of the volume of trade would to a large extent be squandered if they would serve only to aggravate or perpetuate existing social inequalities. While economic progress in practice implies some inequalities in gains, a general recognition that a first objective of economic development is to relieve the worst conditions of poverty will help to moderate the extremes and to engender that sense of solidarity without which sustained and lasting progress is unthinkable.

I would now like to deal briefly with the problems of adapting the structure of production in the highly industrialized countries so that they can absorb, without hardship, increased imports from the developing countries. These problems should be seen in proper perspective.

I say this because even in the most favourable circumstances and with the most liberal trade policies, the volume of imports of manufactured goods from the developing countries could not for many years absorb more than a modest proportion of the annual increases in demand in the industrialized countries as their national incomes and populations continue to grow. Moreover, the problems that the industrialized countries will face as a result of larger imports of manufactured goods will constitute but one element, and a relatively small one, in the perennial difficulties experienced by these countries in adapting to structural changes that include technological progress, the exhaustion of mineral deposits, the appearance of new substitutes for old products, the development of new economic regions within a country, and the establishment of free trade areas.

Nevertheless, some shift of capital and labour from contracting to expanding industries in industrialized countries will undoubtedly have to take place. Although to some extent this will occur spontaneously and without hardship, there are bound to be instances where the changes will be more artificial and the consequences more severe. There are many ways in which help may be given in these cases and they are fully discussed in the ILO paper which has been put before this Conference. As a general principle, however, I think it can be said that if liberal trade policies are to be adopted in the general interest, this should not be done at the expense of unfortunate individuals who may lose their jobs or their businesses. The cost of any necessary adjustments should be shouldered by the community as a whole, and Governments should be prepared to introduce appropriate measures to help people to train for, to find, and, if necessary, to move to, new jobs.

In a dynamic economy, in which adequate training and other facilities are made available, the new jobs found for displaced workers need not be less productive or pay lower wages than the jobs from which they have been displaced. In fact, they may well be more productive and pay higher wages, for the reduction of trade barriers, while it may cause certain industries to contract in the face of increased competition from foreign imports, will correspondingly enable other industries to expand as foreign markets are opened up. Expanding industries are, almost by definition, short of labour and have to offer attractive wages and conditions to obtain the labour they need. On the other hand, contracting industries from which workers are being dismissed are commonly industries in which wages and working conditions have long lagged behind the national average. Thus, even displaced workers, provided all reasonable steps are taken to promote their rapid rehabilitation into productive employment, may often benefit from the structural changes in employment resulting from an expansion of international trade.

However, suggestions for the reduction of trade barriers often encounter a good deal of resistance from those who fear the effects of international competition based on "unfair labour standards". It is true that low wages are a characteristic of under-developed economies and that this often enables manufacturers in these countries to sell their products at lower prices than their opposite numbers in industrialized countries. But it is also true that in under-developed economies export industries tend to pay wages which are at least equal to or above the national average. In these circumstances it is difficult to regard competition as unfair if it comes from producers whose workers are often advantageously remunerated by the standards existing in their country. Moreover, experience has shown that producers in high wage countries have many compensating advantages which enable them to meet competition from low wage countries over a wide range of products.

These are but some of the questions that we feel deserve serious examination in this Conference. You have the responsibility of trying to create in three months a climate of agreement within which policies to strengthen the economy of the whole world can be evolved in the years to come. Although this is a Conference of government representatives, its decisions will affect in a very special degree the interests of employers and workers, and may require the co-operation of both groups for their full implementation. Because of its tripartite structure, the ILO will be in a unique position to help employers and workers understand the meaning of the decisions reached and to enlist their support for decisions that are constructive and just. These are not matters which can be determined by outvoting each other. They are matters which call for common understanding and common action now and over long periods of years. Genuine results can be secured only if there is a genuine reconciliation



of divergent but not necessarily conflicting interests. We look to you to evolve a policy which will help to bridge the gap between rich and poor—as between nations and also within nations; to give a lead sufficiently vigorous to capture the imagination and enlist the growing vigour of the victims of frustration and despair; to achieve this result in a manner which will

command the full support of the workers and employers in developed countries who will be called upon to play their part in working out by agreement necessary and far-reaching adjustments. In this task, undertaken in this spirit, you can be confident of the full support, co-operation and comprehension of the International Labour Organisation.

**STATEMENT BY Mr. B. R. SEN,  
DIRECTOR-GENERAL OF THE FOOD AND AGRICULTURE ORGANIZATION  
at the seventh plenary meeting, held on 26 March 1964**

[Original text: English]

I am grateful to have the opportunity at this early stage of the Conference to address you on some aspects of trade and development from the viewpoint of the Food and Agriculture Organization which is deeply concerned with the problems before you.

Though the resolution of the General Assembly and the agenda adopted for the Conference refer specifically to trade and its contribution to development, you will no doubt agree that the Conference will be fruitful only if the total problem of economic and social development of the developing countries is kept in the forefront and the trade problems are viewed as part, though a most important part, of that total problem.

Theoretically, it is true that the countries now subject to hunger, poverty and economic stagnation have the possibility of providing the means for their own salvation, by mobilizing their own resources and using them more efficiently. But without outside aid, this would require discipline and sacrifices which would be almost intolerable. With the kind and level of aid received during the past decade, the increase in income of the developing countries has not averaged more than one United States dollar per person per year. Progress must be faster if the world as a whole is to avoid disaster.

Outside help falls into two broad categories: trade and aid. I would like to go into certain aspects of trade and aid which I consider important. It is argued that since the absorptive capacity of developed countries for agricultural imports cannot be expected to keep pace with the growing needs of the developing countries, the latter must somehow increase the exports of their industrial products to sustain their economic growth. Examples are cited of some of the developed countries—that in England in 1830 the industrial exports were already 70 per cent of the total, in Germany this level was reached in 1870, in France in 1900, in Japan in 1920.

Since the argument is basically sound, since industrialization is indeed the key to the future of the developing countries, I will not ask you to go into the question as to what part possession of colonies providing cheap food and other agricultural products have played in the industrial history of these countries. But how is the process of industrial growth for the developing countries of today to be got underway? I may say here that because of the rapid growth of population and the age composition, it appears inevitable that the absolute size of the labour force on land will continue to increase in most under-developed countries over the next few decades. This point was brought out strikingly by Professor Myrdal last week in a lecture delivered in Rome before the Italian Association for International Organizations on "Priorities in the Development Efforts of Under-developed Countries". Professor Myrdal concluded that, and I quote, "it is a dangerous illusion to believe that there can be any significant economic development in under-developed countries without radically raising the productivity of agricultural labour". Because of its relevance, I have taken the liberty of asking that Professor Myrdal's statement be made available to delegates when my statement is distributed.

The role of agriculture in most developing countries is indeed crucial. It is crucial from two points of view. First, half the world population at present suffer from under-nutrition and malnutrition, of which the people living on the land form the largest majority. If special efforts are not made to increase agricultural productivity, if agricultural production merely keeps pace with the population growth as now, by simple arithmetical calculation we can see that by the end of this century the numbers of the undernourished and malnourished will be doubled. FAO's Freedom from Hunger Campaign, which is gaining world-wide support, is specially directed to create a climate of public opinion in which planned actions to deal with hunger and malnutrition

and its growing proportions can be effectively undertaken. Secondly, the development of agriculture is clearly basic to the whole process of economic development. Industrialization in most countries must begin with the processing of agricultural commodities both for export earnings and for replacement of imports. Furthermore, most of the essential capital goods such as machinery and other industrial equipment must be imported. With an acceleration of economic growth, investment requirements will rise and so will requirements of foreign exchange. However optimistic the prospects of aid, it is clear that it will provide only a fraction of foreign exchange requirements. Similarly, whatever the efforts and measures taken for an expansion of exports of manufactures from the developing countries, only a few of these countries will be in a position in the near future to meet an important fraction of their foreign exchange requirements from this source. There will therefore be need for a major increase in earnings from agricultural exports and to this we must primarily direct our efforts. I would like to pay a tribute here to the imaginative leadership which the new President of the International Bank, Mr. George Woods, has brought in expanding the scope of the Bank's operations. We heard him yesterday explain how, in co-operation with my Organization, he proposes to assist comprehensive agricultural schemes to increase productivity on individual landholdings and for agricultural development on a broad scale to support economic growth.

While the role of agriculture is so crucial, owing to the decline in agricultural prices and the rising cost of manufactures, the increase in the capacity to import on the part of the developing countries has been far from encouraging. The period since the war has also been marked by drastic short-term fluctuations of prices. Because of lack of diversification of crops, such fluctuations are specially serious for the developing countries, many of which are dependent on exports of a very limited range of commodities. Unlike developed countries, developing countries are not in a position to stabilize prices internally on their own through appropriate price support policies. Fluctuations in foreign exchange earnings thus seriously impede implementation of their development plans, while uncertainty about export earnings in the longer term prevents them from embarking on adequate development policies.

It is evident that agricultural exports are failing to provide an adequate support for economic advance of the developing countries, and yet the need for such support is becoming increasingly urgent. Radical action is needed towards the orientation of international policies so as to make of international trade a factor of growth and prosperity rather than of risk and uncertainty. Experience clearly shows that none of the individual proposals so far considered or applied is sufficient on its own to provide any permanent solution to the problems of agricultural trade. Nor can measures affecting trade be applied without regard to their impact on over-all economic development, which

means that efforts in all sectors must be harmonized. Furthermore, trade and aid must be so co-ordinated as to complement each other in supporting the developmental efforts of the developing countries. A concerted attack on trade problems must embrace action at national, regional and international levels. At the national level trade policies must be an integral part of over-all policies. At the regional level developing countries can reinforce each other's positions in world markets by a harmonization of their development programmes through regular confrontations. At the international level, a series of co-ordinated measures will need to be taken and it is to these that the United Nations Conference will mainly address itself.

It is indeed tragic that, at a time when their economies are under such strain through the requirements of development, many of the developing countries should be faced by artificial barriers to their major exports. Some of these barriers are protectionist, others are fiscal. The industrialized countries are better able to afford liberal policies than the developing countries and they must face the fact that the removal of the barriers would entail some sacrifices and readjustments, at least in the short run. As was emphasized by the FAO Conference of last November, this Conference should also recognize that competition in international markets between exports from developing and developed countries cannot any longer be left entirely to the regulation of free market forces. Supplies from industrialized countries are frequently exported with the aid of subsidies and other government assistance which the developing countries cannot afford. In a prospering world, it should, however, be possible to find ways of increasing imports into developed countries without jeopardizing the economic objectives of their present farm policies, although clearly these policies will need to be adapted to the requirements of a more progressive international outlook. Indeed some readjustments in the farm policies of the developed countries are desirable for purposes of their own economic growth.

There is also a considerable potential for exports from developing countries to countries with centrally-planned economies. These countries have so far been somewhat restrictive in their imports of consumer goods; partly owing to a shortage of foreign exchange and partly as a reflection of their own internal policies; some recent developments, however, suggest that these policies may be modified.

Greater allocations for imports in these economies would have a significant impact on the exports of the developing countries.

However, commercial policy measures along these lines will not be sufficient to solve the trade problems of the developing countries, nor can they bring about the fundamental change in policies and marketing structures which are called for by present conditions. Among other approaches, the possibilities for commodities which lend themselves to the commodity agreement approach must, as is now generally recog-

nized, be fully explored. But the scope of international commodity agreements must be wider than the mere stabilization of prices around a long-term trend. They must include commitments on matters of co-ordination of national policies, including policies influencing production, domestic price levels and related commercial policies. Unless such commitments are made, the agreements will remain ineffective as was emphasized by our Member Governments in the last FAO Conference. It is in this respect that commodity agreements can play an important role as part of a system in which patterns of production and trade can be adjusted to the requirements of world demands over relatively long periods.

There are, I recognize, many technical and economic difficulties in reaching satisfactory agreements. These difficulties can be overcome if there is the political will to act. There should be the firm intention not merely to work out an acceptable compromise on prices and quantities traded but to forge the necessary tools for economic expansion. In the short term, low prices may seem to be a gain for the importing countries, but importing countries are at last beginning to realize that low prices will limit the demand of the developing countries for imports and this, on the one hand, must mean a trading loss for the industrialized countries and, on the other, a barrier to the development of the developing countries.

I will not go into the various procedures which are now under discussion to afford relief to countries suffering from short-term fluctuations of prices. This Conference will re-examine the possibilities of automatic systems of compensation and systems involving net transfers of funds to developing countries. It is to be hoped that further discussion would produce suggestions for measures whereby long-term adverse movements in export earnings can be compensated.

More recently, proposals have been made for systems of levies on imports of agricultural commodities into industrialized countries for the purpose of building up development funds. Part of the proceeds of such levies could be allocated directly to the country exporting a given commodity, while the rest could be allocated by the funds as general capital aid. Since such payments would not form part of the price received by producers in the developing countries, they would not act as incentives to over-production. It must be noted, however, that they may be applicable only to the exports from developing countries for which demand in the industrialized countries is fairly inelastic.

I should now like to say a few words about aid. What is aid? The eminent group of economists who advised me on my report to the ECOSOC on the use of food surpluses for economic and social development defined economic aid as that part of capital inflow which normal market incentives do not provide. They included within the definition of aid (a) long-term (20 years or more) loans repayable in foreign currency, (b) grants and "soft" loans including loans repayable in

local currency, (c) grants or sales of surplus products for local currencies, and (d) technical and pre-investment assistance generally. They excluded short or medium term loans or private foreign investment. The latter, of course, form by far the greater part of foreign capital inflow as it has happened in the case of many countries which are most developed today. In the past foreign investment has often been too closely identified with the foreign policy of the investor's country. The developing countries now are fully alerted on this aspect of foreign investment and can be expected to be able to protect their essential interests. In this they can well look to the United Nations organizations for advice and guidance when they find it necessary. It is my view that the task of this Conference will not be complete if some attention is not given to measures to increase foreign investment under proper safeguards to assist national effort in accelerating the rate of economic growth. The developed countries might in this context consider the establishment of an insurance fund to protect private capital without the intervention of foreign policy considerations to the extent possible, while developing countries could see what measures could be taken to create a favourable climate to attract capital of this type. But here I do not propose to go into this question further. I will deal with Aid as distinct from private investment. It is, I believe, clear that international aid must play an increasing role in the whole field of economic and social development. Though its scale has increased and its allocation improved in recent years, the amount of such aid is still small, both in relation to the needs of the poor countries and in relation to the incomes of the developed countries. According to the Secretary-General's report, in 1962 the funds supplied by the developed countries amounted to only 0.7 per cent of their income. This is significantly less than one per cent recommended by the General Assembly. For some developed countries, not even one-tenth of this total was reached. These figures do not include aid provided through multilateral organizations which has always been a small fraction of the total aid. On the general principles of aid, which are often given insufficient attention, I would again, with your permission, quote my Expert Group: "A positive incentive for increased national effort will be present only if it is believed that all requests which meet functional criteria of productivity will be granted... Knowledge that capital will be available over a decade or more up to the limits of the capacity to absorb it, will act in many cases as an incentive to greater effort on the part of the underdeveloped countries." The kind of national development plan which specially calls for international support needs to be stressed here. Such a national development plan must be conceived as a charter of policy which outlines not only what the people may expect in time, but also the duties and the sacrifices which they have to undertake in order to achieve their objectives. It should give not only a clear picture of the economy and the possible targets, but it should

describe also the institutions and policies designed to ensure that the plan is implemented and the targets reached. Moreover, it should be based on a careful study of the relationships between broad objectives, policies, sectors, individual projects and measures. The more closely the whole pattern is co-ordinated, the wider will be the limits to which demand might be safely permitted to expand, and consequently the larger the amount of aid that could be utilized.

If the object of aid is to provide incentive to national effort, the importance of the work of the United Nations family needs to be specially emphasized. Through the United Nations organizations the member nations assist developing countries to apply scientific techniques to draw up national plans. Through the Special Fund they help them to undertake resource surveys, pre-investment studies and major educational projects, which lay the foundation for economic growth. Through the Expanded Programme of Technical Assistance they provide technical assistance at key points to implement projects directly linked with their development plans. Through the International Bank and especially the International Development Association (IDA) they provide loans on easy terms which are indispensable in the whole effort to assist progress. Through the World Food Programme we are now using, on an experimental basis, surplus food as a direct means of assisting social and economic development.

Are the United Nations organizations getting the measure of support they need in dealing with the growing demands of the developing member countries? The question is often asked why the United Nations Development Decade still continues to be earthbound. Would it be incorrect to say that ever since the adoption of the Development Decade Resolution, there has been a growing reluctance on the part of many of the developed countries to agree to larger contributions to the United Nations family? So far as the specialized agencies are concerned, the budgetary increases asked for are generally not beyond those established in the Forward Appraisal made at the instance of ECOSOC four years ago. This policy, paradoxically, is taking shape at a time when the developing countries are insistently seeking—and demanding in our Conferences—a more rapid expansion of the programmes. Furthermore, this reluctance to support the Development Decade with commensurate additional funds also finds expression in the bilateral programmes of some countries. If the argument is that only a few countries are at present carrying the load of bilateral assistance and that the time has come for the load to be shared more equitably, is that not one more reason why multilateral assistance through the United Nations system should be significantly increased? We are of course aware that the idea of a Donors Club is favoured as the best means of equitable sharing. The two channels are, however, not incompatible, specially if large-scale capital assistance, such as through consortia, is regarded as the main field of work of the Donors Club. In the past, two proposals

of far-reaching importance have been extensively debated—the creation of SUNFED to assist underdeveloped countries with investment capital on easy terms—and the setting up of a World Food Board to use food surpluses for the benefit of food deficient peoples. For each of these ideas a tentative beginning has since been made through the establishment of the United Nations Special Fund and the UN/FAO World Food Programme respectively. Has not the time come to re-examine these ideas afresh to see if they could not be more fully implemented as a part of the present world co-operative effort to accelerate growth in the developing countries?

Before I conclude I should like to refer to institutional arrangements, methods and machinery which will have to be considered by this Conference. Clearly this Conference will be successful only to the extent that it creates an international atmosphere conducive to action on the substantive issues confronting developing countries. I think, however, it will not be wrong to say that the lack of progress so far cannot be attributed to a lack of adequate machinery. The basic machinery already exists, which can of course be strengthened and improved. As far as one can now see, the general discussions initiated at the Conference will have to be followed up or implemented by negotiations at specific levels as appropriate in each case to the particular problems involved. In these discussions and negotiations the active co-operation of all agencies concerned with trade and development in the United Nations family must be ensured. As has been said by several speakers, it is the political will to act rather than any new machinery that is required to meet the situation.

There is often a tendency among those who are responsible for trade policies to look upon trade problems as something apart. This attitude is certainly incompatible with trade problems in agricultural products which, as we have seen, are intimately related to problems of agricultural production and economic development of developing countries. In many cases adequate policies to deal with trade problems are dependent upon the adoption of satisfactory policies for production and consumption. For these reasons, specific responsibilities have been placed on my organization to study agricultural commodity problems and their impact on the agricultural and general development of developing countries. FAO's studies, consultations and action in this field form an essential part of international effort to contribute towards a balanced expansion of the world economy. FAO is also charged with the responsibility to promote national and international action for the improvement of the processing, marketing and distribution of food and agricultural products (including also fishery and forestry products). The important task of developing recommendations for the adoption of international policies with respect to agricultural commodity arrangements, of which the most recent example is for cocoa and on which discussions will doubtless shortly

be resumed, is also a specific FAO responsibility. Another task for FAO is to maintain a continuing review of, and promote action in the fields of international commodity stabilization policies, techniques and arrangements, including all measures, national or international, which may contribute to the sound development of world price and trade. This FAO is doing through its Committee on Commodity Problems (CCP). This Committee has been particularly successful in promoting inter-governmental consultations on problems of individual commodities, through the establishment of commodity study groups, and in developing agreed policies and procedures for the disposal and utilization of agricultural surpluses. The FAO secretariat, moreover, is the only international secretariat specializing in international agricultural problems, commodity by commodity. The service of this secretariat is utilized also by other agencies interested in commodity problems both within and outside the United Nations family. FAO is thus well placed to face these tasks with a more dynamic approach to world trade and development problems. I was glad to see the delegate from Lebanon in his statement the day before yesterday expressing his awareness of the important role of FAO in this respect. I would like to assure the delegates here present that FAO stands ready to strengthen its own machinery so as to make the maximum contribution for which it is qualified by its special knowledge and experience.

The problems to which I have referred are indeed difficult and complex. There exists no single solution that could satisfy the many conflicting interests. And yet, one basic fact stands out clearly: unless the high-income industrialized nations of the northern hemisphere agree to open their markets at remunerative prices to the products from the developing countries, the hopes which this Conference has aroused will be betrayed. It is a matter of great satisfaction that already in some of the addresses we have heard at this Conference, the determination of the developed

countries to explore this question fully has been indicated. The background of this Conference, it is to be remembered, is not simply one of economics, but of basic human welfare. It is in fact the plight of more than one-half of the world population, who are either under-nourished or malnourished, most of whom live in the under-developed regions of Asia, Africa and Latin America. The social goals of equality of opportunity, fuller employment and something better than a minimum of subsistence for nearly two-thirds of the world population provide the motif of this Conference.

The suggestion has been made that this Conference might be repeated till nations are ready to take more concrete decisions. This is a wise suggestion because what we are now seeking is in effect a revision of the so-called economic laws which have held sway for over two centuries, on which the Western World has built its present affluence. However, Conferences such as this can yield results only if at the same time attempts are made for closer understanding between individuals and groups, through more informal and intimate exchanges of views. It is to be hoped that arrangements for such informal discussions could be made both during and after this Conference.

This Conference has been truly described as historic in importance. Immediately following the last two World Wars we witnessed several great ideas put forward to lay the foundations of a lasting world peace. Some of these ideas failed to germinate then because they proved to be in advance of world public opinion. Today the achievement of political independence by many countries, the awakening of the vast masses from a fatalistic attitude to poverty, the explosive population growth intensifying all problems, and at the same time a clearer perception by the developed industrialized countries that their own progress and security depend on a more comprehensive approach to world economic development, provides an atmosphere for action as never before. We cannot afford not to act.

**STATEMENT BY Mr. GEORGE D. WOODS,  
PRESIDENT OF THE INTERNATIONAL BANK  
FOR RECONSTRUCTION AND DEVELOPMENT  
at the fifth plenary meeting, held on 25 March 1964**

[Original text: English]

The World Bank welcomes the opportunity to participate in the deliberations of this United Nations Conference on Trade and Development—and we intend to participate actively and affirmatively. For world trade

is not a subject of remote interest to the Bank; it is a matter of direct and immediate concern. This fact was referred to by the Secretary-General yesterday during his thought-provoking remarks. Indeed, our Charter

explicitly recognizes the intimate connexion between international investment and international trade. And as the agenda of this Conference clearly demonstrates, both investment and trade are basic to economic development, which is the essential preoccupation of the Bank.

I suggest that in approaching its agenda, the aim of this Conference must not be merely to stimulate debate, to exchange views and to formulate issues. It must be nothing less than to make a real start in evolving international trade and development policies which are more adequate than those presently prevailing for stimulating economic growth throughout the developing world.

Fortunately, the Conference is meeting at a propitious moment. World trade is growing as fast today as at any time in the present century. The long decline in commodity prices has now been arrested and, in some degree, reversed. Nearly twenty years of development effort have brought many countries to a better position to undertake the decisive changes of production they must achieve for a better standard of living. And, not least important, there is in prospect a sustained rise in the prosperity of the industrial countries. The consequences of good that can flow from that are enormous—a greatly increased demand for imports generally, including a continuation of the more buoyant demand for primary commodities; an increased ability on the part of the industrial countries to accommodate imports from the developing countries without causing severe hardship to their own producers; and, perhaps most significant of all, an enhanced capacity to provide development assistance.

The scope for action on many fronts is greatly increased by the present state of the world economy. We can advance on our problems in a mood, not of caution and misgivings, but of confidence and high expectancy.

Not all of the questions which this Conference will consider lie within the reach of the Bank and its affiliated organizations; but we are prepared to consider a wide range of actions in an effort to assist in reaching co-operative solutions to these questions. We are ready, for instance, to join actively in the search for answers to the vexing questions of how to stabilize income from commodity exports. We want to assist in enhancing both the quantity and the quality of assistance to the developing countries, and in seeking ways of making the burden of international indebtedness more manageable. We want above all to increase our own contribution to the efforts of the developing countries themselves to diversify and strengthen their economies, for it is here that we think the most fundamental solutions lie.

The trade issues facing this Conference are many and complex. They are not going to be solved by any simple formula or master stroke. One guiding idea, however, can make our task easier; that what we can accomplish in the middle and long run will be worth more than it will cost us in the short run. In the short

run, measures to change the existing patterns of trade in order to increase the export markets for the developing countries are likely to be painful. In the long run, however—and it need not in fact be such a very long run—such an expansion of trade necessarily brings advantages to both industrial and developing nations. It also requires action by both industrial and developing nations.

So far as the industrial countries are concerned, the required action is of many different kinds. These nations will have to move toward elimination of those elements of restriction that now exist on the importation of primary products. They will have to become considerably more receptive to imports of manufactured goods from the developing countries. And they will have to encourage regional groupings of the developing countries designed to stimulate trade in manufactured goods among themselves. Above all, the industrial countries must not let their own regional groupings freeze into closed systems, locking out exports in which particular developing countries can excel. For only if larger markets are available will the less-developed nations be able to go beyond mere import substitution to develop really efficient industries based on economies of scale.

The industrial countries must, in addition, move to help liberate the under-developed countries from a difficulty well known to many participants in this Conference. Some thirty countries, accounting for nearly half the trade of the developing world, are dependent on a single commodity for more than half their export earnings; and many other countries are dependent on only two or three. Despite the over-all increase in world trade, the demand for primary commodities has grown only slowly, and prices have faltered. The value of the exports of the under-developed nations as a group has increased since the war at a rate only of some three to four per cent a year. This is less than the growth in the volume of such exports and, more significantly, less than enough to support the level of developmental imports needed for a satisfactory growth of income. To use but one striking example, the Latin American countries increased the volume of their exports of primary commodities by 25 per cent during the period from 1956 through 1962, but they actually earned less foreign exchange in the last year of the period than in the first.

The need to help the developing countries escape from their over-dependence on the export of primary goods appears to me incontrovertible. In the long run, as I have said, the only real solution is for these countries to produce economically for the home market more of the goods which they now import and to diversify their export production. This means both increased industrialization and increased productivity within the agricultural sector. These processes take time, however, and prompt consideration needs to be given to measures for moderating the adverse effects upon the orderly development of these countries which result from the wide swings in their export earnings.



This Conference will be discussing over the weeks ahead whether the answer, or part of the answer, is to seek greater price stability through commodity agreements, or to try to mitigate the effects of price fluctuations through some new form of compensatory financing, or to try some new approach altogether. The important thing for present purposes is the increasing awareness on the part of industrial nations that the problem is serious and that practicable solutions must be sought.

As I have already indicated, it seems likely that the World Bank's role will be primarily to help in the long run process of diversification and modernization, rather than to finance mitigating measures. But we are quite prepared to join in exploring the issues involved; indeed, we are already deeply committed to studies of the coffee problem and of the market for extra-long staple cotton. And I feel confident that such explorations will enable the Bank and the International Development Association (IDA) to formulate, within our means and within the authorization of our charters, increasingly effective measures to assist countries afflicted with difficult commodity problems.

Let me turn now from the shorter-term trade issues to the longer-run and more fundamental problem of bringing about in the developing world more diversified and more efficient production. On this front, where we in the Bank can claim some expertise, I am convinced that there are promising opportunities for advance. During the 1950s, the developing countries as a whole achieved an average annual rate of growth of nearly 4.5 per cent, despite the slackening of the rate in the later years of the period and in the face of a rate of population growth that in many cases represented a heavy burden on already limited resources. Over this decade of accomplishment, there was an impressive accumulation of new assets in the form of basic supports to a productive economy—roads and railroads, ports and power stations—and a growing experience and wisdom in dealing with development. Many countries—although, unfortunately, by no means all—are now in a position to go forward into new kinds of production and into better balanced patterns of trade. Development assistance to them ought to be increased. Merely to hold that assistance level, or even, as at times appears to be a possibility, to let it decline, would be to waste foolishly all the hard-won gains of the post-war era.

Now also is the time to improve the quality of development assistance. This means, in particular, supporting these programmes and projects which promise the greatest economic return to the developing countries and avoiding those which serve primarily the short-range political or commercial ends of the industrial nations. The quality of aid has recently benefited by the co-ordination efforts of the Development Assistance Committee of the OECD and the growing sophistication of the developing countries themselves. Consultative groups organized by the Bank for several countries are also helping, and we expect to expand this activity as we find appropriate opportunity

to do so. But more progress needs to be made, and in particular there must be more concentration of effort upon those countries which show that they are able to utilize aid effectively.

Moreover, the terms of aid must continue to be improved, for the problem of debt service continues to be pressing. In the seven-year period, 1955 to 1962, the public indebtedness of the developing world appears to have increased two-and-a-half times. Over the same period, debt service payments rose by almost four times, due largely to the high proportion of the debt represented by short and medium-term suppliers' credits. It is a striking fact, I believe, that the average life of the aggregate public debt outstanding at the end of 1962 was only about eight years. Because of the seriousness of the debt burden, some Governments have moved to lighten the terms of their assistance, by foregoing interest for an initial period of years or otherwise reducing the amount of the interest burden, or by extending the length of their loans. Other Governments, unfortunately, appear to be offering development assistance on harder rather than easier terms, a tendency which, in my view, can only be self-defeating in the end.

A few countries are now caught in an acute cash squeeze which may require special action by their creditors. Others may find themselves in the same position unless both they and their creditors use greater discretion in connexion with offering and accepting future short-term credits. This possibility was touched on by Mr. Prebisch yesterday. This kind of difficulty cannot be removed simply by a debt reorganization unless that reorganization is accompanied by appropriate and effective agreements:

On the part of the debtor country, to take all measures within its capacity to bring its balance of payments under control and to meet its obligations as they fall due;

On the part of the creditors, to provide the debtor with capital on long term to meet legitimate development needs; and,

On the part of both debtor and creditors, to avoid, in the future, the kind of short-term credit transactions which caused the trouble in the first place.

Let me add that, where all parties concerned are willing to agree to appropriate disciplines in connexion with a debt adjustment, they will find the Bank ready to consider adapting its own financing to the necessities of the situation and to assist, when requested to do so, in working out the required new financial régime.

I have spoken up to now primarily of steps which the industrial nations can take to help those less developed. Much—indeed most—of what needs to be done, however, must be done by the developing countries themselves. The industrial countries can provide a favourable trade environment for building up production within the developing nations, and they can help in that process by supplying skills, equipment and finance. But the development process itself is essentially



a matter of domestic effort, for which no amount of external help can be a substitute.

First and foremost, what is required of the developing countries is a set of policies and conditions conducive to productive investment. I have in mind not only such basic elements as political and financial stability; I have in mind equally the provision of incentives to productive investment through appropriate changes in land tenure systems and through the enactment and enforcement of proper tax regimes. I have in mind, too, the building of educational systems adapted to development needs. And I have in mind the formulation of public investment programmes designed, not to advance the immediate political interests of the particular Government in power or the business interests of particular economic groups or localities, but to make the maximum contribution to the long-term balanced economic growth of the entire country.

The determined and single-minded pursuit of such a set of policies could well arouse a spirit of confidence in the developing countries, with effects that would be dramatic. Not the least of these effects might be to recapture or unearth those large amounts of domestic capital which have fled many less-developed countries for investment elsewhere, or which have simply disappeared into hoards for safekeeping. To bring this blood coursing back into the veins of the developing nations' economies would be an achievement of major importance. It would also help bring about another consequence of great moment, by attracting more foreign investment. Foreign investment in the developing countries is not merely desirable, it is indispensable. It not only adds to capital inflow and facilitates the introduction of new productive techniques; it is also likely to bring in international partners whose knowledge of trade channels can provide the leading edge for the entry of home industry into world markets.

One other significant opportunity lies at the doorstep of the developing world. As the Secretary-Generals' report points out—and as Mr. Ball has just said—two-thirds of the developing countries have populations of less than five million, less, that is, than the population of any one of many of the world's leading cities—of London, for instance, or Los Angeles, Moscow, New York, Paris or Tokyo. For these countries, the hope for satisfactory development lies largely in regional arrangements to eliminate trade barriers, enlarge markets and rationalize production among themselves. We in the Bank have long encouraged regional groupings of this kind and will not only welcome but seek out similar opportunities in the future, since for many countries this is clearly the path to healthy growth.

Any country or group of countries prepared to adopt economic development as a central objective of its policy will find the Bank, together with its affiliates, a willing and, I hope, powerful ally. Our own development role has been constantly expanding and our operations have, over the years, proceeded at an ever-faster tempo. Loans and investments made by the Bank group of institutions in support of projects to

increase production in the less-developed countries now aggregate more than \$5,500 million. In the 1963 calendar year, the level of our financing reached the equivalent of \$1000 million and for the current fiscal year ending 30 June it may be above that figure, to stand at the highest level in our history.

Of this record and of the momentum it reflects we can justly be proud. We *are* proud, but we are not satisfied. The decade of the 1960s confronts the Bank with problems different from those it faced in the 1950s; the approaches and solutions which have served the Bank well in the past as it sought to meet the needs of its members are no longer fully adequate or completely appropriate. Among other things, we had only fifty-six members ten years ago; now we have 102, and twenty of these became members in the last year. Many of our most recent members are new not only to the Bank but to the international community. Inexperienced in development administration, they need different kinds of assistance, both financial and technical, from those appropriate for countries which have been longer on their own. If the Bank is to go on being a dynamic agent of economic progress, it must adapt itself to the changing development environment and respond to the changing needs of its membership. The Bank, no less than its members, must continue to grow.

And so, we have embarked on a programme of critical self-analysis, to consider wherein and to what extent our policies and internal organization need to be modified and the direction or emphasis of our activities changed.

The first consequence of this re-examination has been a decision to expand the scope of our financing. Up to now, the Bank has been concerned chiefly with large-scale projects to develop better transportation and new sources of energy. We do not propose to abandon these fields, and indeed, they no doubt will continue to absorb the major portion of our funds.

Building infrastructure, however, is not an end in itself. We have concluded that we should now greatly increase our assistance to agricultural and industrial production which infrastructure is intended to support and promote.

We have in mind, for example, assisting comprehensive agricultural schemes to increase productivity on individual land holdings, and hope especially to help strengthen organizations which extend credit or technical help to farmers. And because the investment requirements of agricultural projects call primarily for local currency expenditures, I am recommending to the Executive Directors that the Bank evidence greater willingness to help finance such expenditures. Moreover, I am pleased to say, we have enlisted the co-operation of the Food and Agriculture Organization of the United Nations (FAO) in our plan to intensify our support of agricultural development on this broader scale.

We are also seeking ways to vary and broaden the nature of our assistance to industry. One approach will be to provide long-term financing for programmes

to import individual pieces of equipment, components and spare parts in cases where existing industrial capacity is not fully used because there is a lack of foreign exchange with which to buy such equipment from abroad. Other approaches, designed particularly to enable us to be of greater help to private industrial enterprises, are being explored. Above all, we intend to continue to press forward with our support of private industrial development companies. Seventeen such institutions, in Asia, Africa and Latin America, have already been set up or strengthened by the Bank group under the leadership of the International Finance Corporation (IFC). This growing network of organizations, equipped to tap both international and domestic capital and to provide managerial and technical assistance for growing industries, is giving a new impetus to the economic development of many of our member countries.

The success of our efforts in the fields of agriculture and industry depends in large part, however, on how effectively the initiative, intelligence and skills of the people—the human resources—of the borrowing countries are mobilized for productive purposes. Efforts to enable human beings to realize their fullest potential must be of many different kinds, but somewhere near the root of the process must be education and training. IDA entered this field some time ago and the Bank expects shortly to make its first loan for education purposes. In our efforts to do more to help create the facilities for the spread of education we shall have the co-operation of the United Nations Educational, Scientific and Cultural Organization (UNESCO), with which we plan jointly to explore and support new projects. We hope that one important consequence of our decision to enter the field of education financing will be to encourage others to intensify their efforts in this sector.

So much for an indication of the ways in which the Bank is determined to expand the horizons of its lending. A second result of our re-examination of our policies has been the adoption of some greater flexibility in the terms of our financing. We have already, in one significant case, given a borrowing country the unusually long grace period of eight years before requiring the first amortization payments on our loan, in order to take account of the borrower's difficult short-term financial situation. We have also begun to lend at a somewhat longer term than was our practice in the past, where this is justified by the prospective life of the project and is desirable in the light of the country's economic position. And we are examining the whole problem of local expenditure financing which I have already mentioned in connexion with agricultural projects.

A third decision which has emerged from the review of our activities is that our technical assistance and training activities must be greatly enlarged. As most of you know, the Bank decided long ago that the effective discharge of its development responsibilities required it to supplement its lending operations with

many types of technical assistance. We have been particularly concerned, up to now, with development planning. We have helped twenty-five countries to draw up programmes of economic development; we maintain an Economic Development Institute as a senior staff college whose purpose is to improve both the formulation and execution of development programmes; and we have established a Development Advisory Service whose members are now functioning as programme advisers to eleven Governments in the less-developed world.

Without in any way reducing these efforts, we propose now to put greatly increased emphasis on assisting our members to identify and prepare projects. We have come to this decision because the flow of sound, economically viable projects coming forward from many developing countries today is not enough to enable these countries to realize the growth rate which it is within their capacity to attain. It is not that good investment opportunities are lacking; what is lacking is initiative and proper organization to enable those opportunities to be realized.

Assistance in project preparation is not a new departure for us. The Bank, and IFC as well, seldom finance a project without having made suggestions which will add to its practicability and increase its economic and financial return. In recent months, however, we have given increased attention to the project problem. We have added specialized courses in project evaluation to the curriculum of our Economic Development Institute. We have undertaken more and more pre-investment studies of possible projects and sector programmes, both as Executing Agency for the United Nations Special Fund and on our own. For the future, we are giving serious consideration to increasing the number of our field representatives responsible for providing assistance in project planning on the spot. And the partnership arrangement with FAO and UNESCO which I have mentioned are designed, among other things, to expand the number and improve the quality of agricultural and education projects available for financing. But we are fully aware that these efforts, in relation to the need, are modest and we are anxious to explore suggestions for helping still further to accelerate the flow of good investment projects. For such a flow is a *sine qua non* for economic progress.

There is, of course, another *sine qua non*—adequate resources with which to finance those projects. And that brings me to my last point: However much success we may have in reorienting Bank policies and in expanding the scope of Bank lending and technical assistance activities to meet the development needs of the 1960s, the effectiveness of our efforts will, as a practical matter, be circumscribed by the adequacy of the funds available to us.

Certainly the minimum acceptable target for Bank/IDA activity over the next decade should be to make as large a net contribution to the needs of the developing countries as these institutions have made in the

past; our aim must in fact be much higher if the goal of satisfactory economic progress is to be achieved. Since the Bank is entering upon a period in which it will be receiving very sizeable repayments of the principal of loans made in earlier years, even the minimum goal will call for a correspondingly large increase in the gross level of financing by the Bank and IDA in the years ahead. The Bank, with access to private capital markets, should be able to find resources adequate to the demands of the proposed new dimensions of its lending. But a greatly increased proportion of development assistance must in future be made available on terms which impose a minimal burden of debt service upon the recipient countries. In so far as multilateral development assistance is concerned, this calls for a greater role to be played by IDA. And IDA can play that greater role only if its own resources are considerably augmented.

The terms on which IDA makes its credits available preclude the possibility of raising funds through borrowing in the private market, as the Bank does. IDA must instead look to Governments for its resources. The relative speed with which IDA's initial funds have been committed or earmarked for sound high priority development projects, and the volume of applications for additional credits now under consideration or clearly visible in the offing, are evidence of the importance of adding substantially to the resources at IDA's disposition. Fortunately, the financial situation of the Bank itself is now such that it is in a position to make a contribution to this end. Because of the level which the Bank's reserves have reached, it no longer seems necessary to add to those reserves each year, as in the past, the full amount of the Bank's net earnings. It is accordingly my intention to recommend to the Bank's Executive Directors at the end of the current fiscal year that

the Bank transfer to IDA a portion of the Bank's net earnings for the year which might prudently have been distributed as a dividend. This policy, if approved and continued by the Executive Directors, as I am confident that it will be, should over a period of time provide IDA with considerable supplemental strength.

But let me promptly add that, even with such transfers from the Bank, the needs which IDA was created to meet cannot be satisfied by governmental subscriptions at their present level. I earnestly urge, therefore, that the contributing Governments participating in this Conference re-examine the amount of their pledges to IDA in the light of the pressing investment requirements of the developing countries as they may be revealed during the course of our deliberations here.

I should like to conclude on the same note which I struck at the outset of these remarks. The problems with which we will be grappling here, despite their urgency, are likely to prove insoluble if our vision is obstructed by the blinders of immediate self-interest. But if we cast those blinders aside, if we seek solutions within the framework of our common interest in long-term economic growth, the outlines of the path to progress will, I am confident, soon appear. And surely it must be our aim that, by the time this Conference adjourns, we shall have moved a measurable distance along that path, we shall have identified and isolated a number of specific programmes worthy of further investigation, and we shall have agreed upon organizational and other arrangements to carry this work forward. It must in short be our unalterable resolve to press on with the deliberations here and now beginning until constructive solutions to our problems of trade and development are reached.

**STATEMENT BY Mr. PIERRE-PAUL SCHWEITZER,  
MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND**  
at the seventh plenary meeting, held on 26 March 1964

[Original text: English]

I welcome the opportunity to address this historic Conference. Here are met together 122 delegations representing countries in all stages of development from those with the minimum of realized resources to the oldest industrialized countries. It is a vivid demonstration of the spirit of co-operation in the world today that nations in various stages of development and with differing economic systems—nations with enormous

resources of capital, raw materials and industrial plant, and nations deficient in such resources—have met under one roof to discuss basic economic problems and to seek solutions which can benefit all mankind and give hope of a better life to countless millions. Undoubtedly there will be differences in approach to these problems and differences in emphasis as to which tasks should have priority. But there is

clearly a unanimity of purpose in this global effort to seek how best to close the widening disparity between the economic situation of rich and poor countries. This Conference marks a major international effort to seek ways of removing anomalies in the present structure of world trade and to provide both the opportunity and the environment for the developing countries to attain a satisfactory rate of growth. We in the International Monetary Fund are following these efforts with great interest, for the general aims and purposes of this important Conference accord with those of the Fund. Indeed, the second paragraph of the first of our Articles of Agreement could well be the keynote for this Conference. It states that one of the major purposes of the Fund is

“To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.”

The process of facilitating the expansion of trade has gone on in the Fund for some 18 years. During that time, while the Fund's policies and activities have been adapted to changing conditions, they have always been guided by the purposes set out in Article I of the Agreement. In pursuing these purposes the Fund has exercised three main types of functions: financial, regulatory and consultative.

In its financial function, the Fund is an agency with resources amounting to more than \$15,000 million, about two-thirds of which is available in the form of gold and the currencies of the major industrial countries. These resources can be supplemented by a further \$6000 million in the currencies of ten industrial countries in accordance with the terms of the General Arrangements to Borrow to counter any undue strain on the international monetary system. All of these resources are available for lending on short to medium term to national monetary authorities to meet temporary balance-of-payments difficulties. The Borrowing Arrangements not only increase potential Fund resources but also give greater flexibility in the use of the Fund's owned resources.

In its regulatory function, the Fund maintains a code for multilateral payments relationships between its members, as set up and agreed at Bretton Woods. This applies to such matters as restrictive practices, exchange rates, and the maintenance of international financial stability. One feature of this code which should be of particular help to developing countries in their efforts to expand exports is that member countries should not be discriminatory in their payments for imports from other member countries. This requirement should help developing countries to obtain equal access to the markets of industrialized countries. The fact that the main industrial countries have now accepted the obligations of Article VIII of the Fund Agreement means that they

are no longer imposing current exchange restrictions, whereas most developing countries can still maintain such restrictions under the transitional arrangements of Article XIV.

By means of regular and special consultations with members, the Fund provides a centre for international co-operation, a forum for the discussion of national and international monetary problems and a source of counsel and technical assistance to its members.

Reflecting these functions, the Fund has extended assistance totalling some \$11,000 million up to 30 April 1963 by means of drawings of currencies and the granting of stand-by arrangements. Out of this total, over \$4600 million, or about 43 per cent of total financial assistance, was provided to non-industrialized countries, and about three-quarters of this assistance was extended during the last five years. Also, through close co-operation with member countries, widespread restrictions on trade and payments as well as harmful exchange rate practices have been eliminated, thus facilitating the rapid multilateralization and growth of trade in the last decade. On the consultative side, the Fund holds discussions with member countries on their economic situations, their monetary and fiscal problems, and their policies, and gives advice on request through special missions or resident technical experts.

I mention the scale of financial assistance and the activities of the Fund to indicate our close relations with the developing countries among the Fund members represented at this Conference and our understanding of the difficulties confronting them. Most of the 103 member countries in the International Monetary Fund are in the developing stage. Our policies and our work in recent years have been influenced in large part by this fact. Moreover, you are all familiar with the Fund's compensatory financing arrangements; I was glad to learn of the warm reception given to this new facility at the meeting of the Preparatory Committee a year ago. We do not pretend that this arrangement covers the long-term needs of developing countries, and, indeed, we cannot enter this field because it is outside the mandate of our charter. However, our ability to give assistance in the short and medium term makes it more possible to meet temporary setbacks in the implementation of long-term plans, whether their origins are national or international. Drawings made on the Fund for balance-of-payments purposes, and stand-by arrangements with it facilitate the continuation and expansion of trade. They help to prevent the introduction or intensification of restrictions and bring about the maintenance or resurgence of confidence in a country's policies and operations.

We in the Fund recognize that it is vital that ways be found to increase and give more stability to the exchange earnings of the less-developed countries. It is clear that the time has come for intensified international consideration and action to achieve this, which is indispensable to permit a more rapid

rate of growth in the less-developed countries. On the other hand, these countries should be aware of the need to tailor their development programmes to the available resources. In your consideration of how these objectives can best be attained, perhaps a few observations based on Fund experience may be of help to the deliberations of this Assembly.

First, our experience and close acquaintance with member country problems has shown that although some of the problems of development are deep-seated and require long-term policies for their solution, recurring currency and exchange difficulties tend to inhibit the implementation of those long-term policies, both internal and external. A number of possible schemes for improving international trade and encouraging more rapid development have been suggested in the documents submitted to the Secretariat and in the Secretary-General's report. But whatever schemes are adopted, the possibility of their success will be greatly enhanced if participating countries endeavour, within their power, to establish realistic rates of exchange and to maintain the value of their currencies. As John Maynard Keynes said almost half a century ago, "the process of inflation engages all the forces of economic law on the side of destruction". We have all witnessed since the last war the destructive effect of inflation on many economies. The Fund's contribution to the decade of development has been a constant effort to mitigate inflation, and in this and other ways to establish conditions for balanced growth. We have sought to do this through technical advice and through financial assistance on a considerable scale for the support of currencies. Where such assistance has resulted in renewal of confidence in the currency, development has proceeded at a better pace, domestic savings have increased, more resources have been attracted from abroad and the outflow of capital has diminished. Where chronic inflation has persisted, development has been stultified, and in some instances the economy has actually declined. In these cases it is a difficult process to revive satisfactory growth. The rich become richer and the poor poorer in countries where the disparity in incomes already gives cause for concern. Lastly, exchange rate adjustments, which are of course politically unpleasant and economically painful, tend to trail behind the inflation, thus discouraging exports and encouraging imports. Fortunately, persistent and heavy inflation is not wide-spread among the developing countries. We find the sound management of finance and money and consequent confidence in currencies prevalent in many of these developing countries and they should be, therefore, in a position to take full advantage of new programmes designed to help them.

Persistent inflation not only frustrates development within countries but also makes it very difficult for these countries to participate effectively in regional arrangements designed to encourage trade and development. Within such arrangements a prerequisite for the success of the scheme as a whole is that

countries experiencing balance-of-payments difficulties should, with proper financial assistance, be able to reduce their deficits. If, however, any participant is experiencing chronic inflation, it could make the entire arrangement unworkable, for the participant whose costs are constantly out of line will always tend to absorb an undue proportion of the resources made available for the scheme.

The Fund has gone a long way in achieving its basic purpose "to assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade". No one questions the benefits that have flowed from the removal of restrictions, the convertibility of currencies, and the multilateralization of trade. This multilateral system is now firmly established. As we work to improve it—for it is by no means perfect—we should take pains to ensure that any new arrangements are in harmony with and do not weaken that system. To this end we should guard against bilateral agreements which are of no real long-term help either to the trade or growth of the developing countries. They might bring gains in the short run, but in the longer run serious drawbacks become apparent when an attempt is made to divert trade into bilateral channels. As was stated in the 1963 Annual Report of the Fund, "bilateralism actually tends to harm the exports of a less-developed country—by causing an upward pressure on prices, wages, and costs, by reducing substantially the proportion of export earnings accruing in convertible exchange, or by distorting the structure of production, and perhaps undermining a development programme". I fully understand, of course, that bilateral arrangements are in some cases the only way in which trading relations can be maintained at present with State trading countries. But I would hope that over the long run it will be possible to extend the principle of multilateralism on a world-wide basis, and the Fund will continue to work toward that end.

I was glad to note the insistence on the removal of remaining impediments and restrictions on the imports from developing countries and it is to be hoped that the industrialized countries will find it possible to proceed rapidly to their elimination in the same manner and spirit in which they carried out the elimination of exchange restrictions in order ultimately to achieve full convertible status for their currencies. I would add that this should apply, not only to primary products, but also to providing an increased market for manufactured goods produced by developing countries.

I should now like to say a few words on the subject of international indebtedness. The President of the World Bank, in his valuable statement, has already pointed out the seriousness of this problem. We are all seriously concerned with the growing indebtedness of developing countries because of its heavy incidence on their balances of payments. A particular aspect of indebtedness which gives cause for concern is the tendency of

industrialized countries, both through their governmental agencies and their private businesses, to extend short-term and medium-term credit for the maintenance of their exports, even after it becomes apparent that importing countries will not be in a position to pay. The competitive offering from industrial countries of excessive short-term or medium-term credits particularly for export financing has increased the service charges on external debt to excessively high proportions of the recipient countries' export earnings, and poses a threat to their payments positions. Moreover, it has not always been obvious that the investments so financed were those with the highest priority for the development of these countries. In some cases, the policies and programmes of action that accompany the use of the Fund's resources under stand-by arrangements have enabled Fund members to negotiate a manageable rearrangement of the foreign debt structure. There appears to be scope for international co-operative action between creditor and debtor countries for the purpose of preventing an overload of short maturity indebtedness on the developing countries. The Fund has a strong interest in this major problem.

In drawing attention to the effects of excessive competitive export financing by the industrialized countries, I am not suggesting a reduction in total aid to developing countries. On the contrary, as I stated in my speech to the Economic and Social Council of the United Nations last December, I should like to see an increased inflow of financial resources into the developing countries from the industrialized countries, and improvements in the terms on which they are made available. Much of the efforts of the delegations here towards finding new means of expediting both the growth of trade and the pace of development will go to waste if there is a growing uncertainty about the amount of aid available for development purposes.

A particular preoccupation of the Fund to which I should now like to turn briefly is the question of international liquidity, to which reference is made on page 133 of the Secretary-General's report to the Conference. As you know, the subject is at present being intensively studied in the Fund itself and also by a group of major industrial countries. I believe this is a matter of vital importance to the developing countries. Strong export markets are a major need of the developing countries. These in turn depend upon an international climate of confidence and prosperity buttressed by an adequate supply of international liquidity. The relationship between the volume of world trade and international liquidity is not, however, a simple and mechanical one. People often speak of international liquidity as if it were a sort of money used in the financing of international trade. Trade financing, however, is ordinarily carried out by means of regular trade or banking credits. International liquidity, on the other hand, consists of international reserves and other resources which are at the disposal of monetary authorities and which serve to finance temporary

balance-of-payments deficits. These resources thus provide time to make any adjustments that may be required to eliminate those deficits without resort to measures that would be damaging to the prosperity of the countries concerned or to the rest of the world. The provision of international liquidity is part of the day-to-day business of the Fund and a number of actions have been taken in recent years by the Fund to clarify and expand its financing facilities.

In 1959 a general increase in Fund quotas was carried out, following a report to the Fund's Annual Meeting in 1958 on the liquidity question. In 1962 a scheme for supplementing the Fund's resources through borrowing from ten major countries went into operation. Last year the Fund established its special compensatory financing facility to which I have already referred, and also agreed to give sympathetic consideration to individual requests for increases in the quotas of primary exporting countries and in particular of countries with relatively small quotas. The present studies of international liquidity have not arisen out of any urgent need for further action to expand world liquidity at this particular time. It has, therefore, been found possible to initiate studies that are concerned with developments over the longer run. Close liaison has been established between the Fund and the group of countries undertaking the parallel studies to assure effective co-operation and co-ordination between the two studies. In working on these problems the Fund, as a world-wide organization, bears in mind the many and diverse interests of all its members, old and new, developed and developing, all of which have a fundamental common interest in a strong and effective world monetary order.

It is encouraging that a co-operative effort has now been set in motion to achieve more rapid growth for the developing countries and to improve international economic conditions generally. Shortly before his death the late Per Jacobsson observed that co-operation in international financial and economic matters had never in history been so close as in recent years. Both international institutions and Governments are engaged in such co-operation. The Fund has always maintained the closest relationship with the United Nations and with other members of the United Nations family of agencies. The World Bank and International Monetary Fund enjoy the benefits of close contact and co-operation. Between the Fund and the GATT there is a close working relationship which by now has become the basis for the most frank collaboration on problems of mutual interest. The same spirit prevails in our relations with other regional and international institutions. This intricate network of collaboration which has been built up has been achieved with each body respecting the other's field of operations, while working at problems common to them all.

We find in 1964 a remarkable concentration of effort to find ways and means of improving international trade and finance and development. In fact, the attack on the fundamental problems concerning us is from

three directions. In this Conference the primary objective, as stated in the Secretary-General's report, is "to point the way toward a new trade policy for development". The GATT is about to embark on extensive negotiations—the "Kennedy round"—to bring about a steep reduction in the barriers to trade among Contracting Parties. And, as I have mentioned, intensive discussions are continuing on how best to ensure the maintenance of a sufficiency of international liquidity to sustain a steady and satisfactory growth of international trade. The three broad subjects under

consideration are closely interrelated and all have the common objective of creating an international environment which will provide greater assurance of sustained and balanced growth of both international trade and national economies.

We in the Fund will be watching with interest the work you will be doing here and we shall be very pleased to provide you with whatever assistance we can. In closing, may I wish you all success in your exploration of these technically complicated and vitally important issues over the weeks and months to come?

**STATEMENT BY Mr. E. WYNDHAM WHITE,  
EXECUTIVE SECRETARY, GENERAL AGREEMENT ON TARIFFS AND TRADE  
at the twenty-fourth plenary meeting, held on 8 April 1964**

[Original text: English]

It is in no mere formal sense of courtesy that I venture to congratulate Mr. Kaissouni—or rather to congratulate the Conference—on his election as its President, because I still retain very vividly in my mind the stimulation and encouragement which I felt when he was good enough to receive me in Cairo on the occasion of our conversations leading up to the provisional accession of the United Arab Republic to the General Agreement on Tariffs and Trade. I am therefore more than happy to be taking part in this Conference under his distinguished guidance.

Before touching on some of the issues which are before the Conference, I would like to make one point which was mentioned the other day by the Secretary of State for Industry and Trade of the United Kingdom, but one which I derive from my own experience of many years of dealing with the problems of trade and development which are the subject of this Conference. It is that, in my view, we are not dealing here with the interests of one group of countries as opposed to another group of countries; we are not, I feel—or should not be—thinking in terms of a confrontation between poor nations and rich nations, between less-developed nations and more-highly developed nations, between under-privileged and privileged; the problem with which we are dealing here is a problem for the international community, and it is just as much a problem for each member of the community, whatever his stage of development, poverty or wealth. It seems to me that, just as in the national community today no country would accept that one part of the country should be wealthy and prosperous and another part poor and under-privileged, so this is true also of the international community. And if we are

to tackle this problem effectively it must be on the basis that it is, as I have said, an urgent problem, to which each country must address itself as a problem in which it has itself a stake. That is what we have tried to establish in recent years when we have dealt with these subjects in the framework of the General Agreement. We have a Committee, which has achieved some fame, as Committee III, in which discussions are not between ranks of countries with opposed or divergent interests but between countries which are seeking together to deal with problems to whose solution all of them must contribute.

We have submitted abundant documentation to this Conference about the work of the Contracting Parties to the General Agreement on Tariffs and Trade in relation to the problems under consideration here, and it would be wearisome if I were to reiterate the content of those documents. However, I hope that I may make some supplementary remarks which will be of some help in the critical days which now lie ahead of this Conference. If I use the expression "critical days", it is because I feel that the Conference has now reached the point when the general debate is drawing to its close and the Committees will be addressing themselves to practical problems, and we shall be in a position to judge whether the international community, confronted with the need to adopt practical, down-to-earth and positive measures is able to discharge its responsibilities in connexion with the problems it is examining.

I would like to recall first of all the long and painstaking study of the trade problems of special concern to developing countries which has been made in the General Agreement on Tariffs and Trade since 1957.



This work in the GATT has undoubtedly had great influence far beyond the GATT itself. The process of study and education was a necessary prelude to more positive action, although, in fact, concurrently with the process of study and education, Committee III of the GATT, to which I have referred before, has been exercising continuous pressure for the removal of restrictions bearing particularly on the export trade of developing countries. It became clear to us, however, that more was needed than this unspectacular, although necessary, work: it was desirable to obtain endorsement at a political level of concepts and principles which could provide guidance for more positive and effective action in the future.

The first step in this process was the Declaration by Ministers of November 1961 regarding the trade problems of developing countries. This Declaration is set out in the documents before you. Nevertheless, it seems to me to be of such major significance that I will venture to recall its main elements; it contains important principles which a large number of Governments of countries accounting for a very large proportion of international trade have accepted at the political level as a basis and guidance for their commercial policies.

This Declaration affords recognition of what is required in the interests of trade and economic development of less-developed countries, namely:

first, the need for a rapid and sustained expansion in the export earnings of less-developed countries;

secondly, that aid can be no substitute for trade, and that in the final analysis economic development will have to be paid for from the earnings of the countries concerned;

thirdly, the need for restrictions hindering access to markets for the export product of less-developed countries to be reduced to a minimum;

fourthly, the desirability for increased opportunities for the developing countries to increase their exports of manufactured and semi-manufactured goods.

The Declaration then goes on to indicate how Governments can contribute to these general objectives, taking into account facts regarding tariff and non-tariff measures affecting access to markets under the heads of quantitative restrictions, tariffs, revenue duties, State trading, preferences, subsidies, and disposal of commodity surpluses.

This comprehensive coverage by the Declaration of the questions involved is completed by statements in regard to the question of reciprocity in negotiations, the improvement of the production and marketing methods of developing countries, the need to lessen the instability of export earnings resulting from fluctuations in primary commodity markets and the diversification of the export trade of the less-developed countries to reduce their vulnerability to market fluctuations, and, finally, the recognition of the possibilities for encouraging sound economic development

in the less-developed countries through increased trade amongst themselves.

Hearing this, one might well ask why this Conference is necessary, or why in fact any other action is necessary. Of course, the answer is that, while it is important to set up appropriate guidelines, it is even more important to secure active implementation of agreed principles and policies.

#### *Programme of Action*

It was for this reason that, in 1962, a group of twenty-one less-developed countries put forward a Programme of Action which set targets for the removal of barriers to the trade of less-developed countries. This programme, which I think is worth recalling and which largely reflects the practical work which had been done previously in subsidiary bodies of the GATT, is as follows:

first, it provides for a "standstill", namely that no new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to those countries;

secondly, it calls for the elimination, within a period of one year, of quantitative restrictions on imports from the developing countries which are inconsistent with the provisions of the General Agreement. There is, of course, recognition that there may be problems which prevent action being taken within this short time-limit, and there is provision for consultations in these hard-core cases; but even here the period of grace is limited to 31 December 1965;

thirdly, the Programme also calls for duty-free entry for tropical products to be achieved by 31 December 1963;

fourthly, it calls upon industrialized countries to agree to the elimination of customs tariffs on the primary products important in the trade of developing countries;

fifthly, it calls upon the industrialized countries to prepare urgently a schedule for the reduction and elimination of tariff barriers on exports of all semi-processed and processed products of less-developed countries, providing for a reduction of at least 50 per cent of the present duties during the next three years;

sixthly, it calls upon the industrialized countries to reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries, with a view to their elimination by the end of 1965.

Industrialized countries which maintain barriers of the kind to which I have referred are also called upon to report to the secretariat of the GATT, in July of each year, on the steps taken by them during the preceding year to implement these decisions, and on the measures which they propose to take during the next twelve months to provide greater access to the products of developing countries;

Finally the Programme calls upon the Contracting Parties to the General Agreement to give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of the developing countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales.

This was a Programme put forward by developing countries to translate into action the Declaration to which I have referred. It was adopted by the Ministers of the Contracting Parties to the General Agreement at their meeting in May 1963; I may point out that this Meeting of Ministers was the most comprehensive ministerial meeting on trade since 1947 and prior to the present Conference.

It is true that the group of countries linked together in the European Economic Community found it necessary to make certain reservations on the Programme of Action, but I would point out, however, that these reservations were expressed in terms that, in the view of these countries, the measures proposed did not go far enough in dealing with some of the basic problems of the developing countries; we have had indications from the representatives of the European Economic Community that both in the General Agreement and in this Conference they will be making a proposal relating to these basic problems. The fact remains, however, that the bulk of the Contracting Parties to the General Agreement have accepted this Programme of Action.

The Programme of Action represents a significant reinforcement of the attack which has been made in GATT on barriers to the exports of less-developed countries. I, for my part, would be very happy to see this Conference, which is broader in scope than the General Agreement on Tariffs and Trade, endorse this Programme and thus bring to bear upon it the political prestige of the United Nations.

Of course, the question remains as to how far the Programme is being implemented. I am happy to say that there are some positive indications that I can give to this Conference.

There has been a substantial adherence to the "standstill" provision of the Programme, namely to the requirement that no new tariff or non-tariff barriers should be imposed on the export trade of the less-developed countries. Significant progress has been made in achieving the removal of barriers to this export trade as a result of the follow-up work in the GATT in relation to the commitments of the Action Programme.

Committee III's approach has been to consider products by groups. It carries out a systematic examination of a particular group of products, makes recommendations and, thereafter, applies pressure for the removal of the trade barriers which it has identified. It then moves on to another group. In this way more and more products of interest to less-developed countries have come, and continue to come, within the

purview of Committee III, and trade barriers affecting an increasingly wide range of products have come under the attention of the Committee. The scope of the investigation now extends to 270 headings of the Brussels Tariff Nomenclature.

As regards quantitative restrictions, the number of industrialized countries applying such restrictions against the exports of the less-developed countries has constantly decreased. Some countries have eliminated all restrictions or have reduced their application to one or two items only. In fact, in many markets quantitative restrictions have ceased to constitute a significant barrier to trade. It is important, however, to remember that, among the hard-core restrictions that remain, are some affecting products which are of very considerable and immediate importance to less-developed countries in the context of their export earnings and their economic development.

In the tariff sector some downward movement in tariffs was achieved in the course of the 1960-61 tariff negotiations which were known as the "Dillon round". In cases where preferences are involved there has been a decrease in discrimination during the past year.

#### *"Kennedy round"*

This modest, but solid, measure of progress pales into insignificance before the opportunities which are offered to the international trading community, in the course of the comprehensive trade negotiations which will open next month and which are generally known as the "Kennedy round", to make a major contribution to a solution of the problems we are considering. As I say, these negotiations offer opportunities. Unfortunately history is strewn with the corpses of great opportunities which have been missed and I would exhort all Governments represented in this Conference who are intending to participate in the "Kennedy round" not to miss this one. The hour is late and, unless we tackle this problem with the generosity, imagination and courage which is required, it may very soon be too late.

In the course of the session of the Contracting Parties to the General Agreement which terminated just prior to the opening of this Conference, the industrialized countries again re-emphasized that they considered that one of the major objectives of the "Kennedy round" is the attainment of a significant contribution to the trade of the less-developed countries. In these circumstances, I think it is important to be quite clear on what is needed if the "Kennedy round" is to give significant results in this field.

First of all, the reductions in tariffs in industrialized countries must be deep and comprehensive. They must cover not only fully manufactured products but also semi-manufactures which is an area in which some of the developing countries can most rapidly develop their own capacity. There will be exceptions to the general reduction of tariffs which are proposed but I would

hope that, in no case, will the exceptions which are made by industrialized countries bear upon products which are of significant importance to the export interests of the developing countries. As is, I think, generally known, the industrialized countries have agreed that, in the "Kennedy round", they will not seek reciprocity from the developing countries and this attitude represents a significant advance on the somewhat rigid conception of trade reciprocity which prevailed in some of the earlier trade negotiations under the aegis of the General Agreement.

The second requirement if this aim of the "Kennedy round" is to be achieved—and I emphasize again that the industrialized countries have said that this is one of the principal aims of the negotiations—is that non-tariff barriers must be properly covered. Here there are difficult and delicate problems involved. But it seems to me that, when viewed against the great human and social problem to which we are addressing ourselves here they are by no means difficulties which cannot and should not be overcome.

Thirdly, and certainly not least important, is the fact that the negotiations must cover—and cover adequately—the question of trade in agricultural products. This is an area where the industrialized countries themselves have acute social and political difficulties. I have noted that they are remarkably sensitive to these social and political difficulties in their own countries; I would hope that this Conference would perhaps focus their attention with equal intensity upon the rather more acute social and political difficulties which restrictions in this field create in the developing countries. I would therefore lay particular emphasis on the importance of making real progress with a significant liberalization in the course of the Kennedy negotiations with respect to agricultural as well as industrial products.

### *Preferences*

I should like to turn to one or two other specific topics which have arisen here and which are concurrently being examined in the General Agreement. First of all I shall take my courage in both hands and refer to the subject of preferences.

We in the General Agreement have often been accused of rigidity and doctrinaire attitudes, and in no area more so than in the case of preferences—and, I think quite understandably. I think that the most-favoured-nation clause is more than an abstract principle of economics. It is something which has been at the basis of international trading relationships since the international trading community took shape in the nineteenth century. It is however, no more sacred, in my view, than any other principle and one ought to be prepared to examine with an open mind whether there are departures from the most-favoured-nation clause which will offer real benefits and advantages, particularly to the developing countries. However, I think these benefits must apply to all the developing countries. I think that if we got

into a position where preferences were accorded by some countries to some developing countries, and not accorded to others, this could create serious and lasting damage to those which were not so favoured and would act as a seriously devious force which would far outweigh the particular advantages which might be derived by the favoured few.

As a matter of fact, this question is being actively discussed in the GATT at the present moment in accordance with ministerial directives; and I can say that it is being discussed with an open mind. However, I would be less than frank if I were to suggest that, so far, we have found it easy to make progress in this field. The reason is that it is an extremely complicated, difficult, and, above all, very important development which has to be worked out and elaborated with the utmost care. We have found in the preliminary discussions in the GATT that there are substantial differences of view, not only between the highly-developed countries and the developing countries, but also between the developed countries themselves; and there are very strong differences of view between the developing countries.

It is for this reason that with perhaps more prudence than heroism, but still I think with prudence, we have recorded that our preliminary investigation indicates that there are interesting possibilities in this field—I repeat, there are interesting possibilities—but that much remains to be done in order to work out the procedures and conditions under which such preferential arrangements should be negotiated. We shall resume this examination at a fairly early date.

Arrangements have been made for the competent bodies of the General Agreement, after the Governments have had an opportunity to consider the results of the first reconnaissance, to revert to this question later this year, in the hope that a report leading to decisions could be considered at a session of the Contracting Parties during November of this year.

I have been speaking so far of preferences to be accorded by the industrialized countries to the developing countries. There is of course another side of the question which relates to preferences between the developing countries themselves. That of course is rather a difficult question because, in the first instance, any preferential arrangement in effect means that the country according the preference agrees to pay rather more for its imports from one particular source of supply than it would if it obtained them from the cheapest source of supply. Unfortunately, the plight of the developing countries is such that they need to mobilize every possible resource they can for imports; and therefore the luxury of discriminating between sources of supply, other than on grounds of price and advantage, is not an easy one for them to contemplate. On the other hand, I think that most of us would concede that a process of industrial development which could proceed on more rational lines on the basis of a large regional market, made possible and favoured by

preferences or liberalization of trade on a regional basis, is a concept well worth consideration.

In fact, in a sense, this whole question is—so far as the GATT is concerned—rather like pushing at an open door. It was carefully considered in the course of the review of the General Agreement in 1955, when it was conceded that the waiver provisions of the General Agreement could be invoked in favour of systems of regional preferences of this type. These waiver provisions depend upon obtaining an approving vote of two-thirds of the Contracting Parties which in effect means, in present circumstances, that provided the developing countries themselves were agreed on the desirability of such arrangements, the GATT presents no real obstacle to them, because at the present moment more than two-thirds of the Contracting Parties are developing countries. I think, therefore, that one cannot argue that the most-favoured-nation principle, as incorporated in the General Agreement, accompanied as it is by the waiver provisions of Article XXV, is a significant obstacle to valid regional arrangements which commend themselves at least to most of the developing countries.

#### *Commodity problems*

I turn now to the question of commodity problems. The GATT has been widely criticized in that one of its inadequacies is that it does not deal with the problem of commodity trade and, as developing countries are still largely dependent on the export of and trade in primary products, this means that the General Agreement excludes to a large extent the major part of their trading interests. To some extent I think this criticism is directed at the modesty of the GATT; I think it is a good, valid criticism. I think that it is rather difficult to argue that an international trade agreement should not concern itself with such an important sector of international trade; but of course this argument conceals certain fallacies.

First of all, as regards the examination of commodity questions in the ordinarily accepted sense of the term, that is, through the negotiation of commodity arrangements, the Contracting Parties to the General Agreement have consistently taken the view—and this is a self-denying attitude which is rather rare—that they should not arrogate to themselves the right to deal with questions which have been entrusted by the United Nations to its own organs. Therefore we in the GATT have directed our efforts so far as we can to seconding and assisting the efforts of the appropriate United Nations bodies such as the Interim Co-ordinating Committee for International Commodity Arrangements, the Chairman of which is appointed by the Secretary-General on the recommendation of the Contracting Parties; the United Nations Commission on International Commodity Trade and the Food and Agriculture Organization. But within these limitations I myself have taken the initiative in the Administrative Committee on Co-ordination in suggesting to my colleagues that as far as secretariats are concerned we should

establish, within the framework of interagency co-ordination, a committee to keep our activities under constant review and to ensure that we are giving the maximum support we can to Governments in the orderly consideration and discussion of these questions. Apart from that, however, there are in fact constant consultations, discussions and negotiations on problems relating to particular primary products entering international trade, which take place within the framework of the General Agreement, although these are not directed to the formulation of classical commodity agreements in general in the accepted sense of the term.

One of the things this Conference will be doing will be examining with a critical eye the institutional machinery which exists for dealing with international trade problems of special concern to the developing countries, and I would certainly think there might be a very good case for calling upon the GATT to fulfil additional responsibilities in this field; and I am quite sure that, if that is the view of this Conference, the Contracting Parties to the General Agreement would give the most careful consideration to any suggestions or requests in this direction that might be made to them.

I pass now to another aspect of this problem which I regard as being of the utmost importance. There has been much discussion in this Conference—I think quite rightly—of the serious consequences for developing countries of the deterioration in their terms of trade as exporters of primary products. This is a problem of very grave concern and one which we have examined for some years in the General Agreement. I must say that my own conclusions on this are that, whilst wherever possible it is desirable—indeed, urgent—to enter into and elaborate agreements for the stabilization of prices to prevent violent fluctuations, a solution to this problem is not to be found by attempting to manipulate prices in such a way as to jeopardize the competitive position of primary products; these are already seriously threatened by competitive synthetic products and by technological processes which—at a price—enable considerable economies to be made in the use of primary products in manufacturing processes. Therefore, one form or another of compensatory financing for primary producers is the way to deal with one side of this problem.

#### *Development of export potential*

The way to deal with the other side of this problem is to assist in every possible way in the diversification of the economies of the primary producers. It is with this objective in mind that we have recently initiated in the GATT—with perhaps too modest means, but on a pilot basis—a new project in which I place great hopes, and on which we would certainly be interested to hear any suggestions and comments by this Conference. This project entails a systematic series of studies of development plans and prospects of individual exporting countries with a view, above all, to identifying what is the most readily available

potential export capacity in these countries and what is needed to develop that potential production, and then enquiring into the possibility of providing really adequate guarantees that, if this potential does become actual, it will not be frustrated by restrictions in international markets. The latter part is the particular concern of the organization which I serve. However, we hope to collaborate very closely with the International Bank for Reconstruction and Development, with the OECD, with the United Nations and with lending Governments, in order to offer advice about the directions in which development finance could be moved in such a way as to bring about the earliest possible return in the form of export proceeds. This, I think, is a programme of great potentiality. It will of course—and this is a point I make with some trepidation, but I make it because I think it is honest to make it—bring out that the problem of developing industrial export potential in the developing countries is not only a problem which relates to restrictions which they may or may not encounter in the markets of other countries. It will also bring out the fact that there are certain minimum conditions which must be observed in the developing countries themselves if they are to develop manufacturing capacity which will be capable of competing in international markets; in many countries restrictionist policies, which are not protectionist in their origins or perhaps even in their purposes, are nevertheless creating conditions which in fact inhibit the possibility of production by export industries on conditions which would enable them to be competitive in international markets. This, I think, is an important element which cannot be excluded when one is looking towards the long-term solution of these problems. The problem is not exclusively an external one.

#### *Institutional aspects*

I should not like to finish without saying a few words on the institutional question. First of all I should like to voice an apprehension. I have been a bureaucrat for far longer than I care to remember, and I have had one consistent experience. That is that, whenever I have raised an awkward problem in the GATT which has caused some embarrassment to any of the member Governments, their reaction has been immediate and predictable: they create an institution—they set up a committee—and that is usually the end of the problem. There is another one, however, which is even more insidious, and that is to set up several institutions, for nothing rejoices the heart of a Government more when confronted with an awkward problem than to have it discussed simultaneously in several institutions. This enables you to move from one to the other and, with a sufficient amount of agility, you may avoid dealing with the problem in any of them.

However, let me say this. I think it does all of us who are engaged in established institutions good to have the cold eye of criticism directed upon us.

Complacency is one of the most catching of sins. I think it is extremely useful and valuable for all of us—not only GATT but all of us—to come under close examination here. Some of us will not pass. We may have to pull up our socks. There may be gaps and, if there are, these should be filled—there is no question about that.

Let us also remember that international institutions are as effective as the Governments which constitute them. To group the same lot of Governments, or perhaps even a few more, in another place does not often change their habits. Therefore, although it is important to have effective and comprehensive institutions, and to have organization where organization is required, I hope that we will not at any stage lose sight of the fact that we are dealing with an urgent, challenging social and human problem where the solution lies really in the will of Governments to act. I do not think that they lack the instrumentalities for making their action effective. What is lacking so far is the will to take the necessary political decisions.

Now I should like to say a little about the institutional character of GATT itself. GATT is not a universal institution. That is usually put forward as a criticism. Why is it not a universal institution? The reason is that it is an international trade agreement which contains important, sometimes heavy, legal obligations and confers upon its members legal rights and a means of vindicating them. It is open to accession by any country provided that two-thirds of the members are convinced that the acceding country can accept, fulfil and carry out the obligations which they have accepted, in exchange for which they, for their part, are prepared to extend to that country the full rights which accrue to any Contracting Party.

I ask myself what sort of international trading arrangement which did not have that character would be of any value at all. One can of course have an institution where there are no rights, no obligations—just principles, declarations and resolutions. There do exist, and one can envisage creating, institutions or arrangements where valuable discussions may take place within that sort of framework, but they are not of the same character as an organization which rests on an international agreement involving carefully defined legal rights and obligations, and machinery for their enforcement.

There is an area in which the adequacy of this international trading instrument has been strongly questioned; it has been said that it is not adapted to dealing with the relations between countries with market economies and those whose economies are based upon central planning and State control. I have been glad to see that in the course of this Conference much emphasis has been placed upon trade between the centrally-planned economies and developing countries, because I share the view which has been expressed here that this is an area in which there is much room for development of trade, if only because,

relatively, this is where there has been a considerable lag. I think this is something which merits the most careful study and examination, and that there must be the institutional means of stimulating the process.

It is true, of course, that the General Agreement, as an international trade agreement, was conceived and brought into being fundamentally as an instrument to serve as the basis for trading relationships between countries with market economies. However, as I have said, there is a provision which says that any country which wishes to do so may accede on terms to be discussed and agreed with the Contracting Parties and acceptable to two-thirds of them. There is no limitation as to what those terms may be, and I cannot conceive of any circumstances in which, if such discussions resulted in the finding of a formula under which a country, which organized its economy on other than the market basis, could satisfy its trading partners in the General Agreement that it could assume and carry out commitments and obligations comparable to those which the Contracting Parties accept, the accession of that country to the General Agreement would create serious problems.

In recent years we have, in fact, carried out negotiations with certain countries which have chosen the system of a centrally-planned economy, entrusting all trading transactions to State institutions, and we have found a basis for their accession to the General Agreement. I refer specifically to the case of Yugoslavia, which has acceded provisionally to the General Agreement and whose provisional accession will ripen automatically, and very shortly, I hope, into full accession. We have negotiated for the provisional accession of the United Arab Republic, and I am equally hopeful that the remaining steps to convert that provisional accession into full accession will also be taken in the near future.

For a number of years we have had an arrangement of association with the Government of Poland which I know has given great satisfaction to the Contracting Parties, and which has enabled Poland to play an active and important role in the work of the Contracting Parties. Again, I have no doubt that as far as the Contracting Parties are concerned there is no reason why this association should not similarly ripen, through processes of consultation and discussion, into the full accession of Poland to the General Agreement.

Then there are a number of developing countries which have not so far seen it to be to their advantage to accede to the General Agreement. I find that quite understandable. For one thing, the General Agreement is a pretty unappetizing document to read. It is also a document which is very badly out of date as it does not reflect the great changes and modifications which have been made in the actual content and nature of the work of GATT over the past few years. We have perhaps been remiss in not bringing it up to date—perhaps, I say; I myself, shortsightedly maybe, have placed greater emphasis on getting on with the work rather than repairing the façade. But these are

political questions, and I think that this was possibly an error—an error, however, which we are now in the process of repairing. We have recently concluded a careful investigation of the respects in which the GATT needs to be modified in order to bring it up to date and to reflect the present state of international trading relations and what is in fact currently taking place within the GATT, particularly with respect to the problems of developing countries. We have largely completed the establishment of a special chapter on trade and development which will confirm, among other things, the great flexibility which the Contracting Parties observe in the application of the obligations and commitments of developing countries under the General Agreement. It will—and this is perhaps more important—embody as treaty commitments and obligations, fully binding on all Contracting Parties, a good deal of the Programme of Action and a good deal of the 1961 Declaration on the trade of less-developed countries, to which I have referred. That, I think, will be an improvement and also give a truer picture of what the GATT is about.

Meanwhile, it is, of course, a matter of judgement for individual developing countries as to whether or not they seek accession to the General Agreement. But the door is open, the entrance is fairly wide and it would certainly be my hope that more and more of the developing countries, as they come to have a clear understanding of what it is we are trying to do and of the spirit in which we are trying to do it, and perhaps paying rather less attention to the somewhat ungainly language in which international legal instruments have necessarily to be drawn up, would see an advantage in coming and assisting us with their own contribution to our efforts and, at the same time, benefiting from the work which is being done currently by so many of their fellow developing countries in the GATT.

As I have said before, this one-time rich-man's club now has developing countries as two-thirds of its membership, and this number increases daily. I think this is good evidence that, within the limitations which quite naturally and properly exist on the total scope of the work of the Contracting Parties, the GATT's value and relevance to the problems of developing countries are being more fully appreciated.

One final word. It has been my strong hope that, apart from the political impulse which this Conference will give to the work on which we have all been engaged for some years—and that will be an important result of this Conference in itself—there will be one other result, and that specifically in the institutional sphere. It is this. I think that one thing clearly apparent to anyone working in this field for any length of time, and of which he must be very conscious, is that there is in fact an absence of a coherent international development policy which takes into account all aspects of a very wide and complex problem. I doubt whether all these aspects can be encompassed in one technical organization or series of technical

organizations. But I think it would be a source of great strength to us who are engaged in sectors of this programme if one did have the feeling that there was a purposeful, coherent, co-ordinated, international development programme to which all Governments of the United Nations felt themselves to be committed as a primary aim of policy—and I mean by that, of national policy.

That brings me back to where I started. I think that such an international policy, and acceptance of the fact that the effective carrying out of this international policy is a primary concern of national policy in each country, is perhaps the type of political decision which needs to be forged and the type of political decision with which any institution resulting from this Conference might well serve to provide us.

**STATEMENT BY Mr. N. V. FADDEEV,  
HEAD OF THE DELEGATION OF THE COUNCIL  
FOR MUTUAL ECONOMIC ASSISTANCE, HEAD OF THE CMEA DELEGATION  
at the twentieth plenary meeting, held on 6 April 1964**

[Original text: Russian]

On behalf of the delegation of the Council for Mutual Economic Assistance, allow me to congratulate Mr. Kaissouni on being unanimously elected to his high office and to wish him success in the discharging of the honourable and responsible duties which fall upon him.

It is the wish of the Council for Mutual Economic Assistance (CMEA) that the Conference will find fruitful solutions for the crucial problems before it. There is no more important and responsible task facing mankind at the present time than to strengthen and develop peaceful collaboration between nations by every possible means in the interests of peace, constructive activity and progress throughout the world. We are firmly convinced that with the good will and efforts of all the countries and organizations represented, the Conference will be able, as a result of its work, to lay a firm foundation for the extensive development of international economic collaboration, and to work out recommendations and measures designed to stimulate trade between all countries of the world on the basis of equality, mutual interest and non-intervention in the internal affairs of other countries, to the exclusion of discrimination and artificial barriers.

We should like to take this opportunity of expressing our deep gratitude to the Secretary-General of the Conference, Mr. Prebisch, for his great and fruitful work in preparing the Conference. In his report Mr. Prebisch discusses the main problems of international economic co-operation on a broad factual basis, and analyses the present abnormal state of world trade. The convincing figures given in Mr. Prebisch's report and in the address by the President of the Conference, Mr. Kaissouni, illustrate the difficult

economic situation of the developing countries, whose peoples live in extreme poverty. The reasons for this situation are no secret. The delegates of a number of developing countries who have spoken have convincingly shown the consequences of colonial rule in their countries, a system of which their peoples have been bearing the burden right up to the present.

The member countries of CMEA have every sympathy for the developing countries' efforts to accelerate their economic and social progress, to overcome their economic backwardness and to create their own independent economies. These efforts by the developing countries are very understandable to the CMEA member countries, some of which had under-developed economies themselves in the recent past, and did not possess the developed industry of their own which they have created in a historically short space of time and are successfully expanding.

I should like to take this opportunity of giving you a very brief account of the work of the Council for Mutual Economic Assistance, whose experience could be used to further the lofty aims of our Conference.

Close economic co-operation between the CMEA member countries arose, as a historical necessity, as a result of the rise in Europe, after the Second World War, of the people's democracies, whose inhabitants had decided to build a socialist system. Except for Czechoslovakia and the German Democratic Republic, these countries were economically among the most backward countries of Europe, their industry was relatively under-developed and semi-feudal conditions persisted in agriculture. If in addition the enormous destruction caused by the war and the plundering of some countries by the Nazis and Fascists are taken into account, it will be realized from



what a low level the people's democracies began to develop their economies and build up socialism.

The Council for Mutual Economic Assistance, which was established in 1949, has set itself the task of combining and co-ordinating the efforts of its member countries as a means of helping them to organize the planned development of their economies, accelerate economic and technical progress, raise the level of industrialization (in the case of the industrially less-developed countries), achieve a continuous rise in the productivity of labour and promote a steady increase in the prosperity of their peoples.

Economic co-operation between member countries of CMEA is conducted on the equitable principles of complete equality, respect for the sovereignty and national interests of the countries concerned, mutual benefit and comradely mutual assistance; and it contributes to the achievement of the purposes proclaimed in the United Nations Charter.

The principle of the sovereign equality of the countries in the Council for Mutual Economic Assistance is implemented through equal representation in all the organs of the Council, and through the equal rights granted to all member countries by the Council's Charter. All recommendations and decisions in the Council are taken only with the consent of the member countries concerned, i.e., on the principle of unanimity. At the same time, the recommendations and decisions are not extended to countries which have stated that the subject in question does not concern them. The recommendations adopted by the member countries of the Council are implemented by decision of their Governments in accordance with their legislation.

Fair principles in international economic relations are reflected in the ever-increasing socialist international division of labour, which is effected in each country through the development of a diversified rational economic structure, aims at achieving high growth rates, prosperity for the workers and industrialization and seeks to secure the gradual removal of the historically conditioned differences between the levels of economic development reached by individual countries.

The sixteenth session of CMEA (June 1962) approved the "Basic Principles of the International Socialist Division of Labour" scientifically digested from the vast and varied body of experience accumulated by the CMEA member countries in the course of their economic co-operation. This is one of the basic programme documents of the Council for Mutual Economic Assistance, and for information purposes it is distributed to all participants in the Conference as an annex to a document [Vol. VII], which deals with the problems of economic co-operation between the CMEA member countries in greater detail.

The extension and intensification of economic, scientific and technical co-operation between the

member countries of CMEA has been one of the important factors in the rapid development of their economies and in the consequent raising of the population's level of living. In 1962, the member countries of CMEA accounted for about 31 per cent of world industrial production, as against 18 per cent in 1950.

The representatives from CMEA member countries who have spoken have convincingly illustrated with clear facts and figures the tremendous successes of their peoples in the struggle to improve their economy and welfare.

A radical change in the economic structures of the CMEA member countries has resulted from the policy of socialist industrialization and extension of economic co-operation. Those of them which until the Second World War had been backward agricultural lands have been transformed into industrial-agrarian countries.

Through the ever-increasing international socialist division of labour, the once economically-backward countries have created and are successfully developing the mechanical engineering sector as a key element in industrialization, a process which is reflected in their changed export structure.

Between 1955 and 1962, the proportion of Bulgaria's exports to other CMEA member countries accounted for by machinery and equipment rose from 2.8 per cent to 22.5 per cent, the corresponding increase for Hungary being 37.6 to 44.3 per cent, for Poland 17.4 to 41.4 per cent and for Romania 6.1 to 23.8 per cent. At the same time, deliveries of machinery and equipment increased by more than twenty-three times in the case of Bulgaria, more than six times in the case of Romania, and 4.3 times in the case of Poland, whereas before the war these countries imported nearly all the plant and machinery they needed.

Increased production of consumer goods has accompanied the development of heavy industry in the CMEA member countries. Agriculture has further developed. Material prosperity is increasing and the level of living is steadily rising in all the CMEA member countries.

Economic, scientific and technical collaboration between the CMEA member countries is continuously developing and advancing. Although in the early years of the Council's work, economic co-operation between the CMEA member countries was mainly in the field of foreign trade, it later began to spread increasingly to the sphere of production. This is reflected in work on the co-ordination of economic plans, specialization and the co-operative organization of production, and in collaboration in plant construction and the exploitation of natural resources, and so on.

In 1956, the CMEA member countries, with a view to preparing economic development plans for 1956-1960, began a joint study of individual economic problems and then proceeded to co-ordinate development plans for interrelated branches of the economy for 1961-1965.

In accordance with a decision of the eighteenth session of the Council (1963), the organs of CMEA have begun to co-ordinate plans for the next five-year period 1966-1970. The co-ordination of development plans for interrelated branches of the economy enables each CMEA member country to take into account in its economic planning the possibilities and needs of the other members, thus enabling the latter to use their resources more rationally, bearing in mind the possibilities of developing trade with other countries of the world.

By taking agreed economic, scientific and technical measures, the member countries of CMEA have solved a number of major economic problems regarding the supply to their countries' economies of fuel, electric power, and the most important types of raw materials and other requirements. In accordance with the Council's recommendations, for example, the Union of Soviet Socialist Republics, Hungary, the German Democratic Republic, Poland and Czechoslovakia have co-operated in the construction of the 4500-kilometre "*Druzha*" ("Friendship") pipeline, which is now nearing completion and will be the longest in the world. The power systems of Hungary, the German Democratic Republic, Poland, Czechoslovakia and the western Ukrainian part of the Union of Soviet Socialist Republics have been unified. The power systems of Romania and Bulgaria are soon to be brought into this unified system, for which a central control office has been set up.

In order to bring about more effective utilization of railway rolling stock and to ensure the transportation of the constantly growing foreign trade consignments, the member countries of CMEA have set up a common goods wagon pool.

The Danubian members of CMEA are collaborating in the multipurpose exploitation of the Danube waters. Agreements to collaborate in the construction and operation of hydroelectric power stations have been concluded between Bulgaria and Romania, Hungary and Czechoslovakia, etc.

New principles of international economic relations also find their expression in the development of all kinds of scientific and technical co-operation between the CMEA member countries, in the widespread exchange of scientific and technical documentation, and in the transmission of the latest industrial "know-how". In only three years (1960-1962), 38,000 sets of technical documents plans, working drawings, descriptions of technological processes, etc., were exchanged between the member countries of CMEA. Moreover, technical documentation is provided free, in accordance with a recommendation of the Council for Mutual Economic Assistance, and this is an important factor in speeding up the development of the productive capacity of the CMEA member countries particularly those which previously were economically less-developed.

Trade between the CMEA member countries is conducted on the basis of long-term agreements covering a

planning period which is identical for all member countries. The current long-term bilateral agreements between the member countries of the Council cover the period 1961-1965.

These agreements provide for a broad programme of imports and exports of machinery and equipment, fuel and other types of raw materials and other requirements, as well as of foodstuffs and other consumer goods. They guarantee that the CMEA member countries will receive the goods they need and will also enjoy a stable market for their own output, thus helping them to achieve further economic development and raise the level of living of their peoples.

The continuous economic development of the CMEA member countries and the growth of co-operation provide the conditions of a rapid rate of increase in trade both between those countries themselves and with other countries of the world. This is evidence of the ever increasing international socialist division of labour, a system which is being built up with due regard to the world division of labour.

The Council for Mutual Economic Assistance is an open economic organization of countries which are not protected by a unified Customs tariff or any other barriers, and which do not carry on any policy of discrimination against other countries. Being a fully sovereign State, each member country of CMEA applies its own foreign trade policy and conducts its external trade with other countries in complete independence.

Mutual trade exchanges between the CMEA member countries approximately doubled during the period 1955-1962, and the trade of these countries with the industrially developed Western countries also increased in approximately the same proportions.

There can be no doubt that the external trade relations of the CMEA member countries with the developed capitalist countries would have increased still more had certain circles in the latter countries refrained from carrying on a policy of trade discrimination against the socialist countries.

The trade of the CMEA member countries with the developing countries of Asia, Africa and Latin America is increasing at a particularly rapid rate. Trade turnover with these countries increased almost threefold during the period mentioned, and amounted in 1962 to about 2500 million roubles. It should be noted that this increase is constant and steady.

These objective figures vividly show the beneficial results of co-operation between the CMEA member countries in the field of international trade. They bear witness to the willingness and capability of those countries to develop economic links with all countries of the world, irrespective of their social and political structure, on the basis of equality, mutual advantage and non-intervention in each other's domestic affairs, as stressed in the Council's Charter.

The CMEA member countries' economic co-operation with the developing countries is based on the desire to help the young States in their struggle to overcome their backwardness, raise the level of living and improve the material welfare of their peoples, and secure, in the international division of labour, a fair and more appropriate place which would ensure the all-round development of their economies. In giving economic and technical assistance to the developing countries, the member countries of CMEA make no demands whatever of a political, military or economic nature which would detract from the sovereignty of those countries or prejudice their political or economic interests.

At the present time, the CMEA member countries are providing 40 developing countries with economic assistance and technical co-operation in the construction of over 1100 industrial enterprises, installations and other units. This figure includes 60 enterprises in the metal, mining and coal industries, over 80 enterprises in the mechanical engineering and metal-working industries, about 50 enterprises in the chemical and oil-refining industries, about 50 electric power stations, and over 250 enterprises in the textile and food industries.

In 1962, the CMEA member countries seconded 7000 specialists and skilled workers to the developing countries. Over 10,000 students from Asia, Africa and Latin America are taking courses, mostly on technical subjects, in the higher educational institutions of the member countries of CMEA.

To pay for the equipment supplied, the materials, the design and prospecting work and other forms of technical assistance, the CMEA member countries offer the developing countries long-term loans on favourable conditions. The borrower country can pay off such loans not only by deliveries of its traditional export goods, but also by deliveries of articles produced by its own industries. Over half the resources made available to the developing countries by the member countries of CMEA are used for the construction of heavy industrial plant. The economic assistance and technical co-operation provided by the CMEA member countries are mainly aimed at developing key sectors of industry in the developing countries so as to strengthen their economic independence, promote the growth of their national industry and help to do away with single-crop economies.

All that has been said above goes to confirm the indisputable fact that, in developing economic co-operation among themselves and perfecting the forms of such co-operation, the member countries of CMEA are at the same time unswervingly striving to develop international trade and economic links with all the countries of the world.

There are at present enormous possibilities of increasing world trade. They are based on the rapid development of the forces of production, and on the magnificent achievements of science and technology.

The Conference has a tremendously important task: that of working out a new trade policy and new principles for international economic relations enabling close economic co-operation and normal economic relations to be established between all countries of the world, so that the well-being of all peoples may be improved.

In both the declaration by the seventy-five developing countries and the report by the Secretary-General of the Conference, Mr. Prebisch, it is pointed out quite correctly that the normalization of international economic relations and international trade is a single indivisible process. It is impossible to eliminate discrimination and inequalities directed against the developing countries and to take effective measures to bring about the development of their economies without at the same time normalizing the economic and trade relations between the countries of East and West. There can be no place for discrimination or artificially erected obstacles and barriers in international trade. This applies equally well both to the discrimination practised by the Governments of some western Powers against trade between East and West and to discrimination against the developing countries.

The CMEA member countries which took part in the Preparatory Committee of the Conference put before that Conference a set of draft "principles of international trade relations and trade policy" and also proposed the establishment of an international trade organization under the auspices of the United Nations.

Permit me to express my conviction that these proposals will be duly reflected in the decisions of this Conference, which represents a great step forward towards the improvement of international economic relations and will be conducive to the development of trade by every possible means in the interest of all countries, and particularly the developing ones.

As the success of the Conference largely depends on the active participation of all interested countries in its work, we consider it essential that an equal opportunity to participate be given to all the socialist countries, including the German Democratic Republic, which is one of CMEA's most industrially developed member countries.

I have given you a short description of the activities of the Council for Mutual Economic Assistance and of some of the results of the economic co-operation of its member countries. There can be no doubt that the member countries' achievements in developing their economies would not have been possible had it not been for radical social and economic changes in those countries which gave the people wide possibilities of making full use, by their hard work of all the resources of their countries for the purpose of ensuring the uninterrupted development of the economy and raising the level of living, and had it not been for the close economic co-operation between members, based on the lofty principles of respect for each other's sovereignty, non-intervention in each other's internal affairs, mutual

advantage, brotherly mutual help and the friendship of peoples.

Only through co-operation between all nations and the elimination of all artificial barriers and discrimina-

tion can international trade and economic co-operation be turned into a powerful factor of economic and social progress and an effective instrument for mutual understanding and strengthening of peace between nations.

STATEMENT BY Mr. JEAN REY,  
REPRESENTATIVE OF THE EUROPEAN ECONOMIC COMMUNITY  
at the nineteenth plenary meeting, held on 6 April 1964

[Original text: French]

We have come to the end of this morning's meeting and I should like to make known the views of the Commission of the European Economic Community in this great debate which has been taking place in this Assembly during the past fortnight.

My first remark is that great changes have taken place in the world since the United Nations Charter was drafted 20 years ago. Brought into being on the morrow of the furious battles of the Second World War, the Charter knows none but sovereign nations; and that is why we are gathered together here in the name of 122 sovereign States. But since then there have been movements towards integration in various parts of the world and we see that although we still meet as sovereign States, the world is engaged in organizing itself effectively and very quickly at the continental level. This tendency has been most rapid and spectacular, perhaps, in the European continent. Its forces and its trends have given birth to the European communities, particularly the European Economic Community. But this, I hasten to say, is not the only organization for the integration of the European economy and other similar movements have occurred in other parts of the world. Thus, it is perhaps useful that in this Assembly the spokesmen of organizations that are already integrated and responsible for some of the problems which are being discussed in this Conference, should tell you what they think of the work being done here.

What does the European Economic Community think of the World Conference and its work? I believe that this Assembly will by now have a very good idea of this. It heard on the first day the very remarkable speech by Mr. Brasseur speaking in his capacity as the President in office of our Council of Ministers. Then there were speeches by most of the responsible Ministers of the Governments of our member States and this Assembly will not fail to have been struck by the great similarity, the parallelism, of the statements made from this rostrum by the various Ministers of our member States.

Later, on 25 March, the European Parliament meeting in Strasbourg adopted unanimously a resolution which also stresses the attitude of our Community towards the Conference. Today, to conclude this testimony, I should like to tell you what our Commission thinks of the Conference.

Our Commission, like the whole Community, considers in the first place that this Conference is an important political and economic event, for now that the problems of development are thus presented as world issues, it will probably no longer be possible in the years to come to fail to pay attention to the work that has started today and will be continued in the future.

Consequently, our Commission considers that this Conference's way of approach, as it has been conceived, is a practical one and that it was a good thing to try to leave out political passions. We have all got political passions and we could very easily be tempted to give them free rein. I think, therefore, that it was a good thing to try from the beginning to eliminate political problems which might hinder the common effort for the development of countries at present in need thereof. For this I feel that tribute should first of all be paid to the Secretary-General, Mr. Prebisch, who, for the last two years, has made a quite remarkable effort to this end; and secondly to the Assistant Secretary, Mr. de Seynes, who has for so long and so effectively been organizing the economic work of the United Nations Secretariat; and finally, to the President of this Assembly. It is perhaps rather late to congratulate him on his election, but I think that after a fortnight's experience we should congratulate ourselves on having elected him. He has guided the discussions with a special effort to ensure that they should not be lost in political controversy and he has kept them, as they clearly had to be kept, on a realistic level.

Our Community looks on the World Conference as a dialogue. This does not mean—the point was made just recently—that it is not a common task. But

it is impossible to prevent the existence here of two main groups of countries, one of which is that of the developing countries which expect something from the more privileged and more developed countries. If this Conference were to be no more than a forum for the claims of the developing countries, if it were to end in nothing more than a list of their claims, it would, of course, fulfil only a part of its task. Its real value lies in the dialogue between the two groups, and consequently the answer which may be given initially to these problems by the developed countries is I think, of a quite real political importance. It is in the name of countries and of a Community which quite patently belong to the developed part of the world that I should like to explain how we see the difficulties that confront us.

It seems to us that there are two difficulties for our countries. The first is to convince our public opinion and our Parliaments of the need to make a new and major effort. On this point I fancy the Conference has already won its case by its earlier work and also by this fortnight of public discussion and by the attitude assumed by responsible Governments as a whole. I think it can be said that the developed countries come here conscious that they will be asked for a new and great effort and that this demand is quite legitimate. The second difficulty is to convince our countries and our Parliaments that the measures at present contemplated are practical and effective and can swiftly be made ready and put into effect. It is to this second category of difficulties that I should like to devote the second part of my remarks.

In the first place, I feel we should be grateful to the Conference and its Secretary-General for having submitted the question as a world issue. And, notwithstanding what I am about to say in a moment concerning more restricted approaches, I think that the plan to convene a World Conference and put the problem of assistance for development as a matter of world importance was in itself a good idea which will later on turn out to have been most constructive and fruitful in its results. But, then, we are left wondering whether we can in our few weeks here work out world solutions for the different matters touched on in our Secretary-General's report. Our Commission—and I think our Community in general—is rather of the opinion that we must endeavour to decide on the first approaches and to carry out the first steps in the form of a programme, perhaps less ambitious, but which would be a beginning, rather than embark on long discussions and long studies which might mean that at the end of this first Conference in June we should have to separate without having taken any measures or attained any positive results.

Why do we take this view? First, because of the experience gained by our Community after six years of dealing with the processes of development. For when we look at what we have done, we see that we have been inspired precisely by this pragmatic approach. We have not lost much time in studies. We have dealt

with a certain number of difficulties and we have the impression that we have thus achieved quite considerable progress. It was the intention of the authors of the Treaty of Rome, to deal with the under-development of certain regions of the Community—you know that they exist—which are in a state of development very far below that of the average of the Community. The Treaty of Rome made provision for a number of positive measures on their behalf. These measures have been applied and after six years their first economic effects are visible already.

Secondly, the Treaty of Rome had provided for association with overseas countries—I will say more about this in a moment.

Thirdly, we have negotiated association agreements with two developing countries in Europe in order to assist their economies. This was what was done by the Treaty of Athens in 1961 and the Treaty of Ankara in 1963.

Finally, having renewed and improved the Convention of Association between the associated African States and Madagascar by the Convention of Yaoundé, we decided to open it to other African countries; and you know that we are at the present time negotiating on this question with Nigeria and with the East African countries. Moreover, on this occasion, too, we considered that the Community should not reserve its attention solely for its own associates but should concern itself with others; that is why we have taken the first step by appreciably reducing the protection we gave to tropical products. You know that these reductions relate to major products, such as coffee, and reach a very considerable percentage, as much as 40 per cent. You also know that since then we have gone further in other fields, particularly since in agreement with the United Kingdom we have reduced to zero our customs duties on tea and tropical timbers.

We have achieved all this in six years and it does not, of course, represent a world plan. But it does amount to a series of parallel actions which, taken together, constitute a policy or the adumbration of a policy. And we think that this method of operation has been more positive, more realistic, perhaps more effective, than a more ambitious plan which still today would not have been in operation.

That was my first observation. My second observation is that as regards the stabilization and revalorization of commodities, our Community has taken the view that these measures should be taken commodity by commodity, pragmatically and separately. Such was our conception when we were negotiating with our British friends on their entry into our Community, negotiations which, unhappily, were broken off. We were still thinking on the same lines later on when we made our proposals as part of the "Kennedy round". The tariff negotiations of GATT will not be the subject of my statement but I should like in passing to stress the significance our Commission and our Community as a whole attach to the success of the important

negotiations which are due to open in a month's time on 4 May, and to be carried on here in Geneva.

In the third place, I should like to say that my Commission—and once again I believe I am speaking for the whole Community—is profoundly in sympathy with the Brasseur plan. The coincidence which has brought Mr. Brasseur to act as the spokesman for our Community today, here in the very room where last May he described the basic outlines of his plan, has undoubtedly inhibited him from praising the plan which bears his name. But I have no reservations about publicly declaring my Commission's unanimous support for the Brasseur plan. We feel that the Brasseur plan is a good one and that it is an extremely practical way of dealing with the question of preferences. It is true that the plan is based on selective, temporary, degressive preferences and I imagine that Mr. Brasseur would be the first to agree with my view that it is less ambitious than a world plan. Nevertheless, I shall not attempt to conceal my fear that we shall not be able, during the two months this Conference lasts, to develop a world plan applicable to the entire system of preferences, to be operated by all the developed countries for the benefit of all the developing countries. This, it seems to me, raises enormous technical problems and difficulties which will not be solved all at once. Accordingly, while they remain unsolved, it may be a very good approach, a pragmatic and practical approach, to adopt the Brasseur plan or at least its basic elements and to reach agreement on this first, very realistic, stage.

Lastly, still keeping to this special approach which I am suggesting to the Conference, I should like to stress—and this should not surprise anyone here—our approval of regional groupings. What would be surprising would be for a spokesman for the Common Market Commission to do otherwise. We feel that the Community itself has been a success as a regional organization. It was greeted, as you know, with a great deal of doubt and scepticism, both in Europe and elsewhere. After six years it is clear that it has moulded itself into a great centre of economic expansion which has brought benefits not only to its member countries but to its neighbours, which have never exported such quantities into the countries of the Community as they have since our member States became a Community. This leads us to believe that the system of regional integration and regional agreements is indeed a good one and that it promotes expansion and, consequently, prosperity and well-being.

We hold the same opinion, and I say this quite frankly, of our convention of association with the associated States of Africa and Madagascar. In the Treaty of Rome we had a first convention. It worked well but only within the limits it had set for itself. The first change came when our associate members became independent; now they are sovereign nations, responsible for their own political decisions and their future. The next change arose out of our experience with the first convention, which showed us that it could and

had to be improved and the Yaoundé Convention more obviously favours the developing countries, our associate members, than the first did. It lays greater stress on material aid. It also takes a more progressive view of aid for the purpose of diversifying production. It has provided systems which are clearly better designed, better adjusted and, I believe, more efficient than those of the earlier convention.

I hope that, at some stage of the proceedings of the Conference, my friend and colleague Mr. Rochereau, who is the member of our delegation specially responsible for this aspect and has had a large part in the preparation, signing and execution of the Yaoundé Convention, will have the opportunity of telling us exactly what he thinks, and what we feel we have the right to think, of the effectiveness of such a system. Surely one of the most striking proofs lies in the very fact that the associated countries, on gaining their independence, believed that association with our Community was consistent enough with their political autonomy and freedom of action and at the same time effective enough in the aid given to their developing economies for them to want, of their own free will, to renew their association with us.

Does it operate in too narrow a field? This criticism has been made more than once. We felt it should be given scope for extension and that was why, at the Yaoundé meeting, our six Governments publicly declared this form of association or similar arrangements to be open to all. It is as a result of that declaration that we are now, as you know, negotiating with other African countries.

Moreover, the way in which this association operates has not prevented us from adopting measures to assist other developing countries, including the reduction of the preferential tariffs established by the Treaty of Rome to protect our associate members' products. I have already mentioned the progress we have made in this sphere with the agreement and help of the associated countries. All of this shows that the system is neither exclusive nor inflexible.

This is all I wanted to say about the progressive approach we feel should be adopted to the world problems facing us. It does not mean that our endeavours must be limited to whatever action is taken now. In our opinion—and I feel it is one which must be made known at the outset of this Conference—this may mean that it would probably be more useful to concentrate during the coming weeks on a number of specific points on which progress might be achieved during 1964, rather than to devote all our time to the formulation of plans so extensive that one might well fear they would need one, two or three years to become a reality.

I cannot end this statement without saying, as tactfully as possible, something which I feel in all honesty must be said, namely that, in the opinion of our countries the solution to the problems of development is not in their hands alone but the developing countries must do their share. I feel that in dealing

with this subject one must choose one's words very carefully. In the first place, where political matters are concerned, it is very difficult to give advice and example is the best teacher. I do not think that either our Community or our European institutions, or even our member States themselves have attained such a degree of perfection that they have the right to think that they have solved all their political and economic problems and that they are superior enough to be an example to others. I should like to say clearly that my Commission holds no such view.

Neither do we believe that the developing countries can be faced with such simple alternatives as: "Put your house in order and then we will help you". In fact aid is itself one of the prerequisites for progress. We cannot say to developing countries: "End your inflation and then we shall help you". It would be only too easy for them to reply that the aid of the more advanced countries is for them one means—and a very important one—of fighting inflation in their countries. This is why we must choose our words carefully. The only thing I do wish to say is that now, when the Conference is about to ask the European and other countries represented here that have to reckon with public opinion, with Parliaments, with bodies that enjoy complete freedom of discussion—our Governments are not completely masters in their own countries, our Commission is not completely master of the Community, because all these democratic institutions enjoy a degree of liberty which we approve of but must reckon with—at this time, then, when greater efforts are being demanded of the developed countries, it is important to make them feel that such efforts

will not be unilateral and that those who are to benefit are fully conscious of the contribution which they themselves must make so that the aid may fall on good ground.

I have no more to say. I should just like to conclude that by the very fact of its existence this Conference is a very remarkable event and we sincerely hope it will succeed. This is not merely a formal hope, since our Community will be represented on all the working bodies of this assembly and officials of our Commission will be working at all levels to make an active contribution to the work in hand.

In the second place, I should like to repeat that in our view it may be necessary to divide the work into two parts and, without losing sight of the broad plans which represent the legitimate aim of all our endeavours, to develop other practical short-term projects, such as those I have described, which would undoubtedly produce immediate results.

In conclusion, I should like to say that it is in close collaboration with the member countries of our Community, with the full co-operation of the other developed countries whose spokesmen we have heard—I take this opportunity of expressing my admiration for the speech made earlier by Mr. Heath, which was a model of what effective co-operation in the work of this Conference should be—and with the co-operation of each and every one of the developing countries represented at this Conference, that our Commission will find it possible to work for its success with the same unquenchable faith in human progress which has inspired it for the last six years.

**STATEMENT BY Mr. FELIPE HERRERA,  
PRESIDENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
at the twenty-third plenary meeting, held on 8 April 1964**

[Original text: Spanish]

I should like to begin my statement by expressing the gratitude of the regional Bank of which I am President for the kind invitation of the President and Secretary-General of this Conference to describe some experiences and to state some views which may be of interest to the 122 nations participating in this great international gathering.

During the general debate which has been going on, and in the preparatory work and documentation, great interest has been shown in two questions with regard to which the Inter-American Development Bank's four years' experience may be of value to this

Conference. The questions are, first, the close relationship between the problems of international trade and external public financing; and second, regional integration, particularly of the developing countries, as an effective formula for achieving more dynamic and balanced progress in the context of world economy.

I shall comment briefly on these two topics.

*External trade and international public financing*

The Board of Governors of this institution, at its last meeting held at Caracas in April 1963, adopted



an important and novel resolution, perhaps the first of its kind to be adopted at such a meeting, instructing the authorities of the Bank to maintain close and continuous co-ordination and contact with all international and regional schemes and bodies dealing with the problems arising from the trade in primary export products. The resolution expressed the conviction, which has recently become deeply rooted in Latin America, that international public financing, a matter with which the Inter-American Development Bank (IDB) is concerned is conditional and influenced by the trends and problems of the external economy of the developing countries.

In my frequent and regular visits to all the countries members of the Bank, public men, experts and company directors all assure me that the benefits deriving from the contribution of external resources for the improvement of the process of capitalization in Latin America will always be meagre and in some cases will even be fictitious if there is no possibility of coping with the balance of payments and improving the position with regard to ordinary earnings from exports. This opinion, which is now very generally held, was very aptly summed up by Mr. Raúl Prebisch when he stated in his report that whereas in 1950 the funds supplied by the industrialized countries to the developing countries amounted to 0.3 per cent of the combined income of those developed countries, by 1962 they amounted to 0.7 per cent; if, however, the losses of the developing countries as a result of deterioration in their terms of trade is deducted from the last figure, that for 1962 the actual amount of funds supplied would be no more than the 0.3 per cent attained in the first year mentioned.

The latest information produced by the United Nations Secretariat is rather disappointing as regards the target originally set for the Development Decade namely a contribution by the more advanced countries of not less than 1 per cent of their gross product to investment in the under-developed areas. Figures for the year 1962 show a decrease, despite the fact that in the same period the product in those countries increased by 5 per cent. In other words, not only is there no perceptible trend towards an increased transfer of funds which would give the developing countries a small share in the resources accumulated by the industrialized nations, but what is worse, such flow of capital as there is would seem to be doing no more than make up for the destructive effects of inequitable terms of trade.

In Latin America, this process has been very clearly marked and has already been commented upon many times at our international meetings and during this Conference. To sum up, the external economy of Latin America since the war has lost its dynamic impetus, as is revealed by the decrease in the rate for the over-all development of the continent from 5.7 per cent in the five-year period 1945-1950 to 4.1 per cent in the period 1955-1960 and 3.1 per cent in 1962, notwithstanding that in the last few years

external public financing has been on a scale substantially greater than in the past.

There is no reason to be surprised at this if we remember that between 1948 and 1962 the value of Latin American exports increased by only about 43 per cent, while the value of world trade increased by 150 per cent. This pronounced imbalance has led to a sharp fall in Latin American participation in world trade, from 11.4 to 6.5 per cent in the years indicated. This reduction is largely due to the weakening of exports since the middle of the last decade. Whereas our exports showed a mean annual increase of 5.2 per cent in the period 1950-1955, the rate was reduced to 1.7 per cent in the five-year period 1955-1960. Although these exports have more recently shown a trend towards recovery, there can be no assurance that the trend is stable and in any case it is very far from reaching the rate of 6 per cent which would be necessary to maintain a minimum annual rate of 5 per cent for the development of the economy. These details also explain why the international currency reserves of Latin America have shown an average annual decrease of \$45 million in the period 1951-1955 and of \$130 million in the following five-year period.

As may be readily understood, this process is all the more alarming if we consider that the rate of population growth in Latin America is the highest in the world, and that our populations are not only aspiring to better living and educational conditions but are in practice achieving more satisfactory standards, through institutional reforms in many of our countries.

The foregoing picture does much to explain the tensions and frustrations now disturbing the life of the community in many of our countries. Latin America, despite its immense natural wealth, as yet unexploited, and the efforts it has made to develop its internal economy, is living in a state of dangerous imbalance, which can only be remedied if a satisfactory solution is found at the same time for the problems now affecting its foreign trade. That is why over 200 million Latin Americans have placed their hopes in such specific results as may be achieved by the discussions now starting in this town of Geneva.

There is no question of our communities considering development as a mechanical process, or thinking that their precarious living conditions, the product of centuries of backwardness, ignorance and social injustice, can be remedied simply by a new order in international trade conditions. We realize that much of the answer will lie in the modernization of our antiquated structures and in the formulation and implementation of development policies promoting the formation of domestic savings and attracting foreign funds, which are indispensable requisites for speeding our economic growth.

It is difficult to determine the relationship of cause and effect, but it is obvious that both the dangerous

trend in Latin America towards external indebtedness, and the inflationary pressures which are disrupting the orderly development of many of our countries, are closely linked with the characteristics of foreign trade already mentioned. In 1962, Latin America increased its external indebtedness to nearly \$10,000 million, whereas in 1955 its external debt was only \$3,600 million, which demonstrates that, in the absence of adequate earnings from foreign trade, it has been compelled to make considerable use of foreign loans, especially on a short- and medium-term basis.

In conjunction with this heavy load of external indebtedness, there are many nations in which inflationary pressures on developing economies have increased as a result of fiscal deficits arising from the decline in earnings due to the trade situation already described. This situation is sometimes aggravated by attempts, through greater efforts in the public sector, to compensate for reduced activity in the private sector.

Stabilization programmes intended to remove these financial difficulties on a short-term basis often fail to achieve the desired result, precisely because they are put into effect in the face of external conditions which are extremely adverse. We have learnt by experience that our economies, like those of the more developed countries, cannot be kept in check except at a social and political price which our peoples and Governments are not always in a position to pay.

#### *Regional integration and economic development*

I shall now refer to the importance which has been placed in the course of the Conference on tendencies towards regional integration. This derives from the fact that regionalism tends to the formation of wider geo-economic areas with all their positive projections designed to bring about a more dynamic and efficient development process; nevertheless we cannot ignore the fact that these tendencies are also reflecting historical and political motives, especially in some underdeveloped areas in which "nationalism" is not so much a force for dismemberment or separatism as a vigorous centripetal factor making for the rehabilitation of countries which have been kept separate by a variety of circumstances but whose geographical and historical affinities make for the reconstruction of lost bonds of unity. This is the typical case of Latin America and it is the powerful underlying force of the whole process of economic integration which is today acquiring a growing impetus in the Western hemisphere.

In my contacts with different areas of the developing world I have witnessed a deep interest in Latin American integration experiments. It is evident that its most clearly defined mechanisms are schemes, like the Central American Common Market and the Latin American Free-Trade Association, which aim at promoting co-ordinated trade and development. For Latin America, in addition to these schemes the existence of the Inter-American Development Bank has been of primary importance in giving continuous and growing

support to economic integration through its financial operations. The constitution of the Bank provides that its activities shall be oriented towards the promotion of an integrated development of the region by stimulating trade and making the economies more complementary. In the case of European integration it was possible to mobilize the ample financial resources available, both public and private. The case of Latin America was different, since it is composed of countries whose low rate of capitalization is also reflected in a lower rate of development of the basic conditions for that process; hence the importance of a regional financial body, like the Inter-American Development Bank.

The Inter-American Development Bank not only purposes to contribute additional resources to the acceleration of the process of growth of the member countries, but it also endeavours to make that growth part of an "integrated development" plan. The two-hundred projects already approved, totalling over \$900 million, also cover special matters in relation to which the member countries had constantly been asking for greater flexibility on the part of the existing sources of international finance.

It should be pointed out that the Inter-American Development Bank not only finances economic development projects but also social investment (housing policies, land settlement, drainage and drinking water and higher education), and in accordance with the guidelines laid down in the Charter of Punta del Este—the basis of the Alliance for Progress—the Bank has tended to co-operate in the external financing of the national development plans of the member countries. These plans have made it possible to achieve very significant advances in recent years in carrying out fiscal and institutional reforms designed to bring about a better mobilization of domestic resources. Indeed, nine-tenths of the process of accumulation of Latin American capital is being carried out in consequence of the effort of the countries themselves. As regards the activities of the Bank itself, whose projects have contributed to financing large-scale enterprises totalling \$US2,500 million, that official international assistance actually complements those activities.

I must also stress the great importance attached in the practical activities of the Bank to technical assistance, particularly in the field of pre-investment, and also to the financing of industrial and agricultural projects for diversifying the economies of the member countries. In this respect, I regard as of the utmost importance the remarks contained in the statement by the President of the International Bank for Reconstruction and Development (IBRD), Mr. George Woods, reiterating his views concerning the need for international public finance to cater for these two important sectors which are the mainstay of progress in the developing countries.

I do not believe that the facilities which the developed countries could give for the export of manufactures or semi-manufactures from the developing countries are enough, if the latter cannot rely on the necessary

technical and financial aid to expand industrial production and make it more efficient. These aspects of the matter are also closely bound up with the existence of wider domestic markets, hence the tendency of nations to expand their markets by means of associations among themselves, and the importance, for countries which adopt common market schemes, of having adequate regional financing bodies at the same time.

In this respect it is important to mention the experience of the Inter-American Development Bank in the field of financing medium-term exports of capital goods produced in Latin America, as well as other specific activities of the Bank for the promotion of integration among the member countries, i.e., the financing of co-ordinated frontier development projects, the construction of highways of international interest, the financing of industries situated in the territory of one of the countries but supplying markets belonging to several others, etc.

This experience also provides important pointers indicating how the financial co-operation of the advanced countries can be directed towards assisting the developing countries. The Inter-American Development Bank itself, with the important financial support received from the United States, both in the form of capital contributions and of funds handled by it, is a tangible example of how aid may be made multilateral.

More recently the Inter-American Development Bank has also been very happy to co-operate with the African countries in laying the foundations of the new African Development Bank and to receive a request for co-operation from the Economic Commission for Asia and the Far East, with a view to studying the possibility of a regional financing body for that part of the world.

It must of course be recalled that the measures adopted by Latin America to consolidate its regional ties are only recent and consequently should be considered as the first steps along a new untrodden path.

In my opinion, the process of integration of Latin America must now enter upon a second, more vigorous stage in the light of the experience acquired in recent years. I believe that Latin America is already in a position to prepare a general treaty of economic integration linking the two existing programmes, the Central American Common Market and the Latin American Free-Trade Association, and the countries which have so far been outside these schemes. The bases of such a treaty should include not only the liberalization of trade—taking into consideration vital regional preferences—but also the decisions supporting the formulation of policies and the creation of instruments for co-ordination in planning development, industrialization, common action in regard to trade policies (the first important step of which was the Declaration of Alta Gracia) and co-ordination of monetary and regional finance policies. To these measures should be added activities for reinforcing the expression of public opinion through a Latin American parliament

and all other measures making for stronger cultural, scientific and technical ties.

From the start, Latin American integration implies a market of 220 million inhabitants with a regional production of \$70,000 million to \$80,000 million yearly and an annual foreign trade turnover of about \$18,000 million. It is easy to understand that if an undertaking of this size materialized, it would not only give a fillip to the development of a dynamic and efficient Latin American economy, but its benefits would also extend to all mankind through the establishment of a new, vast community which would contribute significantly to world progress.

#### *Some concrete suggestions for regional development and financing*

I should now like to mention a few specific points concerning the relationship between commercial and financial policies, particularly in the sphere of regional activities:

1. Developing countries seeking economic integration must assist the process not only through commercial machinery but also through regional financial systems sufficiently flexible to meet the various technical and financial needs that may arise. Experience shows that regional financing institutions, as the agencies which channel international public financial co-operation, are in a position to exercise a more flexible influence and one more in keeping with conditions in member countries and with the great variety of problems to be solved.

2. It is important that multilateralism should be strengthened in financing development, not only by the borrowing countries but also by the capital exporting countries. It might be possible at some future date to establish closer co-operation between institutions like the European Investment Bank and regional banks set up in developing areas. A marked tendency to multilateralism exists in spite of the different systems of political and social organization, as has been seen during the present Conference. The United Nations Secretariat intimates that in 1962 world aid through multilateral financing institutions totalled \$1400 million the highest figure ever reached in this type of financing.

3. In a multilateral and regional structure it is essential that countries which have reached a higher degree of development should be willing to co-operate with the more backward countries, as Latin American experience proves. Indeed, if the financial assistance granted by IDB is examined we see that the eleven smallest Latin American countries have received *per capita* more than double the assistance received by the three largest countries. Again, the Treaty of Montevideo, the basis of the Latin American Free-Trade Association, contains provisions granting preferential treatment to countries on the basis of their lesser degree of development.

4. It is highly desirable that countries seeking to form regional groups should attempt at the earliest

possible stage to co-ordinate their development programmes so as to avoid any growth of anti-economic activities within their own borders which it might be difficult to check at a later date. Similarly it is most advisable that such countries should co-ordinate their monetary policies and where possible establish common monetary systems. Mention must be made of the experience of Central America as a constructive example of such action.

5. The absorption of external resources does not come about automatically, and it is essential that procedures should exist either previously or simultaneously to enable the developing countries to absorb available financial resources. This point is also valid with regard to foreign currency resources derived from foreign trade and intended by such countries for the financing of investments.

Special reference may also be made to what is generically called "pre-investment": the study and evaluation of projects, institutional and management facilities, etc. The work of regional financing institutions is also invaluable in this respect since they can benefit by and make plans for reciprocal experiments among their own member countries.

6. Just as the more-advanced countries advise the developing countries to promote structural reforms in order to mobilize more effectively their own or the external financial resources available to them, it is also necessary for countries exporting capital to modify their policies and machinery for external financing. Three aspects in particular must be considered: (a) the opening of their capital markets, especially to regional financing institutions; (b) the transformation of the present methods of "tied" aid into more flexible patterns; in this connexion it must be pointed out that a considerable part of the financial assistance received by the developing countries is mainly given for the purpose of expanding the industrial exports of the more developed countries themselves; and (c) public international financing should be assured of a certain degree of continuity guaranteeing the efficient implementation of the investment programmes being prepared by the developing countries and covering periods of two or more years.

7. Until the developing world enjoys the more favourable conditions which we all hope for in future trade relations, it is essential that a considerable part of the financial co-operation granted should enjoy flexible conditions as regards repayment periods, interest and payment currency. Such resources, on account of the very nature of their application, can only come from public sources of international

financing. It must be borne in mind that these investments supplement rather than exclude the possibilities of the capital-importing countries for attracting private capital.

8. Developing countries anxious to form regional groupings must try to co-ordinate their policies for attracting foreign private capital and thus avoid harmful competition arising among themselves, and at the same time to create more stable conditions by offering opportunities of establishing collective insurance systems within the region. In this matter also the functions of the regional financing bodies may prove to be of great importance.

9. The regional groups must try to make more co-ordinated use of their monetary reserves, thus making it possible to deal more effectively with short-term financial problems arising from their balance of payments and the task of developing the financing of their foreign trade.

10. It is essential to establish, internationally and regionally, better co-ordinated policies for institutions whose function it is to help nations to meet temporary balance-of-payments difficulties and bodies financing long-term development. This co-ordination would make it possible to offset, at least partially, fluctuations in foreign income produced in the developing countries as a result of variations in international trade. The experience of Latin America shows that one result of a rigid import structure is that a decrease in foreign income is immediately reflected in reduced imports of capital goods, a factor which hampers economic development and efforts to improve productivity conditions.

Finally, I would like to say that I fully share the opinion of the Secretary-General of the United Nations that to eradicate poverty and to make full use of the benefits of modern science and technology there must be a system of planning established on an international scale. The foundations of such a system must not be merely the creation of more equitable and stable conditions for international trade; the machinery of international financing must also be geared to that ambitious project. Even if we make positive progress in the years to come in closing the gap between industrial and developing nations through a better distribution of world income derived from reorganization of the system of trade, there will still be a need to maintain the movement of financial surpluses and the transfer of technological "know-how" from those nations which have advanced most rapidly to those which, owing to a variety of circumstances, have lagged behind on the road to world progress.

STATEMENT BY Mr. ALBERTO SOLA,  
PRESIDENT OF THE LATIN AMERICAN FREE-TRADE ASSOCIATION  
at the twenty-fourth plenary meeting, held on 8 April 1964

[Original text: Spanish]

Regional integration is one of the ways by which the developing countries can make proper use of international trade as an instrument for economic growth, which is the very purpose of this Conference.

The objectives which the countries comprising the Latin American Free-Trade Association (LAFTA) are seeking primarily to achieve by regional integration are two in number. The first is to strengthen the external sector of their economies, whose vulnerability has restricted and in some cases drastically affected the rate of economic growth. There are two possible complementary methods of strengthening the external sector of the economies of the developing countries: one is the steady expansion of exports.

As the Secretary-General has said, if the developing countries are to achieve the target of a minimum annual rate of growth of 5 per cent in this United Nations Development Decade, they will have to increase their exports by slightly more than 5 per cent every year. This will call for concerted action by the developing countries and more especially by the developed countries, and it is precisely at this Conference that methods will be outlined and ways and means studied with a view to enabling the developing countries to achieve this rate of expansion for their exports, which it has not been possible to achieve in the last ten years.

According to the figures appearing in the publication *International Financial Statistics* of the International Monetary Fund, world exports increased by 67 per cent between 1953 and 1962. During the same period, the exports of the members of the European Economic Community increased by about 143 per cent, while those of Western Europe as a whole increased by 105 per cent.

As against these figures, exports from the developing countries increased by only 30 per cent, and within this whole vast developing world, the exports of the nine countries composing LAFTA increased by only 7 per cent.

I should like for a moment to consider this figure of 7 per cent growth in ten years in relation to the pressing need to increase exports at a rate of over 5 per cent if the not very ambitious target set by the United Nations for this Development Decade is to be achieved. Within LAFTA, the effort to step up exports as means of strengthening the external sector of the economies of the member countries has produced results which, compared with the 7 per cent referred to, are very

satisfactory. In 1963, the second year of operation of the LAFTA machinery, the exports of the nine countries in interregional trade increased by about 50 per cent in relation to 1961, the year before the free trade area came into being. Accordingly, the proportion represented by interregional trade in the external trade of the nine countries members of the Association has risen from 6 to 9 per cent of the total volume of trade.

The second objective of the countries comprising LAFTA is to seek, through the expansion of markets consequent upon the integration process, more satisfactory conditions for the process of economic development, particularly industrial development.

The expanded market provides opportunities for applying to the industrial process the modern technology developed generally in continental countries like the United States and the Soviet Union, with the continental market of Western Europe, whose characteristics bear no relation to the peculiarities of the small domestic markets of the developing countries.

Moreover, the expanded market provides a means of making rational use of available resources, especially that in shortest supply in our countries, namely capital. It also makes possible the promotion of appropriate specialization in the various individual countries in the process of industrial development, avoiding the wastage of resources which comes of setting up identical industrial structures in each of the small national markets isolated from the outside world, as is already happening in some developing countries.

This process of industrialization at the regional level and the process of import substitution on co-operative lines calls for further comment.

Allowing that it is a legitimate aim for a country to develop, and there is no doubt that it is, the country in question must be able to use all available opportunities to promote industrialization with a view to import substitution, thereby freeing resources for the purchase abroad of capital equipment, intermediate products and raw materials of industrial origin required for its development process.

Another effort, which must be considered equally legitimate, is that made on a co-operative basis by a group of developing countries which join forces to promote this process of import substitution in the best possible way, economically and technically. Hence the importance of making sure that the developed countries appreciate these processes of regional integration and do not interfere with them. Hence to the impor-

tance of ensuring that every time a product which a developed country is in the habit of exporting to another country in process of development is replaced as a result of the new trade between the developing countries, the developed countries do not fail to take note of the process. It merely means a change in the structure of their exports to the developing countries, and therefore it should not be regarded as grounds for complaints of the kind which have so often been made during LAFTA's brief existence.

Similarly, it is of fundamental importance to realize that there are other branches of activity within the processes of regional integration which call for understanding and non-interference on the part of the developed countries. Basically, in regard to services, particularly shipping, the processes of integration among the developing countries conflict with the inherited structure of close trade and economic ties linking each of the developing countries with the great centres of Western Europe or the United States and the almost total absence of reciprocity in this particular field, transport.

Thus, if progress in regional development is to continue, efficient transport must be developed to provide the infra-structure of the market. In order to achieve this, special measures will be needed for some time to build up the transport structure of the developing countries. This calls for great understanding on the part of the developed countries, which must realize that it is not a policy of discrimination against them, but a series of measures vitally needed in order to provide a service without which the process of integration cannot go forward.

This kind of policy exists among the developed countries with regard to air transport. The developing countries have to respect the use made by the developed countries of what is known in air transport as the "fifth freedom", which means in practice that there is no freedom of traffic between different territories. This same principle should be applied quite freely in respect of shipping between the developing countries.

In LAFTA, our countries have given concrete expression to a long-standing aim of the Latin American nations in the sphere of international relations: concerted action to ensure that there shall be no rigid reciprocity in relations between countries at different levels of economic capacity. To this end, within LAFTA, the more-developed countries in the area grant those declared relatively less developed certain

minor trade advantages to help them to establish or expand new productive activities; they offer them saving clauses more liberal than the general terms set forth in the Treaty, an opportunity to fulfil their obligations under the Treaty at a slower rate than that prescribed for the more-developed countries of the area, and various forms of co-operation of a financial and technical assistance type, all in order to attain the objective of balanced, steady growth of the countries involved in the regional integration process. In the same way, it is recognized that other countries, perhaps because of the smallness of their markets or the fact that their stage of development, though more advanced than that of the countries officially recognized as less developed, is not yet entirely satisfactory, also need special measures if the attainment of their goal, namely a steady, balanced growth for the nine countries comprising LAFTA, is not to be jeopardized by the application of a programme of free trade and economic complementarity.

This small, modest experiment may serve as an example in the efforts which will be made at this Conference to make positive progress, at the level of international markets, towards the goal of genuine reciprocity between countries of differing economic capacity.

Some of the statements made in this hall concerning encouragement to regional economic integration processes may have given the impression that this process constitutes a possible alternative to the kind of radical, profound changes which are being sought in the very framework and structure of international trade. I should like, before I conclude, to assert categorically that no such alternative exists. Regional integration and the transformation of the background against which the international markets are developing are two complementary processes which the developing countries must pursue with application and zeal.

This morning the representative of Algeria said that for his country, as for so many developing countries, aid was no alternative to trade. Just as the developing countries must obtain from the developed world better trade conditions and better terms for aid and financial assistance, so they must also persevere in the effort to achieve regional integration and in the accompanying effort to secure the radical transformation of the background against which the international markets have hitherto been developing.

STATEMENT BY Mr. THORKIL KRISTENSEN,  
SECRETARY-GENERAL OF THE ORGANIZATION  
FOR EUROPEAN ECONOMIC CO-OPERATION AND DEVELOPMENT

at the eighteenth plenary meeting, held on 3 April 1964

[Original text: English]

May I first say how much I think the convening of this Conference should be welcomed. Its subject is one of the most vital problems of mankind in this century.

The larger part of the peoples of the world live in great poverty and the income gap between them and the richer countries is widening. It is not necessary that this should go on being so, and it is not acceptable from a human point of view. Nobody can be satisfied as long as the results of modern science and technology are, broadly speaking, the privilege of a relatively small part of the human race. They should be available to mankind as a whole.

I think they will be so eventually, but the spreading of these benefits all over the globe is a process that will take a long time and it will require great efforts and careful thinking on the part of all of us.

The richer, that is the industrial countries, have a particular responsibility because they have such a large share of the wealth and the resources existing. This includes both material resources and scientific and technical knowledge. The industrial countries are bound to be a substantial source of financial and technical assistance as well as of private capital flowing to the less-developed areas. They also represent a big actual, and a still bigger potential market for the exports of the poorer nations. In many ways the policies of the industrial countries are of great importance for the less-favoured nations.

Now, some of the industrial countries have centrally-planned economies. Others have market economies where private enterprise plays a large role, though in various forms of co-operation with Governments. Most of these industrial countries with market economies are organized in the OECD. It is one of the aims of this organization, which I represent here, to contribute to economic expansion in countries in the process of development. Another of our aims is to contribute to an expansion of world trade.

These two aims are in full conformity with the aims of this Conference and because we are aware of the responsibility of the industrial countries in these fields we have organized two *ad hoc* groups to discuss the preparation of our member countries for the Conference, in the trade and aid fields respectively.

It has not been our purpose to establish one common OECD point of view. Each of the industrial countries has its own background and policies. Each

of them will speak with its own voice during the Conference. However, it is our experience that difficult things become more easy to do when a number of countries do them at the same time and, besides, I think our discussions have both contributed to a deeper understanding of some of the problems and revealed that our objectives are generally similar. In our Development Assistance Committee, established four years ago, the countries responsible for the major aid programmes have exchanged experiences and tried to increase the efficiency of aid policies, in stressing their close relationship with trade and other policies.

However, we hope to learn more during this Conference. All of us should be willing to listen with an open mind to what is said by others. Our knowledge of the problems facing the less-developed countries is still far from perfect. At the end of the Conference it will, we hope, be possible to see in rather more detail how industrial countries can contribute to a more harmonious world development.

This being so, may I just say a few words on some of the problems on the agenda.

The export earnings of most less-developed countries in recent years have been disappointing. OECD countries are aware that they can do something to improve this situation through a reduction of trade barriers and also through some modifications of traditional methods of marketing as well as of the rules and the machinery existing in the field of international trade.

For primary products you will find OECD countries open-minded concerning the setting up of agreements with a view to making markets more stable. They would, no doubt, agree in a general way that we should aim at fair and remunerative prices but what that means in concrete terms and how it can be achieved, are problems that will have to be studied from case to case. Efforts are being made in our century to obtain a certain amount of control over all kinds of markets in order to prevent developments that are harmful to producers and workers. This will also increasingly have to apply to the export markets for primary products.

Difficult problems, however, lie ahead, because a certain control of supply is necessary if breakdowns are to be avoided. Exporting and importing countries should get together in order to find solutions.

For manufactured products it is important to obtain a large-scale reduction of trade barriers in the "Kennedy



round". In order to take into account the special situation of less-developed countries, the rules of international trade should be reviewed. Opinions differ on how this might be done in a way that helps the countries who need it without being so complicated that it does not work. This Conference ought to throw some more light on this important question.

Another possibility undoubtedly is the formation of regional groups of less-developed countries who give one another preferential treatment and who may also co-operate in other ways, e.g., in the payments and monetary field as well as fields like education, science and technology. There we have some experience which we shall be glad to share with others. The OECD started sixteen years ago as a regional organization for Europe, the Organization for European Economic Co-operation (OEEC). Its activities in liberalizing European trade and payments and in a number of more specialized fields made it a useful instrument for the reconstruction of Europe after the war. Now that this reconstruction is accomplished, we have transformed the OEEC into the OECD, with Canada, the United States and (shortly) Japan as members, and we have made the co-ordination of development aid of the industrial market economies an important part of our task. However, our many years' experience as a regional European group may be useful to others, with the necessary adjustments, of course. We are already in co-operation with some regional organizations of less-developed countries. We shall be glad to extend that co-operation wherever it is welcome and can be useful.

In the financial field somewhat more than 90 per cent of the flow of public and private resources to less-developed areas come from OECD countries (including Japan). It is an aim of the organization to further improve the flow both of bilateral and multilateral resources from our member countries. We know that there is likely to be a substantial balance-of-payments gap for the less-developed countries if they are to have an economic growth that is more satisfactory than in recent years.

Many problems lie ahead of us in this field, regarding both the volume and the character of the flow as well as its geographical distribution. One thing that gives us concern for the moment is the increasing indebtedness of a number of less-developed countries. Too large a part of their imports have been financed by short-term credits, often of a commercial nature, and therefore interest and repayment of debt is often a heavy burden. Co-operation between capital exporting and importing countries is required to avoid this. I warmly support the statements of the President of the International Bank for Reconstruction and Development (IBRD) on this subject, and we will work with the IBRD in the future as we have in the past. In the OECD we have done something to obtain development loans of longer duration and on more favourable conditions for developing countries but much is still left to be done.

The allocation of financial resources to the development of manufacturing industry and other forms of advanced economic activity in less-developed countries is an area where aid and trade policies must be closely related if these industries are to have the markets they require. Along with other international institutions, notably the IBRD, the International Monetary Fund (IMF) and the GATT we are trying to find out how best to do this.

In our co-ordination of the policies of the capital exporting countries we have found it increasingly necessary to look into the problems of individual countries in the process of development. This again has brought us into direct contact with a number of developing countries and these contacts are likely to develop further in the years to come. Only when the aid policies of the capital-exporting countries and the development policies of the receiving countries are in harmony with one another can we achieve the best use of available resources, including resources of skill and technology which often are in short supply and therefore have a key position.

This brings me to the last point that I would like to mention. The problems that dominate the agenda of this Conference are those of trade and finance and this is as it should be because of the importance and urgency of these problems.

Let us not forget, however, that the actors on the economic scene are human beings, men and women. In the end, what men and women are able to do will be decisive. The immense task of spreading modern knowledge of all kinds among the less-favoured nations of our planet is, therefore, probably more important than anything else in the long run. Only when that is done, can these nations fully employ the technology which is now largely the privilege of the rich countries.

Therefore, technical assistance in all its many forms is a main concern of the OECD and we try to organize it better and make it work hand in hand with trade and aid policies so that the possibilities created by these policies can really be utilized.

Last year we established a Development Centre to serve as an instrument for training and research to meet the needs of policy-makers in OECD countries and in developing countries for increased knowledge regarding the problems of development.

At the end of this Conference, we will know more about the problems before us and we will understand each other better, but this is only the beginning of a dialogue that will last many years. We live in a rapidly changing world and therefore the very character of the problems will change while we are trying to solve them. It should not be forgotten that the task ahead of us is unique. Throughout history the difference between rich and poor countries has been one of the main features of life on this globe. We are now approaching a stage where it should be possible to make this difference a diminishing rather than an increasing

one. This is a formidable task and we are far from knowing all its implications, but I repeat—it is not acceptable that the fruits of modern science and

technology should remain the privilege of a small part of mankind. We cannot rest before they are shared by all the nations of the world.

STATEMENT BY Mr. LINCOLN STEEL,  
PRESIDENT OF THE INTERNATIONAL CHAMBER OF COMMERCE  
at the twentieth plenary meeting, held on 6 April 1964

[Original text: English]

I am indeed grateful to the President for this opportunity of presenting on behalf of the International Chamber of Commerce a statement on international trade and economic development.

During the whole of its existence over forty years, the International Chamber of Commerce has striven for the greatest possible measure of freedom of trade and investment and the removal, bit by bit, of restrictions and difficulties of all sorts which have hampered and continue to hamper international business. Our membership, composed as it is of industrialists, merchants, bankers, shippers and shipowners in countries responsible for well over 90 per cent of the volume and value of international trade and in daily contact with the problems such trade has to face, is of course composed of realists. We are conscious of the immense background problems, political, human and social, and we do not expect perfection in our time. What we do hope and trust to see, however, is a steady increase in the volume of international trade and investment, with all that it means in increasing prosperity for all the countries of the world.

The International Chamber of Commerce (ICC) greatly appreciates and values its consultative status with the United Nations. So when this great Conference was first adumbrated, the ICC felt the scope of the Conference was so strikingly allied with many aspects of the work that the ICC has been doing over the years that it was a unique opportunity to convey to the United Nations the results of many of the ICC's detailed studies and its more general conclusions.

As the subjects for the Conference evolved in the discussions in the Preparatory Committee and in the context of the remarkable report of the Secretary-General, the ICC has, through its working parties, committees and commissions, produced a statement giving its views. This will shortly be circulated to you in full as a Conference document. It is truly an international document, for it represents the agreed view of leaders of the business community in many countries. It may be of interest to you to know that at the meeting in Paris, less than one month ago, when it was unani-

mously adopted in the Commission on the Expansion of International Trade, the chairman was American, the deputy chairman Belgian, the rapporteur French, and the Commission was attended by representatives, amongst others, from the main countries of Western Europe, from Canada and Mexico, from India and Japan. In addition, National Committees of the ICC in over forty countries of the world have been kept in touch with the work, and some of them have conveyed their views in writing on specific points, if they were unable to send representatives to the final commission meeting in Paris.

We do not expect of course for a moment that the views we have stated will gain universal acceptance. But they are the views of businessmen from many countries and the fact remains that the great bulk of international trade and a big proportion of international investment is the result of hundreds of thousands of individual transactions every day between individual people and companies daily engaged in the business. The scope, sweep and extent of international trade will inevitably depend on individual assessments and decisions.

In the short time at my disposal I can only make brief reference to some of the points in our main statement. One of the basic problems confronting the Conference is the growing imbalance between import requirements and the foreign exchange resources of the developing countries, if they are to achieve the rate of growth which had been set by mutual agreement. Even to close part of the gap will involve a combination of aid, increasing international trade and increasing investment. The extent of aid and the extent of capital investment by international institutions will depend primarily on government decisions. As far as trade is concerned, the need must be recognized to reduce and, where feasible, to eliminate measures which influence unfavourably the currency receipts of the developing countries, particularly those which depend largely on exports of primary products. The removal of all obstacles to trade, whatever their form, would do much to create the opportunity of

sustained economic growth. We in the ICC realize that if this is to be done, great efforts and certain sacrifices should and must be made by the developed countries. We believe, too, that trade in manufactured products between the developing countries themselves would grow substantially if regional groupings could be set up which removed all tariff obstacles to trade in these products within the groups themselves.

But in our view, perhaps the most important contribution would come from increasing private international equity investment. Here, developing countries can do much to aid the influx of overseas capital. Reasonable monetary and fiscal restraint in the country itself, combined with a willingness to create a favourable atmosphere for growth and expansion, will automatically attract private capital from overseas. Investment decisions are largely made by individual companies. An atmosphere of distrust or even slightly veiled hostility will effectively check much private investment. Yet, if private investment takes place, nearly always it automatically carries with it technical knowledge, "know-how" and skills which may do even more than the enterprise itself to help developing countries in their expansionist policies.

As far as the structure and functioning of those international institutions which affect world trade is concerned, I only wish at this point to mention the General Agreement on Tariffs and Trade (GATT). GATT from time to time has been the subject of criticism from manufacturers and businessmen in many countries of the world, not least from those in

developed countries who feel that their own specific interests have been adversely affected. It may come as some surprise to you, therefore, that the members of the ICC consider that this organization, with its massive experience through the years, has done a very worth-while job. No one pretends it is perfect, but the ICC feels that, though it might rightly be widened in scope, nothing should be done to circumscribe its functions or weaken its authority.

In the view of the International Chamber of Commerce, perhaps the most important result that could come from this Conference would be mutual recognition of the basic responsibilities that each and every country must accept if it is to make its contribution to, and share equitably in, the continued expansion of the world economy. We would view with grave misgiving any move towards dividing the world into two ill-defined camps of developed and developing countries. It is one world in which we live and such a dichotomy could only mean in the long term a restricted rate of growth for all. I was much impressed with the words of the Secretary-General of the United Nations, U Thant, in his preface to Mr. Prebisch's report. "There is no acceptable alternative to international co-operation if mankind is to survive." It was no accident that the theme of the last Congress held by the ICC at Mexico City was "Economic growth through world interdependence" and that at our next Congress at New Delhi in less than a year, discussions and papers will be based on the theme "World progress through partnership".

**STATEMENT BY Mr. OMER BECU,  
GENERAL SECRETARY OF THE INTERNATIONAL CONFEDERATION  
OF FREE TRADE UNIONS (ICFTU)**

at the eighteenth plenary meeting, held on 3 April 1964

[Original text: French]

May I first of all thank the President most sincerely for having given me the opportunity to address this historic assembly and put before it the views and proposals of the fifty-six million organized workers of one hundred and seven countries and territories who are represented by the International Confederation of Free Trade Unions?

The very fact that the United Nations Conference on Trade and Development is taking place fills the free trade unions of the whole world with satisfaction. It is worth recalling that the ICFTU, in conjunction with its affiliated national organizations and the

international trade secretariats, has striven for years to convince the Governments of both the advanced and the developing countries of the need to deal with the problems which the present Conference has before it. We have carried on this campaign simultaneously at the national level and in the most varied international meeting places: at our own Congresses, at the United Nations, in the regional economic commissions, in the Organization for Economic Co-operation and Development and elsewhere.

The free trade unions of the industrialized countries have never hesitated to criticize their own Govern-

ments whenever the latter did not seem to be supporting the onward march of the developing countries with sufficient energy, while the trade unions of those countries have never hesitated to participate in a constructive spirit in all efforts to modify out-of-date social structures, raise the productivity of labour and the standard of living, and develop a modern and prosperous economy.

It would take too long to enumerate here all the proposals which the ICFTU has made during these campaigns and in the course of these efforts. I shall confine myself to mentioning its support for the international commodity agreements, the World Food Programme, the industrialization of agricultural countries, vocational training and the policies of conversion which must be adopted by the advanced countries in order to open their markets to the goods produced by the new industries of the developing countries.

I must, however, remind you that it was the World Economic Conference of Free Trade Unions, meeting in this very city of Geneva five years ago, which declared that all the advanced countries should contribute 1 per cent of their national income to help the under-developed countries, and called for the convening of the United Nations Conference which we have the great pleasure of attending today.

Seeing this Conference meet here fills us with a feeling not only of satisfaction but of duty, the duty of intensifying our own action.

The International Confederation of Free Trade Unions has prepared for the Conference a memorandum which will be circulated very shortly. It describes an action programme for accelerating the progress of the developing areas towards a modern economy, full employment and a decent standard of living.

This action programme is the result of long discussions and consultations with our national trade union organizations and the international trade secretariats.

The free trade unions of the industrialized countries took part in the preparation of our programme just as enthusiastically as those of the developing countries. This wide participation in the preparation of our programme is of capital importance. It is a guarantee that the implementation of our proposals on an international scale will be supported by our affiliated organizations and that those organizations will carry on an energetic campaign along the same lines in their own countries. In other words, we shall be in a position to take concerted action, both on the national and international level, in the highly-industrialized countries and in the developing countries.

We appeal to the Governments taking part in this Conference, whether they be Governments of developing or of developed countries, to take up boldly and imaginatively the challenge with which we are faced. For the first time in history, the possibility exists of satisfying the basic needs of all human beings,

provided that the technical knowledge and the resources of this planet are used for the benefit of all.

The action programme proposed by the free trade unions at this Conference represents a radical departure from traditional thinking in that it approaches the trading problems of the developing countries from the point of view of their needs. We have come to the conclusion that it is a mistake to concentrate exclusively on ways of increasing the exports and export earnings of these countries.

To avoid any misunderstanding, I should like to make it clear immediately that we fully recognize the need to increase drastically those exports and the earnings derived from them. I shall mention in a moment the practical proposals which we have included in our programme with that object in view.

We are none the less convinced that no action along these lines is sufficient by itself to ensure that the developing countries will receive all the goods and money which they need for consumption and investment if they are to achieve the stage of self-sustaining economic development in the relatively near future. We are all the more convinced of this because we reject the idea that the poorer nations should be confined to the importation of capital equipment and foodstuffs. We, the free workers of the whole world, insist on the creation and expansion of internal markets in the developing countries.

The International Confederation of Free Trade Unions is convinced that the task facing the Conference demands the full utilization of the enormous production potential of the more-advanced countries. Our programme therefore proposes that the first step should be to list, on the one hand, the import requirements of the under-developed areas and, on the other, all the unused industrial capacity of the Western countries, in order to determine to what extent they correspond. We believe that the least the worker in the industrialized countries can do for his less fortunate brethren is to contribute through his labour to satisfying their needs and to the development of the countries in which they live.

In order to convert this very simple idea into a practical economic mechanism, our programme of action suggests bold reforms in the system of export credits, especially medium-term and long-term credits, to make it more favourable to the importing countries.

While it is not my intention to go into the technical details of these reforms, which are described in the ICFTU memorandum, I would point out that, in our view, any increase in exports to developing countries which results in the better use of existing capacity and contributes to full employment in the exporting country should be financed by the latter country.

Moreover, we propose that specific programmes, covering imports from developing countries and exports to them, credits, direct capital investment and aid, should be drawn up industry by industry. These programmes, prepared jointly by employers

and workers, should be co-ordinated and encouraged by Governments.

As I mentioned a few moments ago, while the free trade unions consider that this immense increase in the flow of goods to developing countries is the most urgent objective, they are not losing sight of the other problems.

The ICFTU programme proposes a wide range of carefully co-ordinated measures, including the reform of the international currency system, the development of economic transport systems, a more rational organization of the international commodity trade, including the extension of commodity agreements and changes in their structure, compensatory measures to offset price fluctuations, the expansion of trade between developing countries, etc.

I do not want to weary my listeners by describing these proposals in detail, but I wish to draw your attention to the part of our programme which relates to the expansion of exports from developing countries to the industrial countries. We are convinced that the economies of the latter must be methodically adjusted with a view to providing an extensive and expanding market for the manufacture of developing countries. National policy must aim at giving imports from these countries a definite and even an increasing share of present and future consumption. In some cases, a simple reduction or abolition of tariffs may be all that is required. In other cases, however, recourse will have to be had to preferential treatment, either in the form of a general preference, applied by means of international agreements specifying what exceptions are allowed, or in the more perfect, but more difficult, form of a series of preferential tariffs applicable to specific products selected in such a way as to accelerate both the economic growth of the developing countries and the establishment in those countries of industries likely to lead to improvements in working conditions and in the general standard of living.

I need hardly say that any such policy of expanding markets for the benefit of industries in developing

countries must be accompanied by a more vigorous national policy of full employment in the importing countries. Here again, we have prepared specific proposals.

If I have laid special emphasis on our programme for methodically building up markets for the developing countries' exports, it is because the trade unions of the industrial countries have only too often been accused of having protectionist leanings. We are not going to argue this point. Our reply lies in our programme of action, and I repeat that this programme represents the concerted efforts of the free trade unions of many countries, and will be supported by many free trade unions in both industrial and developing countries.

I also wish to affirm the determination of the free trade unions throughout the world to support, both in their own countries and at the international level, any constructive policy which may emerge from this Conference.

In conclusion, I should like to refer briefly to the question of institutional arrangements. The memorandum of the International Confederation of Free Trade Unions contains a number of suggestions. At this stage I shall confine myself to the essential point that all future negotiations and the implementation of agreed arrangements should be entrusted to tripartite bodies on which every member country is represented, on the model of the International Labour Organisation, by employers' and workers' delegates, as well as by government delegates.

The Governments cannot undertake this vast labour unaided. It must be the responsibility of society as a whole. The best solutions will remain a dead letter unless the organized forces of society, and above all organized labour, take an active and constructive part in their implementation. I may add, quite frankly, that these very forces of society, which alone can convert projects into effective and sustained action, could become a serious obstacle if they were denied the opportunity of playing their full part.

**STATEMENT BY Mr. G. BOGLIETTI,  
REPRESENTATIVE OF THE WORLD FEDERATION OF TRADE UNIONS  
at the twenty-fourth plenary meeting, held on 8 April 1964**

[Original text: French]

I was preceded at this rostrum by a Government whose expulsion from the United Nations has been requested by workers all over the world on account of its policy of *apartheid*. I hereby enter the strongest possible protest on behalf of the WFTU against the

participation in this Conference of representatives of the racist Government of South Africa.

Speaking on behalf of the 120 million workers who are members of organizations affiliated to the World Federation of Trade Unions, allow me to offer

Mr. Kaissouni our congratulations on his unanimous election and to express to the Conference our cordial good wishes for the success of its work. This Conference will certainly mark an important turning point for the expansion of trade relations and the building of a new structure for world trade.

The World Federation of Trade Unions would like, in this brief statement, to emphasize how much importance the workers of all countries and of all shades of trade union opinion attach to the expansion of international trade, and to the development of trade relations between all countries without distinction.

When, in July 1959, the World Federation of Trade Unions proposed to the Economic and Social Council at its twenty-eighth session that it should consider the calling of an international conference for the purpose of discussing the development of international trade and the abolition of embargoes, it had in mind the importance of normal trade relations for the control and reduction of unemployment, for the provision of increased employment opportunities, the improvement of standards of living, for assistance to under-developed countries in promoting speedier economic and social development, for assistance to industrialization and for the establishment of the basic industries needed for a rapid increase in agricultural production.

This has recently been confirmed by the Preparatory Technical Conference on Employment Policy of the International Labour Organisation, where the workers took a united stand, thereby clearly emphasizing the close interdependence between trade and increased employment and higher standards of living.

Certain preliminary conditions must be fulfilled before the labouring masses, particularly in the under-developed countries, can really benefit from the expansion of trade. The conditions under which trade develops are of fundamental importance. The greater part of world trade is in the hands of private companies, large monopolies. Thus, despite the measures taken by the Governments of the under-developed countries to enable them to exercise a certain degree of control, or indirectly to influence international trade, it is the companies having the monopoly in trade, production, business and transport, etc., which make the final decision on what should be produced or bought and sold, the quantity and price. There are even some developing countries whose trade relations are based, to a large extent, on transactions between different branches, or different companies, of the same international monopoly or cartel.

In our opinion, the study of means and measures to enable the public authorities, and the Governments of the under-developed countries to limit to some extent the power of decision and the privileges of these monopolies is one of the major tasks before this Conference. The abundant documentation provided by the Secretariat of the Conference, and the already numerous statements made by eminent representatives of different countries, will provide a basis for this study which is essential.

If any reproach can be levelled at the trade union organizations, it is that they have only intermittently paid attention to the co-ordination of trade union action by workers employed by the same trust, and workers connected with the same trusts which are members of international combines with undertakings in both developed and under-developed countries.

We are convinced that the important and considerable progress made in the solidarity of the workers will make it possible to remedy this defect. At the present time, actions taken by certain units make it permissible to look forward to a greater exchange of experience in these matters. The World Trade Union Committee on United Anti-Monopolist Action has taken the step of convening a world trade union conference on trade which will deal among other matters with the questions to which I have just referred. It also took the step of initiating a world campaign against the trade blockade of Cuba, together with action to put an end to trade embargoes.

There is one fact which cannot be denied. The workers of both developed and under-developed countries must deal with the same monopolies which exploit the trade in and the ownership of natural resources, or concessions for their utilization, in the under-developed countries. The struggles of the workers in the developed capitalist countries against austerity programmes, wage freezes, the consequences of currency devaluation, against pernicious inflation, etc., are further evidence of the close relation between the policies of international trade and the national policies which the monopolist arrangements impose on the public authorities.

Contrary to what has been said at this rostrum, a deterioration in the situation of workers in the developed capitalist countries would be of no assistance whatever to the peoples of the under-developed countries in their efforts to achieve economic development. Wage freezes, or worse still, wage reductions, a regression in conditions for workers in the developed countries, would simply add new difficulties to those already facing the under-developed countries, hindering the building-up of their budding industries, given the enormous difference in levels of productivity in the under-developed and the developed countries.

The policy of the large monopolies is designed to keep the under-developed countries as sources of cheap raw materials and as an exclusive market for their own manufactured products. These companies try to cushion their risks and their non-profit-earning investments, such as those for infra-structure, etc., by resorting also to international financing institutions, not excluding those of the United Nations family; they manipulate—in an upward direction—prices of capital goods and manufactured products sold to the under-developed countries.

The World Federation of Trade Unions is fully aware that trade expansion alone is not likely to solve fundamental economic and social problems. Radical changes are needed in the social system and in the

organization of production, particularly through land reform, specially in the under-developed countries. But world trade and its expansion can be put to more effective use in the promotion of economic growth and of higher standards of living. In particular, we have in view the possible advantages of concluding long-term and medium-term agreements enabling the developing countries to pay for part of their imports in local products, i.e., by their labour.

This Conference has the necessary means and the authority to propose to the United Nations the immediate or longer-term measures needed to make allowance for the economic and social changes which have already occurred in the world, and to adapt the structure of trade relations to those changes.

In the opinion of WFTU the Conference should:

Take into consideration all efforts and proposals made with a view to finding means of reconstituting a single world market, in which the economically weaker countries would be helped to develop and diversify their production and to transform their own raw materials. For that purpose, measures could be taken to eliminate the distortions caused by the existence of closed economic circuits, which are sometimes discriminatory and protectionist;

Propose the conclusion of commodity agreements of general application, which is necessary if they are to be viable. These general agreements should not only make it possible to keep prices at a reasonable level, they should above all ensure a regular increase of production and employment, and earnings for the developing countries. We also think that these agreements should eventually cover all primary commodities;

Establish certain principles governing world trade; the proposals of the seventy-five developing countries and those made at this Conference, and the resolutions of the regional economic commissions, seem to us to

provide a sound basis for the preparation of a charter of principles governing world trade, which would condemn political discrimination in trade matters;

Provide for a thorough examination, on a continuing basis, of the relationship between disarmament and world trade.

With regard to the institutional aspects of world trade, it is clear from these first weeks of discussion and from the proposals already put forward, that the existing international machinery is not satisfactory, or is satisfactory to certain countries only.

This is another major question with which the Conference must deal. We know that it is not simple or easy to change established traditions, to blaze new trails, and to abolish positions of privilege.

We agree with the considerations put forward by the Secretary-General of the Conference in his introductory report, where he states that some kind of new trade organization is needed. If the Conference is not immediately convinced of that need, he suggests, "proceeding gradually and by stages, making use of the experience acquired in the process". We should like to point out that whatever the form adopted, the great labouring masses of the world should be represented through the responsible participation of the trade union organizations on a permanent basis.

In our view, the first condition for the effective operation of the proposed machinery would be that it should include all countries. The Trade Unions and the workers who are members of the World Federation of Trade Unions would find it hard to understand if no means were found to fill the gap at present caused by the exclusion of representatives from trade areas and markets as important as the People's Republic of China, and the Democratic Republic of Viet-Nam and the Democratic People's Republic of Korea in Asia and the German Democratic Republic in Europe.



**Progress Report  
and Closing Statements of Policy**



STATEMENT BY Mr. RAÚL PREBISCH,  
SECRETARY-GENERAL OF THE CONFERENCE  
at the twenty-fifth plenary meeting, held on 6 May 1964

[Original text: Spanish]

I thought that it would be a good idea if I gave the Conference an account of some matters of concern to the Secretariat relating to the progress of our work. These matters are of a constructive nature and do not imply any misgivings as to the positive results which this Conference will achieve.

If we look back, we shall see that some of the points which have worried us in the past have inspired really positive action. Before this Conference began, very insistent doubts were voiced, generally reflecting grave pessimism as to the results of the Conference. It was suggested, for instance, that problems quite unrelated to the fundamental aims of the Conference would be raised and would prevent those aims from being achieved. Fortunately, these doubts have been dispelled. It was also said that this Conference, the largest in the history of the United Nations, would involve insoluble practical problems, because if the representatives of over 120 Governments met at the Palais des Nations, the inevitable result would be chaos. That prophecy has likewise not been fulfilled. I trust that the matters of concern which I am about to describe will not be considered as an expression of discouragement, my only intention in voicing them is to try to ensure that the work still remaining to be done will be as constructive as possible.

The Committees have relatively few days to conclude their work, which should be completed about the end of the ninth week of the twelve weeks set aside for the Conference. There are only fifteen working days left, assuming that representatives are prepared to work on Saturdays to enable the Committees to complete their agendas within this period; the time is extremely short, considering all the work still pending. I do not think that this fifteen-day period can be stretched to any appreciable extent in view of the general programme of work and the time-table carefully prepared by those working with me in the Secretariat. This gives us time-limits and schedules we must try to adhere to. It emphasizes the desirability and indeed the need for completing the work of the Committees not later than the ninth week, that is by 23 May.

We estimate that if the work of the Committees is completed by that date, two days will be needed for the translation and distribution of Committee reports and for completing the drafting of the Final Act.

The remaining days of the tenth week will be needed to consider the report of the Credentials Committee and to revise the Final Act, which leaves us only two weeks, the eleventh and twelfth, to discuss the Committee reports, and the report of the Drafting Committee, at plenary meetings of the Conference. According to the recommendation just approved by the General Committee, the draft of the Final Act will have to be revised in the light of the conclusions reached at plenary meetings with regard to Committee reports, so that the twelfth week will have to be devoted to winding up the discussion of the Final Act and adopting the final report of the Conference, in which the Final Act will be incorporated, and to hearing the statements of Ministers. Finally, at the end of that week, the Final Act will be signed on behalf of those Governments which feel that they are in a position to sign it—we trust the great majority of participants.

The Secretariat has been impressed, and favourably impressed, not only by the number but by the quality of the recommendations submitted in the various Committees. But at the same time we have reached the conclusion that, in the few days remaining to the Committees, it would be physically impossible to consider thoroughly, and to settle finally, all the questions before the five Committees. We must acknowledge this if we are to avoid the danger—a very grave danger—of reaching the end of the ninth week without having considered those problems which virtually all of us agree are the fundamental issues before this Conference. The Secretariat therefore feels that it is its duty to urge the need for the immediate establishment of an order of priority.

The first idea that comes to mind with regard to an order of priority is the arrangement of items in order of importance. But it is not the duty of the Secretariat to decide the order of importance of the various recommendations submitted by participating Governments, nor is it in a position to do so. Each of the Governments which have submitted draft recommendations naturally considers them of importance for the purposes of the Conference. Therefore it would be out of place for us to start establishing an order of priority based on the intrinsic value of the various recommendations.

That being so, on what basis should a selection be made? In my opinion, it follows logically from the nature of this Conference and of the main problem it is called upon to solve. What is that main problem? It is the fact that any effort made by the developing countries to speed up their growth rate comes up against major obstacles from outside. An increase in the rate of development, with a view to achieving the modest annual rate of 5 per cent established by the United Nations General Assembly, involves the need to import far more capital and other goods than developing countries can afford to pay for by means of their export earnings in the present conditions of international trade.

This is the basic problem of the so-called trade gap round which this Conference has revolved. Thus the criterion for selection should be based on this fundamental problem, and we must inquire which of the draft recommendations contribute directly and effectively to its settlement. In other words, the draft recommendations selected should be those whose adoption is vital to the success of this Conference. There are many other draft recommendations of individual and intrinsic merit, whose adoption would not necessarily mean the success of the Conference, although they would be ancillary to it. I would accordingly venture to suggest to representatives the following pragmatic yardstick. All the draft recommendations hitherto submitted, or which may be submitted in the next few days, should be divided into two main categories. First, all those which are directly connected with the fundamental aims of the Conference, the recommendations whose non-adoption would mean that the Conference could not be considered as having successfully completed its work. Second, all drafts which do not have the same significance or scope. I venture to make this suggestion only because it is clear that the idea of establishing appropriate international machinery to continue consideration of the grave problems of trade and development has secured general support. There would indeed be occasion for concern if all the matters debated here were to be considered closed once the Conference comes to an end, and if there was to be no sequel. But there does seem to be general agreement that its work should be continued in one way or another, so that all the drafts classified in the second category, as not to be considered now for lack of time, could be retained as study outlines or as items in a programme to be dealt with by such permanent body as may be established as a result of this Conference.

In the light of the debates in the plenary meetings and the Committees, what are the matters which the Governments represented here consider of major importance in connexion with the fundamental aim of this Conference, namely, the closing of the trade gap? I will venture to suggest a list—which must not be considered exhaustive—just to give practical form to my thoughts. Above all, and following the order set by the Committees, there seems to be general

agreement on the fact that commodity problems are of fundamental importance. It might be possible to lay the foundations of a primary commodity policy covering the questions of price stability, access to markets through the removal of obstacles rendering this difficult or impossible, and the impact of the technological revolution which is still going on in the world, with steadily increasing effect. Other aspects of the subject might also be included.

The second point refers to manufactures: there is a definite likelihood of reaching general agreement concerning the inescapable need for actively promoting exports of manufactures from the developing countries to the developed countries. There are still differences as to the way in which it should be done, but the idea of a preferential policy has gained much ground, and when I think of my early conversations concerning this Conference a few months ago and hear what is being said here, I realize that we have come a long way; and there is no doubt that we can go still further.

With regard to financing, it is also clear that even the most fervent advocates of a price stabilization policy do not believe that even in the most favourable circumstances this alone could solve all the problems raised by the deterioration in the terms of trade of the developing countries. It is therefore understandable that a good many countries have concentrated on measures of compensatory or supplementary or complementary financing, whichever you may prefer to call them, which in one form or another will have to be superimposed on the ordinary measures of financial co-operation in order to meet the contingencies of international trade.

With regard to principles, and this is my fourth point, I think considerable progress has been made. Careful attention to the debates in the Fifth Committee will reveal that what seemed unacceptable a few years ago is today accepted and that we are now considering the possibility of general principles which will apply to the whole economic world, whatever the prevailing economic and social systems.

It would also be most useful to establish principles making a clear distinction not only between the different conditions prevailing in the developing countries as against the developed countries, but also of the very obvious differences in conditions prevailing in the various developing countries themselves. Perhaps one of the most interesting facts about this Conference has been the recognition that the developing countries, while there is a certain obvious common denominator between them, none the less vary considerably among themselves as regards their degree of development. An effective international economic co-operation policy could not fail to recognize these differences, and to deal with them by means of flexible measures. Failure to evolve such measures might produce very unfortunate consequences, not only for the developing countries, but for the future economic and political fate of the world.

In this matter of principles, too, the choice must be made with great care. Consideration of the draft recommendations submitted would make it possible to establish definitely the general basic principles for a new policy of international co-operation. They are few in number, and in my opinion they should be presented in a clear and simple form if they are to have the desired effect. Then there is a series of principles deriving from the former but intended not so much as a basis for a policy—a role which belongs essentially to the original principles—but as a guide to the application of that policy. Thus a series of principles could be envisaged with regard to a primary commodity policy, a policy for industrial products, etc., and discussion of them could be linked with the debates held in the various Committees on the same questions. In that way the discussion would bear chiefly on the broader general principles.

At the beginning of this statement, I said that the fundamental measures on which the success of the Conference depends were all bound up with the concept of the potential imbalance of trade, the great obstacle which, together with internal development factors, hinders and complicates all efforts to speed up the rate of development. The more I think about this problem, in the light of this Conference's deliberations, the more convinced I am that we must look more and more towards the idea of determining specific targets for the volume of external trade, in relation to the problems of the developing countries. I feel that neither the time nor the circumstances are appropriate for us to go into the size of those targets at the present stage, but I believe that it is fundamentally important that the idea of quantitative targets for the exports of developing countries to both the private enterprise developed countries and the centrally-planned economies should be accepted.

One subject discussed during this Conference—and not merely academically but on an eminently pragmatic level—has been the question how countries with a centrally-planned economic and social system could assimilate or adopt measures parallel to those of the private enterprise countries in regard to external trade. In my report I tried to clear up this point by showing that the fundamental difference in their systems meant that there could be no broad comparability between the kind of measures one group of countries might adopt and the measures adopted by other countries; however, if it were found possible to establish quantitative growth targets for imports of primary commodities or industrial products from the developing countries for some years to come, we should have found a common denominator which would enable the different groups of countries to take the necessary measures to achieve those targets within their own economic and social systems. Moreover, I believe that as regards the controversial subject of the developing countries' exports of manufactures, an agreement on specific quantitative targets could, even in the case of the private enterprise countries,

open the way to solutions which cannot, perhaps, be very clearly visualized at the present time, because opinions vary so widely on the kind of action to be taken in this direction.

As regards the fundamental decisions which I mentioned by way of illustration, it is clear that the tree is laden with ripening fruit: with the slightest shake of the tree, the fruit is ready to fall, provided the political decision is made at the highest level—the time for new technical studies has now passed; the need is for vital major political decisions. Since the harvesting of the fruit is now a matter of urgency, this is the kind of action that must be taken, instead of merely recommending a survey of what the fruit of future trees is going to be like. I believe that the time has come to take fundamental decisions; this is in no way incompatible with their being translated into specific agreements after this Conference.

Of the range of problems before us, I feel that the present Conference will not be able to produce detailed decisions on some questions relating to international economic co-operation and the lines to be followed. What might be done, in these circumstances, is to adopt recommendations addressed to groups of experts or to the Secretariat—depending on the subjects and on their relative importance—requesting them to consider how the decisions can be given concrete form and put into practice. All this refers to fundamental problems; in the case of others which are not so essential to the success of the Conference, there are practical reasons why some fruit should be left to ripen on the tree, to be harvested later by the standing committee—if it is instituted—or by future Conferences, which would represent a rational distribution of work.

Turning now to the work to be done in the last two weeks, I would recall that the Preparatory Committee recommended, and the Conference approved, the idea of inviting the Ministers who head delegations to attend the last stage of the Conference. Several representatives have approached me to ask what the most suitable dates might be. That question is rather a difficult one for the Secretariat, since there is a general desire that the Ministers should be present for the last two weeks, at least. However, it has been pointed out to me repeatedly that Ministers' time is limited—as of course it is—and that not all of them can stay two whole weeks in Geneva. In view of the way in which the proceedings of the Conference have developed, the attendance of Ministers might perhaps be confined to the week in which the definitive version of the Final Act, expressing the political will of the Governments represented at this Conference, is discussed. Here I should like to make one final suggestion: in my fifteen years' experience with the United Nations, I have seen how time after time an effort is made at the end of certain conferences to smooth out difficulties through the flexible, intelligent and imaginative use of the resources of the official languages of the United Nations. This is a very praiseworthy method, but on this occasion, which is a vital one for

the developing countries, its desirability is questionable. I believe and I apologize to the representatives for saying so on this occasion, that if real agreement cannot be reached on certain fundamental points, it might perhaps be preferable to express agreement only on those items on which real agreement has been reached. Of course, everything must be done—and here advantage must be taken of the presence of the Ministers—to achieve agreement, but if there is continued disagreement on some fundamental items, that too must be expressed. This Conference has an enormous responsibility to world public opinion and that is why I advance this view in all earnestness. Why? In order to keep the controversy going? No. This Conference is making a great impact on world opinion,

and many of the decisions which will be taken here or which, if not taken here and now, will undoubtedly be adopted in the future, require the support of world opinion. We are seeing this every day. There are certain problems which to us in the developing countries are perfectly clear but which have not yet been adequately explained outside our countries, because effective steps have not been taken to bring the arguments home. If fundamental disagreements are cloaked now, it will be impossible to bring home the arguments; yet the world urgently requires this in order to open the way for the broad solutions which should emerge from this Conference and those which we may expect in the future if we succeed in making the best use of the experience gained here.

STATEMENT BY H.E. Mr. A. H. TABIBI,  
REPRESENTATIVE OF AFGHANISTAN, ON BEHALF  
OF THE ASIAN COUNTRIES PARTICIPATING IN THE CONFERENCE  
at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: English]

I have been given the honour to speak on behalf of all the countries of Asia who have participated at this Conference to express our thanks to the President and pay our homage to the leadership that he has given us.

Twelve weeks have passed since we first gathered in this important and historic Conference and put the great burden of leadership upon his shoulders. During the past days and weeks, it has become clear that his leadership and guidance were a great help to us all and his efforts for the success of our work during our formal and informal meetings were the main driving force behind every move of the Conference.

The Secretary-General, U Thant, in his opening address rightly referred to the growing conviction that the United Nations must make a determined effort to deal with the problems of trade and development jointly or run the risk of frustrating the efforts of the organization to maintain world peace. It is indeed a fact of our time that unless the political emancipation which we have witnessed with great speed in the last two decades is coupled and strengthened by socio-economic progress, the peace of the world will be in danger. The world cannot be left divided between poor and rich, between healthy and sick, between "have" and "have-not" nations. Economic emancipation is as vital as is the political independence of nations and that is why the founders of the United Nations nineteen years ago in San Francisco, found it necessary to emphasize in the Preamble of the Charter the determination of the peoples of the United Nations to promote social progress and better standards of life in larger freedom. There is no doubt of the progress made towards the eradication of hunger and poverty and of the record of the United Nations and its specialized agencies in assistance rendered to the developed countries. But if this progress is compared with the tremendous needs of the many under-privileged countries which are struggling with shortages of investment, technical personnel, deterioration of the terms of trade, and the decline in the prices of primary products, the picture is indeed dark, for the present rate of help and assistance which they receive cannot solve their gigantic problems of under-development. There is no doubt that national efforts of the developing countries are the main condition for their rapid economic development;

but, although they are making enormous efforts to raise their standard of living and solve their staggering economic problems, they are not able to achieve the necessary level of economic growth. As a result, the gap between the developed and developing countries is becoming steadily wider; the rich are becoming richer and the poor poorer. The commodity exports of the developing countries are low, while the needs for imports of manufactured goods are growing rapidly. There is a widening gap in the balance of payments of the developing countries and there is fear that the gap might be even greater if present trends are to be continued. In the last three months there has been fruitful discussion on all these issues and in some cases solutions have already been suggested, but all these discussions proved to be useful dialogue, or as some called it a "Great Debate", now it is up to the new economic board or machinery under the aegis of the General Assembly to implement the dialogue and principles that we have adopted and codified. During the long deliberations of the last twelve weeks, the Conference has indeed opened a new page in the history of international understanding regarding education of the economic needs of developing countries. This Conference provided, for the first time, a unique opportunity for developing countries to convey to the privileged world—with depth and precision—their problems of poverty, hunger, the trade gap, and the need for help and assistance. For the developed nations as well, the Conference, I believe, proved to be educational and they saw in the statements of the representatives of the developing nations a true picture of their hardships and difficulties. I believe that the developing countries were successful in pointing out and proving that the expansion of trade and raising of their standards of living would not be only useful to them alone, but to the developed countries as well. If the developing countries receive greater purchasing power, they provide expanding markets for the products of the industrial nations and this will lead also to the establishment of a better international division of labour.

Now that we have reached the end of our three months' deliberation, this should be considered the beginning of a new era of positive action and co-



operation between all nations in a spirit of brotherhood and interdependence, which is the basis of economic achievement. Let us not concentrate on the negative aspect of the Conference and not speak of the failures. We should not forget that it took us almost five years to fight for the convening of this Conference and it was known to us all when we met that our achievement would not be miraculous, but we look ahead with hope and the spirit of human brotherhood, and with a faith that the interdependence of mankind will bring us all to a greater level of mutual understanding. In addition, however, the Conference has laid strong and deep foundations for future work as well as for a solid structure of international trade. The Conference has been instructive for both the developing and the developed countries. They both understand each other much more clearly now than before and know better how to tackle these problems.

One other point unknown before to any international conference was the close co-operation of the developing nations, better known as "the group of seventy-five". This close co-operation and unity among the representatives of nearly eighty countries is useful indeed for peace and international understanding and certainly unlike other groupings and factionalism of the past, it has represented a unity of purpose which is based on a similarity of economic problems and a common desire for solutions. The declaration of seventy-five countries signed last year in New York and the principles enshrined in the declarations of Alta Gracia, at Cairo and at Teheran emphasized the common needs of all the developing nations. Their close co-operation was not directed against any group of countries or against the prosperity of any nation, but towards supporting the expansion of world trade and the abolition of misery and poverty and towards a greater human prosperity. This unity and understanding between the developing countries also made it easier for the developed nations to see the true picture of the three-quarters of mankind who are asking co-operation and understanding in order that human prosperity should flourish both in the developed and under-developed world. They have tried their best to present a true picture and to emphasize the real disparities between themselves, forming 80 per cent of the world population and producing 40 per cent of the world's gross national product, and the industrial countries with 20 per cent of world population, but 60 per cent of the world's gross national product. Finally, they have wanted to emphasize the *per capita* income of the developed countries—amounting to \$2098—which is more than seven times the level of that of the developing countries.

The developing countries came here also to see their future progress proceed hand-in-hand with the progress of the industrialized countries, to study their problems of trade and development in the light of the knowledge and experience of the developed nations, and to emphasize that the advancement of the less-developed countries through the expansion of their trade and through earning more foreign exchange will open

larger and healthier markets for the products of the developed countries.

We are happy that this spirit prevailed throughout the Conference, in the private meetings of the Heads of delegations and also through the Conciliation Committee. This spirit of co-operation was shown with great sincerity by all countries, despite some misrepresentations of the press and news media.

As I said before, we should not reflect now at this time when we depart on the failure of the Conference, but think of its achievements, even though they are limited in form. In my view, the Conference was a first step, but a right step. As the Chinese say in their famous proverb: "A journey of a thousand miles begins with the first step". With this first step the Conference marked the end of the era of economic dictation and the beginning of an age of "economic understanding".

The adoption of the resolution calling for an aid flow amounting to 1 per cent of the net national income of developed countries for the development of the under-developed countries is an effort for an understanding regarding a system of equitable preferences, and the consideration of useful arrangements for commodity problems particularly on issue of supplementary finance if carried out with a spirit of understanding between the privileged and under-privileged countries, will lead to an era of economic understanding of great significance for all.

I would like further to single out for particular emphasis two achievements of this Conference which are, in the view of Asian countries, of far-reaching importance for international economic relations.

I speak for all of us, I am certain, when I say that the Conference has provided ample evidence of the remarkable capacity of our countries for the creation of institutional mechanisms needed to have a candid exchange of views, to work out differences and to reach solutions to the problems facing us. I am convinced, from our experience here, that the same flexibility and creativeness will mark our future work.

The second great achievement I wish to speak of is the writing of a set of principles governing international trade, which has resulted from the arduous and devoted efforts of our colleagues in the Fifth Committee. This too is an achievement of great long-range importance. Just as the new machinery will provide the institutional framework for our future work, the principles governing international trade in its relation to economic development will provide the guidelines for future international trade policy. As a result of this important work, problems of economic growth and the trade needs of developing countries have—for the first time in history—been placed squarely in the forefront of international economic policy.

Indeed, these principles, including the economic principles concerning the transit problems of more than twenty land-locked countries, deal with the most important issues put before and examined by this

Conference. The time was ripe for attempting to codify the new conceptual approach which evolved in the last ten years or so on some essential aspect of the intricate problems of economic development of the developing world. The positive confrontation of ideas which took place in our debate in this Conference has resulted in the formulation of a new code of behaviour to guide international economic relations, and, in particular, relations between developing and developed countries. No doubt these principles provide a framework for further progress towards finding further constructive solutions to the problems before the United Nations and the Conference.

On this solemn day, when the whole world is receiving our Final Act, permit me to conclude my statement and come back to the praise of the President's leadership during the Conference, and hope that his guidance and leadership continue for us all in the coming days and weeks. But paying this tribute to him and showering him with the flowers of appreciation on behalf of the Asian countries whose people form the greatest part of the world's population, make me also think with gratitude of another great economist, Mr. Prebisch,

our distinguished Secretary-General, of his important and fruitful work in the preparation of this Conference and his valuable report which was the basic theme of our work. The enormous work undertaken by him and his colleagues in the preparation of his report is appreciated by us all. He and his colleagues in the Secretariat have carried a tremendous burden of work and are indeed worthy of our praise. The interpreters, précis-writers and Conference officers who have been at work day and night, seven days a week, should be thanked because without their co-operation it would have not been possible to achieve even this limited success.

Centuries ago, a great Roman philosopher, Seneca, stated "A hungry people listens not to reason, nor cares for justice, nor is bent by prayers", but during this Conference the representatives of the hungry world listened to reason, looked for justice, and put their faith in human understanding, with the expectation that the same attitude would be followed by the privileged and rich people. We hope that this expectation will not be in vain and that the dream of hungry people will come true.

**STATEMENT BY Mr. A. P. FLEMING,  
HEAD OF THE AUSTRALIAN DELEGATION**  
at the thirty-first plenary meeting, held on 10 June 1964

[Original text: English]

I have asked to speak at this stage because what I have to say is, from my Government's point of view, an important matter affecting our attitude on many of the resolutions we are dealing with.

Some time ago, the spokesman for the thirty-five sponsors of the draft resolution in the Second Committee of the General Assembly (which duly became resolution 1785 (XVII) launching this Conference) said that the Conference was "aimed at the urgent trade problems of developing countries amongst which we [i.e., the sponsors] include in so far as trade problems are concerned those countries highly dependent upon a narrow range of primary commodities".

At an earlier stage in the Second Committee of the General Assembly, it was made clear that Australia fitted that definition.

Yet the tenor of most resolutions before us is to divide all countries into only two categories—developed and developing—and not to recognize stages of development between these two extremes.

They thus do not provide for developing countries to progress from their present status through an intermediate stage to developed status. The concept is static, and there is no transition.

Further, this sharp distinction emphasizes a conflict of interest or confrontation rather than co-operation. The Minister from the Cameroon has also referred to this.

The question can be posed—what are the distinguishing characteristics of developed countries? The answer is that they depend, in the main, upon their export of finished manufactured goods deriving from a mature industrial complex. Their exports of these finished industrial products are, and are likely to continue to be, more than competitive in world markets with the exports of less-developed countries. They have tremendous production and cost advantages in world trade arising either from vitally important economies of scale or from the highly-developed sophistication of their specialized industrial products made possible by a long history of industrial development.

By no stretch of the imagination can Australia be regarded in this trade and development context as having those characteristics. Indeed, in GATT both in 1955 and as recently as in the Ministerial Conference of the "Kennedy round", it has been formally recognized that Australia is so different from the developed countries currently engaged in negotiations to reduce trade

barriers between them that, along with two or three other countries, she is regarded as being in a special category.

Actually, Australia's trade problems are very similar to those of the developing countries, but Australia, in contrast to the developing countries, has already achieved a good standard of living, is a significant donor of aid in grant form and reciprocates or pays for trade concessions. So Australia already accepts many important responsibilities in relation to developing countries.

Just as clearly as we are not a "developed" country, in the context of this Conference on trade and development, we are not a "developing" country.

As the Conference has proceeded, we have not attempted to argue our intermediate position point by point. To have injected Australia's special situation into the detailed negotiations could, in our opinion, have prejudiced the possibility of reaching solutions based on the highest common factor of agreement between developing and industrialized countries. We can understand the practical reasons underlying the desire of developing and developed countries to concentrate on their major areas of difficulty and their major interests. We have avoided extending the scope of these difficult negotiations into the area of legitimate exceptions to meet a clearly different set of problems and interests.

But in the circumstances, where neither the great industrialized countries nor the developing countries have been able in the time available to take account of our intermediate position in their proposals, we have

no option at this stage but to abstain on many of the recommendations and resolutions of the Conference.

Australia's policy already towards imports from the developing countries is very liberal: there are no quantitative restrictions on goods of interest to them; one-fifth of our total imports come from developing countries; seventy-five per cent of these enter duty free; and we are prepared to do more.

The Australian Government wants to see action pressed forward in those fields which the developing countries have identified as being important to an expansion of their trade in improved access for primary products, in removal of tariff and non-tariff barriers, in preferences on manufactures, in commodity arrangements, and so on. Within the limits imposed by our middle zone position and along with action by other countries, the Australian Government is willing to be constructive in these areas and to make its contribution in expanding the trade of developing countries.

Meanwhile, because of the problems arising from the situation which I have described, my delegation has felt and will find it necessary to abstain on many of the recommendations to be considered in these final plenary sessions.

It is the wish of the Australian Government that the foregoing explanation of its position should be recorded in the proceedings of this Conference.

In conclusion, like some others who have spoken, we too think the need for the future is discussion rather than dialogue, co-operation rather than confrontation. The problem before us is well diagnosed. The measures and actions needed give scope for a major creative task.

**STATEMENT BY H.E. Mr. MAURICE BRASSEUR,  
MINISTER FOR EXTERNAL TRADE OF THE KINGDOM OF BELGIUM,  
PRESIDENT OF THE COUNCIL OF MINISTERS  
OF THE EUROPEAN ECONOMIC COMMUNITY**

at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: French]

When we began this Conference at the end of March, we were all aware of its importance, not only as a step forward in the economic evolution of the world but also as a turning point in international economic relations which the industrialized and the developing countries would face together.

It was the first time we had decided to examine the whole fundamental problem of international relations in the light of the growing interdependence today between trade and economic development, the first

time we had tackled this problem, convinced of the need for a system of economic co-operation taking account of the radical differences in economic and social structure that exist between the members of the international community. The more-developed countries must obviously assume their responsibilities within that system if they are to co-operate actively in the gradual raising of the level of the less-developed countries. Such, at any rate, is the view held by the States members of the European Economic Community.

So inspired, we set to work earnestly and in a spirit of good will. We have all contributed our ideas, and we must recognize as the chief merit of the Conference that it has provided the opportunity to compare those ideas.

Again, our full, and sometimes heated, discussions have enabled us to assess each formula and to seek out a middle course between conflicting interests. Hence, today, we all find ourselves pretty far away from our original positions, and are having some difficulty in synthesizing all that has been done in terms generally acceptable, that is to say, universally applicable. The States members of the Community are convinced that this should engender hope, not disappointment.

We must therefore now resolutely face the future, the probable outlook for which will come to us after some hard thinking—which, I am sure, we are all resolved to do.

To the fruitful confrontation of ideas and the sincere effort to find middle courses, I would here add a third positive aspect of this Conference—namely, the fact that it has produced the institutional machinery required to enable the dialogue to continue.

The States members of the European Economic Community acknowledge the need for and importance of such machinery, though to be effective, it must be geared to the actual needs of the moment.

We consider that the general comprehensive discussions we have had during the Conference must be followed by a series of meetings which, while possibly less spectacular, should enable us to go closely into all aspects of every problem.

From that angle, we particularly appreciate the results achieved by the First Committee concerning commodity trade problems on the twin bases of international arrangements and access to markets.

This is a happy example of a half-way house between opposite views, which offers a very promising starting point, although the realization of these ideas will clearly depend on a reasonable and balanced application, product by product, of the two bases I have just mentioned.

I have similar views to express regarding action to be taken on the basis of the Second Committee's report on trade in manufactures and semi-manufactures. Here again the task is to work out practical measures which will improve the developing countries' access to the highly-developed countries' markets and ways of ensuring diversification of their production without affecting the smooth running of national and international markets.

In the same spirit, the Community is prepared to go on seeking formulae, such as preferences, which would supplement tariff reductions.

The States members of the Community also feel that various recommendations by the Third Committee will make possible considerable progress

towards the attainment of our common objectives. I would particularly mention two major recommendations: the one on the qualitative aspects, the other on the quantitative aspects, of financial co-operation and growth.

As a result of this Conference, whose more positive results I have briefly illustrated, we can view the future with confidence rather than with pessimism.

Though the reluctance shown by the industrialized countries to commit themselves more directly and immediately on certain points may have caused some misgivings, I should like to assure you that this reluctance is due solely to the desire to secure a really efficient policy of international co-operation.

That explains why we have gone forward in this Conference with the feeling that any false step might jeopardize the common objective.

No advantage would be served if by making over-hasty reforms we succeeded in aggravating present imbalances without establishing the balances at which we aim.

This is, with due regard to their obligations as members of the European Economic Community, the positive approach of the six countries of the Community to the decisions of the Conference.

This Conference, characterized as it has been by a superabundance of ideas and participants, has afforded all of us the opportunity to know, to understand, and to appreciate each other better. Among the industrialized countries, the European Economic Community, by its very nature, believes profoundly in the virtues of multilateral co-operation conducted in an atmosphere of mutual understanding. Though it was perhaps rash to hope that these long weeks of work would enable us to crown the new edifice of our international economic relations, we have at least been bold enough to want to build it and to lay the foundations. In the ineluctable economic reality in which we live this work is already a feat which must strengthen our common will to achieve one day a more harmonious world, which is the very ideal of the States members of the European Economic Community.

The fact that the call has been felt throughout by the negotiators at this Conference redounds primarily to the credit of our officers. When thinking of this Conference, we shall remember the Secretary-General and the President, who were its cornerstones. We shall, however, also remember that the Conference was held in the Republic and Canton of Geneva, this hospitable city which has more than ever shown itself to be the quiet centre of all the nations, new or old, rich or poor, that we represent here.

Their solidarity on our planet is but the expression of the essential brotherhood of man. And we denizens of an old continent are proud to be living through this era and to be seeking with you representatives of the younger nations the common road to a prosperity which will not be just and human until it is shared by all peoples.

## STATEMENT BY THE REPRESENTATIVE OF BRAZIL

[Original text: English]

It is perhaps premature to attempt at this moment a general evaluation of the results of this Conference. As a matter of fact, we still lack the necessary perspective on the complex work we have just accomplished and it would be presumptuous at this juncture to make an objective assessment of the progress achieved, namely, if the under-privileged nations have got the means to obtain a "fair break" to achieve prosperity. However, my delegation cannot fail to recognize that the United Nations Conference on Trade and Development has been so far the most important milestone on the long road the developing countries have been treading since the Second World War in the pursuit of higher levels of economic progress.

On some vital issues, there was a wide consensus and even unanimity in this gathering. Yet we have to face reality. Large areas of disagreement still subsist and this was only to be expected owing to the vast problems with which the Conference has been confronted. But the fact remains that an overwhelming majority of mankind, over two-thirds of all countries representing a wide range of stages of development and social and economic systems, have largely agreed on united views of past trends, their analysis and the consequences of such analysis.

However, no amount of identification of issues and narrowing down of differences will lead to satisfactory solutions in the interest of all if the political will is lacking to tackle the remaining hard core and take positive action.

In many cases, difficulties arise from the distrust inevitably connected with change, as the end result of such change cannot be foretold. Such distrust can be offset, we believe, when clear objectives are set and progress is made to run along agreed lines, with clearly established safeguards guaranteeing legitimate interests. We put emphasis on voluntarily accepted change on the part of all countries as development is change in itself, and development, we all recognize, must be a common effort.

Thus, two continuing, simultaneous, complementary processes must be carried on: on the one hand, the technical groundwork incorporating the pragmatic solutions of specific problems and the adding up of those separate pieces in an aggregate whole acceptable to all; on the other hand, the evolution of the will to decide in favour of necessary changes with regard to Governments and public opinion as well.

The work of the experts, progressing from the specific to the general, from the measure to the principle, from the pragmatic to the dogmatic must be met, in the

middle ground of reality, by a comparable evolution of political thinking that will sanction, promote and encourage implementation.

Without pretending to pass a judgement on the work of this Conference, it is fair to say that a big step forward has been made: (1) objectives have been indicated; (2) areas of agreement and disagreement have been mapped out; (3) in most cases issues have been clearly identified; and (4) to a large extent existing areas of disagreement have been substantially narrowed down so as to pave the way for future desirable solutions. For tackling these problems and in the light of our discussions, priorities and methods for carrying further the work initiated here will be established for the implementation of agreed solutions to the important and multiple problems debated during the three long months of this Conference.

At the very beginning of our work, my delegation stated that it would not be possible to create, at this Conference, the kind of organization which most of the developing and some of the developed nations envisaged. But we were equally aware that it was here—and nowhere else—that the essential decisions should be taken to ensure both the effective implementation of the resolutions emanating from this Conference and the prompt establishment of an adequate machinery, within the framework of the United Nations family, where the problems of world trade could be dealt with as an inherent and essential part of development.

After several weeks of strenuous debates, a consensus was reached on the broad profile of the continuing machinery: periodic sessions of this Conference, a standing body and a full-time secretariat. However, on some other main issues no common ground was reached.

Meanwhile, the compromise formula which was evolved under your conciliatory command will serve as a useful bridge and you are aware that a fair confrontation of previous positions spelled out by the different groups would clearly indicate which side has gone farthest in order to reach that common ground.

Now I should like to make it clear that the Brazilian delegation, when dealing with this subject, has never advocated change for the sake of change. But this attitude is a far cry from admitting that isolated steps at the periphery would be an adequate solution for the problem. We still think that our work should be completed through the elaboration and constant review of the ways and means leading to the gradual emergence of a comprehensive world trade and development organization.

Among the happy instances of general agreement, I could point to some recommendations on several main issues: the urgency of accelerated growth rates for developing countries; the establishment of a set proportion—1 per cent—of each developed country's national income as the minimum level of contribution of these countries to the development of less-advanced countries, an embryo, perhaps of a future system of international income tax; guidelines for international financial and technical co-operation and for the solution of external debt problems, which distinctly depart from previous orthodox theory and rigid practice; principles for compensatory finance and common measures on shipping—areas in which long-held aspirations of developing countries have begun to be recognized.

Although these recommendations cannot be described as spectacular, they nevertheless represent in all fairness a significant progress which certainly will influence international thinking and practice in this field.

My delegation also visualizes another positive aspect of this Conference. The basic principles and recommendations emanating therefrom will necessarily guide the studies and analyses committed to the continuing machinery created by us, and will remain as a significant first step leading to the desired reformulation of the present rules of international trade. But over and above that we are convinced that such basic principles and recommendations will certainly have deep and far-reaching influence on the efforts being made elsewhere: within the United Nations and related agencies, other international bodies in the economic field, Governments of the Member States of the United Nations and specialized agencies and in whatever forums solutions are being sought to cope with the main problems of international trade within the context of development.

The developing countries came to this Conference with a common platform after careful and objective appraisal of their problems and demands in Alta Gracia, Teheran, Niamey and Addis Ababa. The striking coincidence of points of view of those countries in dealing with questions related to trade and development has been a decisive factor in the conduct of our work. And we are happy to say that some of their hopes and expectations were not defeated.

Basic recognition was given to important principles such as the concern of the whole international com-

munity for economic development and social progress and for the increase of economic prosperity and well-being as well as the strengthening of peaceful relations and co-operation among nations.

Some other principles are worth mentioning, namely: (a) the need to promote, in developing countries, a rate of growth consistent with a substantial and steady increase in *per capita* income that will narrow the gap between the standard of living in developing countries and that in the developed countries; (b) the need for a new international division of labour in harmony with the needs and interests of developing countries in particular and the world as a whole. Most important of all, economic and social progress has been identified as the basic principle governing trade with which all rules applied in international economic relations should be consistent.

In concluding, we would like to stress that from the heavy travail of this Conference we can take home one big lesson: the emerging recognition that development is not an objective to be sought separately by rich and poor, but that, quite on the contrary, it is a common goal of both developed and developing countries in the accomplishment of which responsibilities and burdens must be shared jointly and severally. There is interdependence of interests and co-responsibility in the solutions.

This co-responsibility in solutions is, therefore, a consequence of the mutuality of interests. In fact, the apparent inelasticity in growth rates of developed countries which has been mentioned during this Conference can best be overcome by an acceleration of the much more elastic growth rates of developing countries, while again a stepped-up growth in industrialized countries cannot but favour an expanded world trade and consequently the economic development of the less-advanced nations.

Thus we believe that this Conference which was not intended to be an end but a beginning has, despite its many shortcomings and disappointments, fulfilled the historical role assigned to it, of being an instrument in the universal mobilization of efforts by developed as well as by developing nations to fight misery wherever it is to be found. And with our trust in God, all men of good will shall not fail to join in this campaign which will ensure peace and dignity to human beings throughout the world.

STATEMENT BY H.E. Mr. IVAN BOUDINOV,  
MINISTER OF FOREIGN TRADE, HEAD OF THE BULGARIAN DELEGATION,  
ON BEHALF OF THE DELEGATIONS OF THE SOCIALIST COUNTRIES  
at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: French]

Now that the Conference on Trade and Development is closing, having finished its work, may I be permitted, on behalf of the delegations of the socialist countries, to congratulate all the delegations who have shown a sincere willingness to co-operate in the solution of the enormous task we have been facing during the last three months in the economic relations between nations.

The Conference, which "was conceived as an instrument of action", as the Secretary-General of the United Nations, U Thant, said in his opening address, through the recommendations it has made, the principles it has approved, represents the first step towards the achievement of a goal vital to every nation—the normalization and expansion of world trade, the improvement and extension of economic co-operation between countries with the aim of promoting economic and social progress and consolidating peace and friendship throughout the world.

The Conference has made a clear and accurate analysis of the world economic position and its trade and has outlined the main obstacles to the economic development of all countries, and specially developing countries.

We attach great importance to the developing countries' problems. During the Conference the attitude of the socialist countries and of the developing countries to most of the problems of international economic co-operation proved that their views were identical and they were able to reach agreement on many other matters. At the Conference the delegations of the developing countries received further proof that their national problems were sincerely understood and that the socialist countries were anxious to help them overcome as quickly as possible the economic backwardness resulting from colonialism. They can in the future rely on the sincere friendship of the socialist countries in the achievement of their just and noble aspirations for the progress and welfare of their peoples.

We note with satisfaction that the Conference has recognized the great importance of trade between countries with different social and economic systems and has pointed out that the removal of all obstacles—restrictions, tariff barriers, discrimination, etc.—would benefit not only the countries directly concerned, but world trade generally. We hope that these first

steps will be ratified and extended within the framework of the permanent machinery we have now set up.

In the light of such positive results as have been attained through international effort covering a uniquely wide range of problems, we find ourselves in agreement with the view, expressed by the representatives of a number of developing countries, that the Conference could have achieved better results if all those participating had been prepared to co-operate in solving the problems before the Conference. Nevertheless, while we have not yet been able to produce practical solutions for a great many of the most fundamental questions, we are still optimistic about future prospects. We associate ourselves with the view of those delegations which stressed that the Conference represents only the beginning of a continuing process. We are convinced that the end result of this process will be the establishment of a new system of international economic relations, since this is the desire of the great majority of the participants in this Conference. This system will contain no economic inequality, no exploitation of nations, no discrimination or economic pressure. Our Conference has had a constitutional character. It has laid down the basis for the convening of conferences at regular intervals. The settlement of the many important and complex problems of world trade demands that they be dealt with systematically in order to achieve the best results.

But, there are still many difficulties to be overcome. We have, nevertheless, witnessed the success of the movement towards the strengthening of new economic international relations in the association of an increasing number of countries on a basis of principles and progress. This is a strong and unprecedented force. It would be fruitless to resist the united strength of a body of countries dedicated to freedom and economic independence in their struggle for the reorganization and complete normalization of world trade for the purpose of speeding up the economic and social progress of all peoples.

The socialist countries wish to express their complete satisfaction at the adoption of principles which are of primary importance in world economic relations.

We in the socialist countries unreservedly support these principles and are prepared to implement them in our economic and trade policies. Nevertheless, at this very meeting, some representatives of Western



countries stated that these principles, which represent the fruit of the Conference's three months' work, were unacceptable to them.

Is it not true that these principles are of the highest importance, are they not of universal significance for the human community and, if this is so, should they not be acceptable to all?

Clearly, these principles must be the basis for sovereign development, for the removal of all obstacles and all forms of discrimination, for the expansion of trade as an instrument of progress and peace.

The delegations of the socialist countries would like to pay tribute once again to the magnificent and fruitful work of the Secretariat, headed by the Secretary-General, Mr. Prebisch. We thank the Secretariat of the Conference for all the helpful documents prepared for the Conference and for all the services provided for the plenary meetings and for the proceedings of the committees and working groups.

The delegations of the socialist countries wish to stress that the ability of the President, Mr. Kaissouni, of which we were already aware, and his great experience of international affairs were shown even more clearly during our Conference. It only remains for us to congratulate him on his masterly conduct of the Conference and on the solutions he found for very difficult situations which developed during the discussion of so many problems.

The delegations of the socialist countries sincerely wish the delegations of all countries success in the implementation of the recommendations made by the Conference and hope their efforts to carry out decisions of the highest importance will bear fruit, so that they may fulfil the hopes of the Conference by forgetting the past and embarking on a genuinely new international trade policy. The future lies before us and we must be inspired by the confidence and responsibilities which our peoples have placed on our shoulders.

STATEMENT BY H.E. Mr. VICTOR KANGA,  
MINISTER FOR ECONOMIC AFFAIRS OF CAMEROON,  
HEAD OF THE DELEGATION

at the thirty-first plenary meeting, held on 10 June 1964

[Original text: French]

The revelation of our times has been the growing awareness by the developing countries of their total destitution in a world in which every resource, including the enormous advances made in every sphere, should be used to improve the standard of living of humanity. It was this awareness that led seventy-five developing countries to adopt a resolution—subsequently ratified by the United Nations General Assembly—to convene a world conference on trade and development. And so, for the last eleven weeks, more than one hundred and twenty countries have been meeting in Geneva.

Could it be believed that the high hopes raised by this Conference were only empty illusions?

We must remember that the developing countries have frequently been reproached with not having always troubled to state their problems clearly, much less suggest suitable solutions for them.

The proceedings of this Conference have proved that the developing countries have not only come to know what the problems are and their causes but have described them fully and clearly. They have thus made abundantly clear their ability to set a

course which will lead to the speeding up of their economic and social development, or, in other words, rescue them from under-development.

We do not, of course, claim that all the solutions we have proposed are perfect, nor did we, at any stage, expect measures which would in some miraculous way solve, at a blow, problems whose extraordinary complexity is a measure of the extended frontiers of our world today.

Nevertheless, there was a reasonable hope that once the diagnosis had been made and the disease identified, it might be possible—if the inevitable difficulties could be overcome through the good will of all concerned—to apply appropriate remedies.

Thus, the developing countries, believing that their willingness to seek solutions for the problems at issue was shared by all, submitted, after mature reflection, a large number of draft recommendations to serve as a basis for the essential dialogue with the economically advanced countries. We have used the term dialogue because the under-developed countries wanted this Conference to be, not an arena in which two opposing groups—the prosperous and the impoverished

countries—would confront each other, but an opportunity for patient and sustained work in a spirit of frank and sincere co-operation.

We must be grateful to the developed countries for having lent themselves to this co-operation, which some might hold to be insufficient and voluntarily limited in relation to the means and resources they have at their disposal, but which has, nevertheless, been significant and appreciable.

While the final conclusions of this Conference will not emerge until the Final Act has been adopted, my delegation would like to submit some reflections in the light of the work already accomplished.

From our point view, it would be no exaggeration to say that, as things stand, this Conference will have been neither a complete success nor a total failure.

It will not have been completely successful, because it has not entirely fulfilled the hopes of the less-developed countries.

Our nations had hoped that the least that would emerge from this vast meeting of people from all parts of the world, with such different standards of living, would be some specific measures to be put into effect immediately.

Let us see what has been done.

A look at the results of the work of the Committees shows that no decision applicable within the next six months has been taken to improve living conditions in the developing countries by altering the existing relations between the economically-advanced countries and the less-developed countries in the field of trade and development. The disappointment of the peoples of the under-developed countries may therefore be regarded as justified, in view of the very encouraging statements made from this platform and elsewhere by the heads of the delegations of the developed countries, some echoes of which reached our peoples. The atmosphere of enthusiasm and confidence generated by those eloquent speeches seems to have grown much darker now.

This understandable despondency, justified though it may be by the destitution of our unlucky nations, does not prevent us, who have participated in the Conference's work, from refusing to conclude that it has been a failure.

In reality, some very useful work has been done. Admittedly, the unanimous agreement we expected has not always been achieved, but that is not surprising, especially since powerful and divergent interests and utterly dissimilar systems have been brought face to face.

May we not, however, regard it as a success that so many nations, at such unequal levels of development, joined in a common endeavour to find new economic policies for a better balanced world? Is it a failure to have participated for the first time in history in an official encounter—and sometimes in unofficial negotiations—between the economically-advanced countries and the under-developed countries, as acknowledged equal partners and responsible

spokesmen, with a view to reconciling viewpoints which were often fundamentally opposed?

Is it a failure that seventy-five countries from widely separated parts of the globe should have recognized in under-development their common enemy and, spurred on by that recognition, should feel themselves united, in spite of their diversity, in their conviction of the need to combine all their efforts from now on and to continue to act as a group?

We do not think so.

It is true that in the course of our work there have been moments of anxiety; there has sometimes been an impression that the Conference was approaching deadlock, failure or collapse. Happily, while it may be recorded that the Conference was in grave danger, it did not collapse. It is not dead, because in many spheres, and not the least important ones, some measure of agreement has been achieved, even if only on long-term projects.

For instance, principles have been worked out and stated, guidelines have been laid down. In future, international financial and technical co-operation and bilateral and multilateral assistance will be governed by new policies. Measures are planned to expand the exports of the developing countries, to guard against falls in their export proceeds, to enable them to acquire capital equipment, and to set up a United Nations capital development fund.

At the present time, contacts are being maintained which we sincerely hope will lead to honourable compromises, acceptable to all, on the various questions still in abeyance. We should like to say once again that we fully endorse the President's personal efforts and those of the Secretary-General of the Conference to bring about those contacts.

This, fragmentary though it may appear to a delegation which has not necessarily a detailed view of the work of the Conference as a whole, is a description of the present situation.

Even if by some miracle there had been general agreement on all questions, the present and future problems of world trade and development obviously could not have been solved in three months. Those problems are so complex and in such a constant state of flux that some uncertainties would in any case have remained.

We may now perhaps turn our attention to the future. Predictions are always difficult, especially in respect of trade, financial and technical relationships between all the countries of the world. Nevertheless, if we remember the atmosphere which has prevailed between delegations during negotiations and the untiring efforts made on all sides, we may venture to believe that these historic meetings at Geneva have inaugurated an era of negotiations, because dynamic ideas have been brought into being which will continue unceasingly to shed their light around them. It is of vital importance that after several weeks of discussion we have succeeded in eliminating the idea that aid to

developing countries by the developed countries is an act of simple generosity or charity and in realizing that such aid is rather an expression of the interdependence of the economies and trade of all the countries in the world, concerned as they are with the future of humanity.

We therefore believe that this Conference, which has in some measure laid down the principles of international trade, may be considered as a States General which has endeavoured to discern the elements of the new world ethics of trade and development.

It may be said that the Conference has not yet finished its work. If we wish to see our efforts crowned with success, it is our duty to set up the necessary organs with adequate powers to enforce and implement the principles we shall lay down in the Final Act of our Conference.

The short survey I have made proves, if proof were needed, the difficulty of the task we have here faced together as members of the Conference.

But what am I to say of the burden laid on those who at all levels have had the thankless task of

organizing our meetings, of directing our work and ensuring the smooth running of the Conference?

May I, in conclusion, since I shall have no further opportunity of speaking here, once again congratulate Mr. Kaissouni on the skill with which he presides over our meetings, with the valuable assistance of the Secretary-General of the Conference and of the members of his Secretariat. We should like to include in this tribute all the Chairmen of the Committees, the General Rapporteur, our colleagues of the General Committee and all the delegations for the mutual understanding and sympathy which have so pleasantly lightened our labours.

The delegation of the Federal Republic of Cameroon leaves Geneva with the conviction that the solidarity and co-operation forged here during three months of hard work on the world problem of under-development will prevail everywhere, enabling us to overcome temporary reservations and hesitations, and to achieve positive action, welded by the faith of the good intentions strongly affirmed at this Conference, for the survival of humanity.

**STATEMENT BY H.E. MR. G. P. MALALASEKERA,  
HEAD OF THE CEYLON DELEGATION**

at the thirty-second plenary meeting, held on 11 June 1964

[Original text: English]

It was my personal privilege at the United Nations General Assembly to sponsor the resolution which led to the convening of this Conference on Trade and Development. It is, therefore, a great pleasure for me to participate even at the closing stages, in the Conference. I should like to begin by expressing to Mr. Kaissouni, my admiration for his patience, wisdom and statesmanship in guiding our deliberations. I would also like to pay tribute to the Secretary-General, Mr. Raúl Prebisch, and his colleagues for their dedicated services.

I would venture to say that this Conference is significant not because it has laid stress on the problem of economic development as such—for there is already wide appreciation of this—but because it has, for perhaps the first time in this particular manner, underlined the international character of that problem.

It reflects a new awareness of the vital truth that the problem of development is a problem of the international economy as a whole. The pace of development would be retarded and its pattern distorted if the developing countries are obliged perforce, on account of the lack of resilience of the international economy,

to grow in an autarkic and an inward-looking manner. In a sense, the theme of this Conference has been a plea for integration into the world economy of all those countries and peoples that have hitherto been on the periphery—a plea for new and mutually beneficial interrelationships which will provide a fresh stimulus to international prosperity and economic expansion. I cannot hide the thought that it is by the extent of the response to this plea that the future will judge the wisdom, the foresight, and the sensitivity of the world community and particularly of those from whom a response is most needed.

But this Conference has done more. It has helped us to bring to the attention of all Governments, and all peoples, the hard fact that prevailing relationships in international trade have not been consistent with the needs of development and are unlikely to be so in the absence of deliberate and conscious action. We have been warned clearly that the continuance of recent trends in world trade will rule out the attainment of even the modest objectives of the Development Decade, objectives which we all proclaimed so earnestly.

The Conference has not only focused attention on the existence of a problem—on the incompatibility of the world trading system as at present constituted with the needs of development—it has also highlighted the fact that this incompatibility cannot be removed within the framework of conventional ideas and traditional concepts. We have now begun to recognize, however cautiously, that between regions in different stages of development the principles of reciprocity and free trade and absolute non-discrimination embracing the developed and the developing alike can react adversely upon the weaker, less-developed regions. We have had to point out, of course, that barriers which impede access to the markets of developed countries are harmful to economic development. The logic of this argument has long been recognized although unfortunately many barriers still exist. Where we have broken new ground, relatively speaking, is where we have been able to show that the mere removal of barriers and the improvement of access will not, by themselves, suffice to bring about a rapid increase in the export earnings of developing countries. In the field of commodity trade, for example, we have come to recognize the additional need for governmental agreements as a regulatory factor over as wide a field as possible. In the case of exports of manufactures, we have argued the need for preferences, a need which is no more than a logical counterpart of the need for internal protection in the process of industrialization. Again, we have expressed and obtained some recognition of the need for some system of compensatory finance for dealing with the more intractable long-term problems.

All these and other strands of thought are part of a new and dynamic policy for international trade which in many aspects would revise and replace the traditional concepts. But let it not be thought that this apparent asymmetry of treatment favouring the developing countries involves, of necessity, an asymmetry of advantages. Far from it, if the developing countries are striving hard to improve the prospects for their exports it is only because of their desperate need for imports: and we can all see that a rising flow of imports into the developing countries also spells out new opportunities and greater expansion for the developed countries. I cannot help saying that I am rather perplexed that an appreciation of this simple fact has not played a greater part in influencing the various attitudes and approaches to the themes of this Conference.

I count it as one of the gains of the Conference that it has provided an effective forum for the expression and debate of these and other themes pertaining to a new trade policy for development. But there is an aspect of this problem that needs to be underlined and emphasized at every turn. This is the aspect which concerns the scale or magnitude of our effort. We cannot stress this too strongly. It is simply not enough that we implement new policies in the field of trade, that we make approaches or take steps that are merely in the right direction. We have at all costs to ensure that the

scale of the results achieved by these measures are commensurate with the size of the problem. If we neglect the order of magnitude, the quantitative aspects of our efforts, we run the risk of total failure in the war on poverty and backwardness, of failure in the race against population growth. We have noted that there has been some mental resistance to the concept of quantification, to the concept of targets. But I have to make the plea that we overcome our conservatism on this score. It was not so long ago that we encountered a similar resistance to these concepts in respect of the development approaches of individual countries. This has happily now vanished under the compelling logic of the development problem itself. Must we, in the light of this experience, balk at the extension of these concepts to the international plane? I sincerely hope not. The compulsions are logically of the same kind. We cannot resist them indefinitely. We merely lose time in postponing them.

In passing, I would like to make a brief reference to the question of institutions. I think it is true to say that all of us, or at least all of us from the developing countries, came to the Conference with the confident hope that even if the acceptance of the essentials of a new trade policy were to be partial at this stage, there would be general agreement about the establishment of effective institutional machinery that could provide a forum for the continued elaboration of policies and for a review of problems. I shall not dwell on this, in view of the negotiations that are taking place at the moment. We hope these negotiations will be fruitful. But I would wish to emphasize that we attach great importance to the establishment of democratic institutional machinery for the effective continuance of the work which we have initiated here.

Let me now revert to the question I posed at the outset. How should we appraise the outcome of this Conference? I will not endeavour to suggest a single verdict—success or failure, we have been successful in some things and we have failed in others. Much depends on the future—if the failures could be rectified in good time then we could say that we have been successful. We shall have, clearly, to wait and see. But at the same time, if we can find a convincing answer to the question why we did not fulfil all our hopes, here and now, at this Conference, we might have a basis for fashioning our expectations for the years that lie ahead.

At its very commencement this Conference was presented with a basic problem. It was simply that the fulfilment of the objectives of the Development Decade had certain implications for international trade and that in the absence of concerted action the prevailing trends in world trade are not likely to accord with these implications. Can we now say, after this Conference, that we are all assured that these trends will be reversed and that the international economy, the international trading system has been made wholly compatible with the objectives of development, even the modest objective of the Development Decade? I think the answer will

perhaps have to be that we have, in one way or another, succeeded in starting a process by which the international system would become more compatible with development than it was before. But we shall have to stop at that. However, we must answer the question as to why we did not go further, why we did not get a firm international endorsement of a new and dynamic trade policy for development that is adequate in all its dimensions? We have to attempt an answer because the peoples of the world will ask this of us.

But let me say, at once, that it is not my intention here to make the attempt, as I have already taken too much of the time of this assembly, except to make a few brief observations. I do not think, for instance, that the reason is to be found in a basic conflict of interests between developed countries and those in pursuit of development. The entire theme of this Conference can be reduced to a plea for making it possible for developing countries to import more from the more prosperous nations. Nor do I think it is the lack of conviction in the substance or in the principles of the new trade policy, because no alternative has been proposed that would hold the promise of equivalent or better results. Could it then possibly be the mere novelty of the new approach, its radicalism—though I hesitate to use the word—that has evoked such resistance? I suspect that to some degree this is an answer. The ideas and concepts put forth before this Conference and immediately prior to it—though not new when taken individually and in isolation—do, in combination, represent a significant transformation in existing attitudes and approaches. Perhaps there has not been sufficient time for these ideas to spread and percolate and find a ready response in the minds of Governments and parliaments.

If indeed this is the answer—and I think it is, in part at least—then we have grounds for hope and optimism about the future. We have, of course, a right to be impatient with simple conservatism in matters such as this, for it is we who experience, at first hand, the restlessness of awakening peoples; but at the same time we can be confident that old ideas will sooner or later give way before the compelling force of events and that the process of adaption and accommodation will inevitably take place.

I would venture to say that the process of economic development, the process of reform in the international economy is part and parcel of the process of political and social change that we have been witnessing over large areas of the world in recent years. When I encounter resistance to change in the field of economic relationships, I am reminded of the resistance to change in the political sphere—in the sphere of the transition from colonialism to independence. The negative votes and the abstentions at this Conference remind me of their counterparts in the General Assembly some years ago when we were debating problems of colonialism and independence.

But the changes have come, and with a rapidity that was never anticipated. When Harold Macmillan

spoke of “the winds of change”, whoever thought of the hurricanes that developed within a few years of that utterance hurtling down empires and bringing independence to millions of human beings? Everything changes except the law of change itself.

I cannot conclude my remarks without making a reference myself to what has been mentioned as being the most encouraging feature of this Conference. I speak of the unity of the developing countries, the unity of the seventy-five. I have heard it said that this in itself has evoked unfavourable reactions in some quarters, a fear of majorities and of a powerful pressure group. The fact, however, is that the unity of the seventy-five is not an instrument for enriching some countries by impoverishing others. On the contrary, it is only an instrument for compelling attention to major issues, issues that must needs be brought before the forum of world opinion. It is the unity of the seventy-five that has brought coherence and a sense of purpose to the discussions and debates of the Conference. That this unity grew of itself, spontaneously without conscious effort, without prior organization, is itself a manifestation of the depth of feeling and the hard reality concerning the issues at hand. The countries of three continents which are different and varied in so many respects could not have come together if the platform was superficial and lacking in depth. It is my earnest hope that this unity, one of the most valuable results of this Conference, will persist in the future and that the means to facilitate it will be provided. The developing countries need unity not only in respect of common approaches to the outside world. They need also to co-operate with each other for promoting rapid development. The contention that the developing countries have to shoulder the main burden of the development effort themselves, a contention that we have heard quite a few times at this Conference, is a valid one. Given the necessary endeavours by the developing countries themselves and a framework of international trade which is consistent with the needs of development, we can look forward to success not merely in attaining, but also in surpassing, the goals that have been set before us for the Development Decade.

It is a long and arduous journey that we have embarked upon. Two thousand years ago, the great sage and philosopher Confucius said that the longest journey starts with but a single step. We have not only made a beginning but we have already made several stages in our progress. The goal is yet far distant but we cannot, we must not, falter till we have reached it. We, of the developing countries would very much like to have the developed countries as our companions on our long trail because they could, if they so wished, make it shorter for us. But if we are compelled to travel alone, we shall have no option but to do so. But we shall do that in the certain knowledge that ultimate success will be ours. Our goal is a world of prosperity, peace and happiness and that world will belong to all mankind.

STATEMENT BY H.E. Mr. CARLOS VALENZUELA,  
AMBASSADOR TO THE EUROPEAN ECONOMIC COMMUNITY,  
HEAD OF THE CHILEAN DELEGATION

at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: Spanish]

On the eve of the conclusion of our deliberations and at a time of great uncertainty as to their outcome, the Chilean delegation wishes to make a few brief observations on the work that has been accomplished and on the prospects for the future.

We came to this Conference in Geneva to try and work together for a new approach to the economic problems of our time. We were all well able to remember the ideas that were current at the time of the Bretton Woods financial and monetary conferences and the Havana Trade Conference and we were all profoundly aware of the extraordinary historical developments of the past twenty years—of the movement of political liberation which began with the independence of the Kingdom of Jordan and the proclamation of the Republic of the Philippines, a desert kingdom and an ocean republic, which were symbols of the transformation that was to dissolve colonial empires and bring full freedom to Africa and Asia. We were also aware that, during the same period, there had emerged from this remarkable political process a new reality: the world of the developing nations.

Acutely conscious of these facts symbolic of our time, we came to Geneva in search of a new outlook. However much importance we may attach to individual items on our agenda, the point of supreme and lasting interest was to secure this change of outlook, for it is implicit in the consideration of every single subject, and transcends all of them. This Conference can be credited with the positive achievement of having initiated a dialogue between representatives of the affluent society and those of the developing world. What has made this dialogue possible—and this should be recognized as an additional positive factor—is that the Conference is proceeding in a different climate of international political achievement, in which advances have been made in the cause of peace.

We are learning to coexist. For these reasons, the developing countries have been able to conduct a fruitful and valuable dialogue both with the socialist countries and with the industrialized, market-economy ones.

We are very satisfied with the various proposals and statements that have been made in our conversations with the group of socialist countries, and we believe that there are excellent prospects for building a new structure of economic and trade relations with that highly important and interesting part of the world.

Similarly, our discussions with the industrialized, market-economy countries, while perhaps not fulfilling all our hopes, have laid the foundations of a mutual understanding to pursue other new objectives within the limits of existing possibilities. Although, I repeat, we are not entirely satisfied with the answers given to our questions, we realize that this is the first of a series of conferences and that, if we are able to combine firmness with patience, our highest aspirations will eventually be fully appreciated.

The Chilean delegation, like others, regards as of overriding importance the fact that the dialogue between the industrialized—whether socialist or market-economy—countries and the developing countries is no longer purely quantitative; it is no longer a question merely of filling the gap between different levels of production or consumption. The scientific and technical revolution, which is the overwhelming feature of our time, has not only transformed the relationship between man and nature, but has made it possible for the developing countries to reach that stage of development at which it becomes possible to plan their economic progress.

This fact radically alters the basic features of the problem, and we hope that this change will sooner or later be reflected in a changed outlook within the world community. None of the old dogmas and slogans of the last twenty years are adequate to meet the challenge of the revolution of our time. It is within this new climate of opinion that there has emerged at this Conference the unity of action of the seventy-five developing countries, which is a portent of future developments. It has not merely been a coming-together of those suffering the same afflictions, but a definitive and lasting union which, as a new factor in international politics, will influence all future economic and political activity. It is a meeting of different civilizations, cultures and religions; and, within this diversity, foreshadowing the world of the future, we have discovered the unified society to which we aspire.

The union of the seventy-five developing countries is for us the most significant agreement to emerge from this Conference.

We realize that much remains to be done and that a long series of joint efforts, concessions and sacrifices will be necessary, but we believe that at this moment the results of the Conference depend on the ability of the industrialized countries to prove that they are

following the same path of mutual understanding as the developing countries. It is the industrialized countries which now, at the stage the Conference has reached, hold the key to its success or failure, and we confidently hope that they will prove capable of fully understanding what the group of seventy-five is asking of them. We shall continue to follow the same path of conferences, of exchanges of ideas, of friendly discussion and patient exploration.

In the political field, the ending of the "cold war" has shown us how necessary it is to keep the dialogue always open. In the field of the economic and social needs of the developing countries, though the frame-

work of our ideas remain very far from that of the industrialized countries, we shall equally keep up the dialogue which is necessary in the search for solutions adequate to a society in a perpetual state of change and ferment.

We all know that destiny is not a question of negotiation, but we also know that no progress can be made in isolation.

The Chilean delegation would like to take this opportunity to express its appreciation of the work of the Secretariat and of the admirable way in which the Conference officers have organized our proceedings.

STATEMENT BY H.E. Mr. CARLOS LLERAS,  
HEAD OF THE COLOMBIAN DELEGATION, ON BEHALF OF  
THE NINETEEN COUNTRIES OF THE INFORMAL LATIN AMERICAN GROUP  
at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: Spanish]

The informal group composed of nineteen Latin American countries have done me the honour of asking me to speak on their behalf at this final meeting of the United Nations Conference on Trade and Development.

In order to carry out that task I must examine the results of this Conference objectively and candidly; I must say what we expect of those results; and lastly I must state what we propose to do in the future in accordance with the policy which sought its technical expression in the proceedings at Santiago and Brasilia, which was given concrete form at Alta Gracia and which has guided our actions throughout the whole of the Conference.

*The group of seventy-five nations—Latin America, Asia and Africa*

Leading personalities of nineteen nations of America, at varying stages of development but feeling themselves bound by many ties, with common problems and common aims, have expressed their determination to create a better life for their peoples through their own efforts and through international co-operation. Here they have established closer relations with the countries of Asia and Africa and have worked with their representatives on a basis of mutual understanding and sincere fraternity. This work in common is a wonderful page in the history of human relationships

and opens a new chapter in international life, full of rich possibilities. Those of us who have had the good fortune to take part in it feel that there is something great in this gathering together of people from all corners of the world who have decided to face the future together under the influence of a common faith in the great principles of justice, a profound sense of solidarity and a general resolve to work untiringly in order that the evils of poverty, ignorance and backwardness should at last cease to be the tragic lot of the vast majority of men.

We do not believe that in present circumstances, which are the inheritance of a long past, there is perfect identity of feeling between Latin America, Asia and Africa in regard to the immediate economic problems. Clearly those problems do not present themselves in the same manner to all, and in this connexion I shall have some brief comments to make later. We might add that something similar is certainly taking place in each of the three continents. But that only gives greater value to the agreement to work in common which has been achieved. We have learnt to find out what we have in common and to avoid what might cause differences; we have even gone further, and agreements have been reached on matters which by their very nature appeared likely at first to cause irremediable dissension. Thus, a programme was laid down, a policy of joint action was worked out, which has had a great influence on this Conference and will continue to have an influence in the most varied mani-



festations of international life. No doubt, much in that programme is lacking in precision and clarity; no doubt time and further study will produce partial adjustments and lead to essential additions. But the content of the agreement is impressive and its significance is great. Separated geographically by immense distances, with few historical ties, without many trade or political relationships which might have facilitated mutual understanding, the peoples of Asia, Africa and Latin America have combined together with relative ease in a common undertaking, they have understood each other and today they feel themselves united by sincere ties which we all hope will be strengthened from day to day.

#### *The spirit of the seventy-five*

It is important to repeat here in the name of the Latin American nations that this agreement with the African and Asian countries does not to our minds imply an offensive alliance, and has not inspired at this Conference a blind desire to impose our views regardless of others' opinions. This agreement has served to bring together in a common channel ideas and aspirations hitherto dispersed; to facilitate their expression and to enable us to study the best way of combining them harmoniously in the commercial and financial systems of the world. Moreover, while I do not claim that the methods pursued at this Conference leave no room for positive improvement and require no correction, it might well be asked whether this Conference, which has debated the items of a long and complex agenda without the guidance of a draft text carefully prepared in advance, as has been the case at other conferences, could have accomplished its task without the unifying and co-ordinating activity of regional groups, and especially that of the group containing the largest number of countries. Any impartial person would have to answer that question in the negative. I am convinced that we can and must improve our methods of co-ordination, seek greater flexibility, do more to preserve that freedom of initiative which complements rather than prevents solidarity in common effort, avoid the risk of our joint projects taking the form of an accumulating catalogue of the aspirations of each and every country, without any priorities based on the gravity and urgency of the problems at issue. But one cannot arrive at once at the best solutions and procedure, which are usually the result only of long experience. Do not the very regulations observed by a Conference of this kind, its rules of procedure and its routines, perhaps need to be revised so as to facilitate real personal consultation, better suited to the problems arising from the large number of countries participating?

So much for the formal aspect. Turning to the substance of the problem, I am sure that once the flame of occasional controversies has died down, it will be recognized that in formulating their policy generally the developing countries did not take up

extreme attitudes but took into consideration the special problems and circumstances of the industrial nations, and were animated by a spirit of negotiation and compromise that stemmed from a realistic view of events.

#### *Formulae for a new policy*

Of course, there was vigorous championship of certain formulae which probably clash with the ideas current in the ruling circles of some great nations, and with groups of public opinion in those nations, which at times, without knowing too much about them, make pronouncements on the immense problems facing other regions of the world. It may well be asked how else we could have acted. By accepting at the outset an orthodoxy which in those very industrial nations has already been disavowed by leading authorities?

We who for many years have followed attentively the development of theories and the course of international economic policy, know that what is one day presented as an incontrovertible scientific truth or a perfect expression of a technique which it would be folly to contradict, is later subject to amendment if not total rejection; that often those supposed truths and those techniques are not just the fruit of scientific analysis but the defensive expression of certain material interests; and that only a forthright and unprejudiced comparison of theories, techniques and solutions can result in progress. We are confirmed in this, I repeat, by the study of history. It is enough to recall the origins of the great depression and to ask again what influence was exercised on events by the commercial and monetary policy of the great Powers; or how we should judge today the actions of those experts who in 1928 handled the French economy, helped to ruin the gold exchange standard and caused such grave monetary stringency in other countries; or of those who in the United States unleashed successive waves of protectionism provoking a chain of reprisals and the ridiculous race for economic autarky; or of those who believed it possible to remedy the imbalances caused by the fall in commodity prices merely by credit operations which later became subject to an almost general moratorium. The history of economic mistakes should be for all of us an inspiration to modesty, a lesson of salutary scepticism. And if, as is the case today, not only the peoples of the developing countries but persons in the industrial nations who have a justly deserved reputation for technical competence and political vision have already expressed their support for the introduction of far-reaching reforms in world commercial and financial policy, how could we hesitate to put them forward, to ask others to accept them, and to invite others to study them without prejudice, not only from the point of view of the advantages to world economy but also from that of their own best interests.

*Understanding of other points of view*

But while we deem it right and proper to submit to this Conference the principles and formulae which we consider best suited to the aims of a new commercial policy which will facilitate development, we have examined with due respect the standpoints of others and have realized that at times the divergencies that exist do not correspond to differences in aims but to a sincere conviction that those aims can be attained by means other than those we have proposed. Intellectual controversy, technical study, strict comparison of conflicting contentions will always be of value in such cases.

*The point of view of the developed world*

I should be unjust if, after praising the spirit of tolerance, adaptability and compromise which has prevailed in the informal Latin American group, and, in a wider setting, in the group of the seventy-five developing countries, I failed to recognize the efforts made among the major nations to promote agreement on the basic points of the Conference's programme. While not attaching undue importance to what was mere negotiating strategy or watchful prudence on either side, we can recognize in many of the initiatives of the industrial countries a sincere desire for agreement with the developing world and a real conviction that the mutual interdependence of all nations, the manifest solidarity of world economy and the tremendous fact of an inequality which is growing deeper every day, require much more effective and comprehensive methods of co-operation than have hitherto been tried. How could it have been otherwise? The statesmen of the industrial countries are well aware—and they have said so here—that prosperity is indivisible; that in the long run our development will have a favourable effect on their economies, although for a time it may imply certain changes in the distribution of incomes or readjustments in the structure of production, and that the aggravation or even the prolongation of the present imbalances would be intolerable. They also know that any statistician or economist with a clear picture of the contemporary world must think not in terms of national or even regional economies, but of a world economy which is continually striving towards a better, fuller and more adequate integration; and they know that they must speed up the development of our countries in order to be able to maintain the rhythm of prosperity in their own. But, apart from all this, there are in many cases grounds for believing that the agreements reached owe their origin not to cold realism or selfish calculation, but to a sense of justice and an ideal of social democracy transcending frontiers and revitalizing the whole field of international economic policy.

*Scope of the Conference—Agreement on the nature of the problem*

If this Conference had served no other purpose than to express the universal recognition of some characteristic facts of contemporary economic development, that would have already provided sufficient justification for its convening. Despite some differences on the secondary details, and despite the attempts made by some people, on the pretext of recent changes in commodity prices, to weaken the forthright statements made by the Secretary-General in his report, it may be affirmed that the debates of this Conference have confirmed two things: firstly the undoubted reality of economic trends which have been watched with alarm since certain acute symptoms resulted in the formation of the Panel of Experts which produced the Haberler report, and secondly the need to make changes in the commercial policy of the major industrial nations, if those trends are not to go on stifling the development of the less-advanced countries and intensifying the enormous existing inequalities.

It has not only been established that there is a disproportion in the growth of consumption and in prices, which depresses basic commodities in relation to manufactured articles despite occasional fluctuations; it has not merely been proved that financial aid without a rise in exports cannot be a complete solution for the developing countries which are bearing an excessive burden today owing to their external obligations. In addition to these demonstrable facts, certain deep-seated causes, on which I can only touch lightly owing to the necessary brevity of this speech, have been brought out.

The relatively low elasticity of commodity consumption is most clearly explicable by the very nature of human needs. But the tendency to a continued fall in prices, which is causing such justified alarm and which is responsible for the strangling of development in many countries, stems not only from this factor but from many others. These include the rigidity of the factors of production in those countries due to the nature of production itself and the inevitable slowness of structural readjustments; the technical revolution in agriculture; the changes in the flow of international emigration, etc. Commodity prices are not a mere expression of cyclic variations; they are linked to changes in structure which began to be accentuated at the beginning of the century and were given a strong impetus by two world wars. To counteract their prejudicial effects on developing countries it is essential that the latter should find conditions of balance in the new structural plan, to which they must adjust the pattern of their production and their foreign trade, while pursuing a policy of trade and financial co-operation expressly designed to attain this goal.

This policy appears all the more necessary because it is easy to show that the policy hitherto followed by the major industrial nations is, to say the least, inadequate

to enable developing countries to resist those world economic trends and may even aggravate those trends, as is actually happening in some cases.

#### *Agreement on the new policy*

There has been no serious conflict of opinion at this Conference on the subjects which I have just mentioned. Indeed, in fulfilment of ideas already expressed when the United Nations General Assembly adopted the well-known resolution [1710 (XVI)] on the Development Decade, it has been almost unanimously accepted that the remedy for the existing imbalances, and the resulting intensification of development in our countries, must be a joint undertaking imposing on the industrialized countries a clear duty and a responsibility proportionate to the magnitude of their resources and means of action. Of course, we, the developing countries, have also a part to play; but it is acknowledged that the problem is a general one, and not ours alone, and that nothing but a joint general effort can solve it.

When the evolution of economic policy comes to be examined in its historical perspective, the full importance of this occasion will be recognized—an occasion when, after a precise identification of problems, the ideas which had been gaining ground in more restricted circles took concrete shape on a really universal plane; when anxiety about the future of the developing countries was shared unreservedly by the whole world; and when, I repeat, the great nations accepted the responsibilities which devolve on them naturally from the economic interdependence and solidarity of mankind. This acceptance has been given with a full knowledge of the consequences which it implies; it is an acceptance which today appears to us to be natural and which nevertheless represents an immense advance on the past, a happy moment in human consciousness.

#### *Dynamic force of principles*

We believe that ideas and principles have a dynamic force of their own. Those which have been generally accepted here will be translated into reality despite the fact that the instruments and methods chosen to give them practical effect and application may be described as imperfect or inadequate. At the same time, it cannot be denied that in some fields the instruments and methods, as set out in the Conference's recommendations, are satisfactory and correspond in large degree to what, in present circumstances, could legitimately be hoped for. In other cases what the industrial nations have accepted is less not only than what we looked for, but even that what we thought would be the minimum required to approach the objectives which this Conference set itself. But because they were not accepted, or not accepted in full, are those proposals of ours to have no future influence? Will the new and old international machinery not continue to study them, and will they not be able in the end to win acceptance from those very persons who, today, find them inadequate,

or powerless to overcome the resistance of other opinions and vested interests? Our own experience tells us the contrary.

Some years ago we were discussing at an Inter-American Conference some recommendations about international credit. The spokesman of a great nation refused to accept them and told us repeatedly that he could not sponsor illusions and unattainable Utopias. We replied that the illusions of today are often the realities of tomorrow and that any policy that does not foster some illusions is impotent and sterile. Well, of the things we asked for on that occasion, some have already been put into practice by international organizations and some very important ones are now frankly supported by that great nation to which that unduly positive and realistic official belonged. Now, when I reread the recommendations approved by this Conference on financial co-operation, I see that some of them go far beyond our Utopias of ten years ago. For that reason, I look forward optimistically to the future, and also because, as I said when speaking in the general debate at the beginning of this Conference, I am convinced that we are engaged in a process of integration of world economy which began some years ago and is already quite irreversible. This Conference will derive its future importance from the subjects on which it reached general agreement; and also from the ideas and formulae on which no agreement was reached, but which embody the aspiration and the determination which a great number of peoples of the world will not renounce.

#### *A definite orientation—Economic and social development*

Let us try to give a broad outline of the policy of development and international co-operation which has been formulated at this Conference.

Most of the countries of the world, despite their clear realization that they need to pursue their social and economic development by a deliberate and constant effort, and also despite everything they have done to achieve an adequate rate of progress, have found that up till now their development is too slow. The rate envisaged in the United Nations resolution was so described, particularly because of the very considerable population growth, and in general it was deemed necessary to speed it up. Of course, not even this rate is being reached in most cases.

Here the developing countries have renewed their determination to carry through this task and the developed countries their undertaking to give substantial support to it. The essential features of the internal economic policy recommended by the Conference had been manifest for some years but now they are enunciated in fuller harmony with external commercial and financial policy. On the basis of plans which are a guarantee of continuity and lay down adequate priorities, each country's development effort will be pursued in an international framework which

will not hinder or frustrate it but, on the contrary, stimulate it and enable it to produce the maximum results.

It has again been recognized, as the nations of the American continent had already recognized in the agreements for the Alliance for Progress, that the fulfilment of any development plan is impossible if external earnings do not keep pace with the growth of the total earnings or, what is worse, if they suffer sudden declines. A soberly planned internal effort must go hand in hand with a foreign trade policy and must be able to rely on international financial co-operation.

#### *International financial policy*

As I stated earlier, this Conference has achieved results in the matter of international financial policy which we all agree may be described as satisfactory. In particular, there has been full support for the principle that compensatory financing is indispensable when the value of a country's exports is seriously affected by a fall in prices on international markets or other factors; such financing may take the form of short-term compensatory financing, which the International Monetary Fund (IMF) has already begun to provide under a system in which useful reforms have been suggested, or of long-term compensatory financing in cases where it is shown that the deterioration in export earnings is not fortuitous and temporary, but is of a more serious and permanent character. The International Bank for Reconstruction and Development (IBRD) and the new bodies which the Conference is planning to establish will study the mechanisms of the system in the light of a number of clear and realistic principles. This is a first step; it would be going too far at this stage to say that long-term compensatory financing is assured; but substantial progress has undoubtedly been made at both the theoretical and practical level. Many developing countries like ours which have had satisfactory experience with the IBRD are confident that it will speedily and efficiently carry out the function assigned to it at this Conference.

Compensatory financing is, of course, intended as a remedy to be applied where it has not proved possible to prevent a decline in export earnings by other methods; those other methods dealt with in the documents and conclusions submitted to the plenary by the First and Second Committees. An effective commodities policy and an increase in exports of manufactures may obviate the need for compensation or greatly reduce its direct role. What matters is that by one means or another, efforts should be made to ensure that the export earnings of the developing countries are not subject to fluctuations that may seriously disrupt their plans for economic progress and social well-being. At the same time, the recommendations of the Conference restore to international investments their traditional function in regard to development. Such investments cannot be considered

as compensatory financing nor as a means of maintaining, at the cost of growing indebtedness, economies which are undermined by permanent foreign trade deficits and become increasingly inadequate for the regular servicing of the necessary loans. They constitute the additional impetus required to ensure a rate of development higher than that which would be permitted by the normal development of foreign trade.

The recommendations seek by various means to give the developing countries easier access to international markets either directly or through international machinery of a world-wide or regional character. The interesting idea of covering, by a co-operative effort, the difference between a reasonable rate of interest for developing countries and the prevailing market rate, the recommendation that loans and aid should be adapted to the nature of needs and projects, that certain loans should be free of restrictive attendant conditions, that, in accordance with long-standing observations, provision should be made for foreign loans to be used in a manner which does not necessitate recourse to inflationary measures to cover local costs, and, in general, all the recommendations of the Third Committee, constitute positive advances. With a few exceptions, such recommendations have been explicitly accepted by the large industrialized countries. Although there may have been excessive proliferation in some respects, there is no doubt that the work of the Conference in the matter of financial policy for development will be received with definite satisfaction. Among its recommendations, mention must be made of those relating to possible methods of refunding and converting external debts. They are the logical consequence of a fact of which the Conference was given abundant proof: the excessive indebtedness of countries which have been attempting to cover the shortfall caused by the deterioration in their export trade by means of loans, thus causing an alarming reduction in their external purchasing power.

#### *Commodity problems*

There is a long-standing conviction that the extreme vulnerability of the economies of the developing countries is chiefly due to the fact that their exports are very little diversified and consist to an overwhelming extent of primary commodities whose commercial development is attended by the unfavourable features which I mentioned earlier. Industrialization and the diversification of exports provide the most obvious solutions, but the acceptance of these ideas should not cause us to underestimate the vital role which commodities play and will continue to play in the economy of our countries for a long time to come. Furthermore, as those of us who were members of the group of advisers in connexion with the Santiago report had occasion to ask, how can accelerated industrialization and diversification be planned and carried out in the atmosphere of crisis provoked by the decline in traditional exports, with rationing of foreign currencies and

in face of a permanent inflationary trend? For us, then, there can be no doubt that commodity problems will continue to be of prior importance. We stated those problems in the conclusions reached at Alta Gracia, we examined them together with our colleagues in the group of seventy-five and we have discussed them at length at this Conference.

What have we sought to attain here? In view of the characteristics of the problem already described, it was essential to consider, first, the enlargement of markets and of consumption, and second, the means of organizing and regulating markets, for it is unlikely that greater freedom of access to markets will in all cases be sufficient to correct disequilibria which are not due solely to existing restrictions; and on the other hand, we do not think that after so much experience there are still many people who can confidently speak of rapid readjustments being possible under the sole influence of the spontaneous forces of the market. If the nations with large resources have not succeeded in planning their internal policy on this basis, or have not even considered it desirable to do so, how can these prescriptions for basic economic recovery be addressed to us?

It will readily be understood that we must first of all demand that the existing situation regarding access to markets should not be aggravated by further increases in tariffs or by setting up obstacles of other kinds, such as quantitative restrictions. That demand has been put forward and we might say that it has been accepted, despite the escape clause introduced in the Final Act, a clause which cannot properly be invoked save in truly exceptional cases.

Latin American thought on this matter must, however, be somewhat further clarified. It is our understanding that, in accordance with the approved recommendations, respect for temporary agreements under which discriminatory preferences are operative today in favour of certain countries will not intensify the effects of the existing barriers against our products, and that it will not be possible to allege, on the other hand, that this intensification results from commitments entered into before the Conference. The existing situation must not be allowed to deteriorate, whether or not a system of discriminatory preferences is operating play at present.

It is obviously not enough to abstain from raising fresh barriers against primary commodities. A great effort must be made to broaden demand and to avoid as far as possible the replacement of natural products by synthetic ones. The Conference has expressed its opinion on both these subjects, not always unanimously, but still in such a way as to display support for a general trend towards maximum freedom and the elimination of charges restricting consumption.

It has been vigorously contended that not all the primary commodities affecting the developing countries present the same problems, and that in consequence no single method of treatment can be applied to all.

This fact cannot be ignored in considering either the elimination of barriers or the organization of markets. We reaffirm, however, that to achieve a better equilibrium of the world economy and facilitate the development process, it is essential that the trade in commodities should be liberalized as soon as possible and to the greatest extent possible, even though the tempo of liberalization cannot be the same in all cases. Our demand has in large measure received the assent of the industrialized countries, subject to escape clauses which should be invoked only in exceptional cases; and we maintain our views, of course, on those points in respect of which satisfaction has not been received.

We have also made some progress in formulating the principles and rules relating to commodity agreements, one of the basic objectives of which is, as has been expressly recognized, "to stimulate a dynamic and steady growth and ensure reasonable predictability in the real export earnings of developing countries, so as to provide them with expanding resources for their economic and social development".

I have not time to examine in detail the subjects that I have mentioned. Those subjects, I repeat, are of fundamental importance for the developing countries; but we are aware of their complexity. The progress made is undeniably substantial, though so far as some large consumer markets, and particularly certain products, are concerned, the proposals for making national agricultural policies compatible with the expansion of trade leave partly unsolved a number of problems for which the bodies created by this Conference will have to join with the parties concerned in a further endeavour to find solutions. The same applies also to the specific problems of minerals and fuels. In any case, the course is clear, and the manner in which it has been traced at this Conference cannot fail to produce beneficial results.

#### *Existing preferences*

At the beginning of the Conference, I said—speaking solely on behalf of the Colombian delegation—that I was confident that, with regard to the problem of existing discriminatory preferences, we should reach agreement with those developing countries for whose benefit such preferences had been established. Today, speaking on behalf of the informal Latin American group as a whole, I can say that, as a result of mutual good will and an understanding of the interests of all concerned, we have reached compromises which, of course, involve a departure by each of the parties from its initial position but which, if applied in a spirit of solidarity and with the effective co-operation of the great Powers, should put an end, within the present decade, to any policy entailing discrimination harmful to the trade of the developing countries, without slowing down the progress of those which are now enjoying preferential treatment.

The provisions relating to this development, like other decisions taken by the Conference, have, of course, been drafted in terms which preclude the

establishment of new discriminatory preferences between developing countries and the intensification of existing preferences. There has been general agreement on this point, agreement which all the developing countries will no doubt welcome as a solid basis for unity and future joint action.

#### *Towards diversification—Exports of manufactures*

Attention should be drawn to the unanimous acceptance of the idea that an expansion of exports of manufactures and semi-manufactures from the developing countries is essential to the balance of the world economy. The change in the views previously held on this point comes almost as a surprise; it should spur us to further effort and marks an important development in the field of the international division of labour as a whole.

In order to promote exports of manufactures, we, the developing countries, have submitted many proposals, some relating to the necessary technical and commercial co-operation, others to access to markets and yet others, which are the most controversial, to the establishment of preferences. Our proposals have not all met with the same favourable response, but on the whole, progress has been made which we must not underestimate. Leaving aside the less important points or those which are important but not controversial, it should be noted that the final decisions have endorsed a number of broad formulae concerning access to markets and, above all, have upheld two basic principles—namely, that of non-reciprocity by the developing countries and that of the extension, also without reciprocity, of concessions to developing countries which are not parties to the General Agreement on Tariffs and Trade (GATT).

The acceptance of the principle of non-reciprocity is another major advance which would have seemed unthinkable only a few years ago. Those of us who took part in the negotiations on the Havana Charter and who then strove to obtain recognition of the idea that exceptional advantages—very different in scope from those now granted—should be accorded to the developing countries, are in a position fully to appreciate the decision embodying the principle to which I have referred. The same applies to those developing countries which participated in the early negotiations on GATT.

Those of us who advocated explicit extension by the Conference of the concessions with regard to the reduction of trade barriers at present being granted to developing countries as the sole means of avoiding a multiplication of discriminatory preferences between the developing countries to the detriment of general economic integration, also welcome the texts in which this extension has been confirmed.

It would not be true to say that the informal Latin American group is fully satisfied with the formulae adopted in regard to preferences as a means of promoting exports of manufactures from the developing countries. But the principle, which has been accepted by all

of us and by a number of advanced countries, is gaining ground, and we are confident that practical and generally acceptable measures will be devised for its application. Since the pressing need to promote exports of manufactures has been accepted without reservations, the way will be open for whatever steps experience shows to be indispensable. This is a development which all the advanced countries regard as not only necessary, but eminently desirable; something which will facilitate a better international division of labour in industry. The very fact that levels of living and wages in the great nations are high and that scientific advances are daily opening up new prospects for industry is conducive to a flow of trade which it would be absurd to impede by customs barriers or restrictions or by the ruthless exploitation of competitive advantages not offset by adequate concessions.

#### *Co-operation between the developing countries*

This Conference will no doubt give considerable impetus to trade relations between the developing countries and to many forms of co-operation among them. We Latin American countries cannot do less than overhaul and improve our machinery of regional integration, which is at a rudimentary stage. That overhaul will, of course, like other aspects of future economic policy, take due account of the condition of those countries which are most backward. The need to proceed in this way has been recognized by our group, it corresponds to the demands of justice and is a factor of unification and solidarity.

The Conference's recommendations intended to facilitate regional agreements among the developing countries also represent a great advance over previous ideas. In this connexion, too, I recall our efforts at the Havana Conference and regard the progress made as further proof that right ideas, those which correspond to legitimate aspirations, always prevail in the end.

The Latin American nations will be able to pursue a regional policy with better instruments, in accordance with international principles better adjusted to their special circumstances. They will now have to show their initiative, determination and ability to conceive a great enterprise of joint progress without short-sighted limitations and to accept the risks involved.

The relations between the Latin American and the African and Asian countries, will also have to change. I do not think that anyone in the Latin American delegations is leaving Geneva without the conviction that his country must seek a closer relationship with the nations of those two continents, a relationship covering politics, trade, technical co-operation and the exchange of experience and ideas which we can all contribute towards the creation of a world free from want and fear. I speak for Latin America in expressing my admiration for the nations of Africa and Asia, both those which are depositaries of ancient civilizations and those which have recently achieved



political independence, and in thanking the representatives of those nations for the intelligence, technical competence and hard work which they have placed at the service of the developing countries as a whole.

#### *The socialist countries*

We have had an opportunity at this Conference of studying more amply than ever before the problem of trade relations between Latin America and the socialist countries. We had stated long before that in the process of world trade integration the intensification of trade between countries with different economic and social systems ought to play an important part. With few exceptions, our experience in this matter is, of course, small, and many practical difficulties exist for which adequate solutions will have to be found. The Conference has, however, a number of positive achievements to its credit.

Firstly, the socialist countries have clearly shown their sincere desire to intensify their trade with the developing States, and an opportunity has been provided for studying new and interesting forms of commercial, financial and technical co-operation, on some of which recommendations have been approved.

Secondly, it has been ascertained what the socialist countries think they can do, what agreements they can conclude and in what form, within their systems of State trade and their planned economies.

Thirdly, it has been decided to set specific targets in order to ensure, within fixed time-limits, a substantial increase in imports from the developing countries.

Lastly, the socialist countries have expressed their agreement with the general principles of international co-operation for development and have accepted the responsibilities devolving on them in the effort to overcome existing imbalances.

#### *Institutional machinery*

The formulae, worked out after laborious negotiations, for the machinery which is to be the main instrument of the new policy fall somewhat short of our original aspirations. We had been hoping for something more ambitious, more complete; we wished to lay a foundation for the speedy establishment of an international trade organization, set up as a specialized agency of the United Nations and endowed in its own sphere with powers similar, for example, to those of the IMF.

In other words, we had been hoping to set up a body like that which the Preparatory Commission of the United Nations considered necessary in 1946 and the great Powers proposed the following year in the draft of the Havana Charter; but the new body was to be imbued with a new spirit and serve a new policy.

The compromise arrived at by no means precludes the possibility of future action, although it falls short of what we had hoped for. Yet it would be foolish and unjust to underrate its importance. There is no doubt that an organization will be set up, arising out of the new trade policy for development and remaining at its service. I cannot at this stage go into details; the delegations of the group for which I am speaking have given it their express approval, and there will be an opportunity elsewhere to study at greater leisure all the legal and practical aspects of the machinery recommended. I believe personally that it will do fruitful work, and I congratulate all those who, in a spirit of compromise, have enabled a problem to be solved which at some stages appeared to be the main stumbling-block to a successful outcome of the Conference.

In any case, it should be remembered that the new machinery can and should do much in fields which the Conference has considered and on which I have not commented here, in order not to make my statement too long: the very interesting question of the land-locked countries, for example, or certain aspects of invisible trade items, or forms of co-operation with other international bodies or organs.

Inevitably a certain vagueness persists on many points; not all the features of the new trade policy for development have been clearly defined. But the last phrases with which Raúl Prebisch so aptly presented his masterly report to the Conference, have become a reality: a new trade policy for development exists, and the Governments and peoples of the Latin American countries, in close collaboration with the other nations, will exert themselves to give that policy momentum, to impart to it each day greater vigour and clarity.

The message which we can transmit to our peoples from this great Conference is one of thoughtful optimism, of that optimism peculiar to those who appreciate the magnitude of the difficulties, who know how to weigh the value of what has been achieved and to keep alive the resolve to attain what we need.



STATEMENT BY H.E. MR. RAÚL LEON TORRAS,  
DEPUTY MINISTER OF COMMERCE OF CUBA  
at the thirty-fourth plenary meeting, held on 14 June 1964

[Original text: Spanish]

This Conference, whose effects throughout the world will be so great, is reaching its close, and we must briefly survey the course, the possible results and the lessons of its work.

From the very moment that the idea of holding a world trade conference—originally proposed by the Soviet Union—arose, the strong opposition of the great capitalist countries interested in the maintenance of the *status quo* became apparent. In the past, that opposition would have been enough to prevent the implementation of any such idea, but in the circumstances of the world of today, it proved unsuccessful, not because of any caprice of history, but owing to the very concrete reality of the radical changes in the balance of forces since the Second World War, with the rapid growth of the socialist camp and the decay of the colonial world. It is sufficient to recall that in the servile atmosphere of the Havana Conference the voices of most of the countries of Africa and Asia went unheard.

As had rightly been said, the serious problems of world trade were well known and the time had come to apply concrete solutions. It is with that idea in mind that we, the under-developed countries, have been working in the Conference and it was to that end that in all the committees recommendations were submitted which, despite some shortcomings and limitations, were fully relevant to the main problems, and great changes in the alarming trends of the world economy might have been expected from their practical implementation. Our country consistently supported the just claims of the exploited countries; and it offered its suggestions despite the discriminatory treatment we encountered for reasons quite alien to the interests of our countries.

As Mr. Ernesto Guevara observed in his statement to the plenary meeting, the great capitalist countries raised from the outset all kinds of obstacle to the work of our delegations and gave many signs of their lack of good will and their reluctance to engage in a constructive dialogue. The records of the committees and of the voting have written large in the book of history the negative attitude displayed by those countries towards our justest claims.

The great propaganda machine of the capitalist press, which for many weeks either ignored the Conference or distorted our views, was also mobilized in the campaign of pressure launched against our countries when, to the surprise and dismay of those concerned, it became manifest that the initial

efforts to divide the under-developed countries and to falsify their real aims had proved vain, and that new and more subtle maneuvers would be needed to tame our will.

This negative attitude is in contrast with the contributions made by the socialist countries and the harmony of views which has grown up between them and the under-developed countries regarding the main proposals and demands. It is worth placing on record the recognition that this stand received from our President, Mr. Kaissouni, who stated that the decision of the Soviet Union and other socialist countries to establish quantitative targets guaranteeing broad and new markets for our exports was a major advance. This positive approach is the more appreciated by us since we are well aware that it is adopted by countries suffering great discrimination in international trade, particularly on the part of many under-developed countries which, under the orders of imperialism, have jumped on the "cold war" waggon.

As an under-developed country which, by the sovereign will of our people, has adopted a socialist system and economy, we are fully aware of the extent of such discrimination and of the pressure exerted and brutal aggression committed by Yankee imperialism to prevent trading with Cuba. Thanks to the State control of foreign trade and the planning of the economy, our country has been able to offer other under-developed countries the possibility of new markets and a secure outlet for their crops and products. This trade is spreading and developing, but imperialist action and the servility of those who, in the under-developed countries, are living alienated from the people are preventing it for the time being from realizing its full potential.

As a country suffering from aggression, we have denounced and challenged the delegation of the United States Government in this Conference. Not only, however, has that delegation failed to reply to our denunciation, but its Government has introduced new and inhuman forms of economic aggression against our country, such as what is in fact a ban on exporting medical supplies to Cuba. And we must add that Mr. Dean Rusk, with the same cavalier attitude that his junior, Mr. Ball, has displayed during his brief appearances at this Conference, has tried to force on the countries of the North Atlantic Treaty Organization the same aggressive and buccaneering policy which his Government maintains in connexion with trade with Cuba.

We have pointed out the negative attitude and lack of good will which have marked the participation of the countries of the so-called "B" group at the Conference, and perhaps some delegations within that group think that we are treating them unfairly and that they have in fact made some effort to contribute to the Conference's work and to the solution of the great problems confronting it. Although our delegation has taken no part in either the genuine efforts at conciliation or the tortuous maneuvers conducted in the Conference corridors, we have learned of various unofficial views expressed at private meetings which seem to show at least a somewhat less negative attitude than that displayed in the Conference itself. If these attitudes and views are the reflection of a genuine predisposition towards the under-developed countries and not merely another tactical maneuver, it is regrettable that they were not fully expressed in the working committees and at the plenary meetings. If they had been, they would have stood out distinctly from the position of the United States delegation, which, in its scorn for the Conference, seems to have taken pleasure in publicly displaying in the plenary meeting its rejection of the majority will expressed in the committees.

Our delegation carefully examined the questions in the questionnaire circulated by the Secretariat during the first stages of the Conference and compared them with the various proposals advanced by the capitalist countries, and we can only say that none of the questions relating to the more important subjects has met with even the semblance of a satisfactory reply from those countries. Can we say, therefore, that the Conference has been a total failure? If we confine ourselves to the economic aspects, the answer can only be "yes". The problems which the heads of delegations mentioned repeatedly in their opening statements—the trade gap, the deterioration of the terms of trade, access to markets, the diversification of exports and the adoption of institutional arrangements for dealing with those problems—they are all still there, despite the contribution by the socialist countries, whose share of international trade is not large enough to enable them to counteract by their own efforts the negative results of the position adopted by the capitalist countries.

Nevertheless, attitudes and positions have been displayed at the Conference which, if they persist in the future, will be a factor of extreme importance in the struggle of all the exploited countries. We are referring

to the unity displayed by the under-developed countries and to the programme of demands voted in the Conference committees. If our countries maintain a firm stand to the end and refuse to accept crumbs which would mean nothing but a setback in their struggle, the Conference will have a solid balance to its credit.

Having been unable to participate in the final negotiations which have delayed the conclusion of our work, the Cuban delegation is not at present in a position to express a definite opinion on this basic question. Whatever the result, however, the arguments that have so far been started have taught us a great deal. Wherever we held firm, open to constructive discussion but standing on a clear position of principle, the balance was positive, and we are now in a better position for any negotiations that may be held in future. When, on the other hand, we yielded ground through excessive eagerness to compromise, we lost positions to no purpose or end, and the sole result was a strengthening of the negative attitudes of the so-called "B" group.

May these words serve as an appeal by Cuba to all the delegations of the under-developed countries to remain firm all along the line and oppose any retreat from the position reached in the committees. Those of us who fought for the Fifth Committee's splendid declaration of principles cannot, at this time of confusion, abandon those principles.

Our delegation does not feel pessimistic, for it knows that the struggle of the peoples cannot be won overnight. For the sake of the future, we must strengthen our unity, making it a broad unity without discrimination, arising from a clear position of principle and with basic objectives that cannot be negotiated by the exchange of crumbs. It must, we repeat, be a unity which may serve as a stimulus to gain our objectives and which cannot be exploited, as sometimes in the past, to impose minority views or as an instrument for the impositions and ultimatums of the big capitalist countries. This unity will become more effective with the strengthening of that joint action by the under-developed and socialist countries which has been so notable a feature of the present Conference.

Our just demands and our rights are well known, and we shall certainly complete the task we have undertaken. Whether this happens sooner or later depends on our firmness and dignity. And come what may, the peoples are assured of success, for no one and nothing can check their advance.

STATEMENT BY H.E. LIJ ENDALKACHEW MAKONNEN,  
MINISTER OF COMMERCE AND INDUSTRY,  
HEAD OF THE ETHIOPIAN DELEGATION  
at the thirty-third plenary meeting, held on 13 June 1964

[Original text: English]

My concluding statement will be very brief. I have already taken my share of the time of the Conference during the various meetings; I do not think that anyone can accuse the Ethiopian delegation of not having taken a good share of the time of the Conference. In any case, I do not wish to add any burden to the shoulders of an already tired and over-burdened Conference. One has only to look at the empty chairs at this afternoon's meeting to realize how tired the Conference has become.

None the less, I feel that there is a need for some frank and sincere assessment of what we have or have not achieved during these past weeks. There is also a need to set the record straight.

I shall not attempt to cover the wide ground of agreement and disagreement, since we have already heard the views of distinguished colleagues, notably my friend and colleague the Minister of Liberia, who has given us a detailed analysis of what has taken place during the past weeks. I think that by now there should be no difficulty in understanding the situation. I shall therefore take it that we all know where we stand on fundamental issues. I am not, of course, excluding the possibility of positive results being obtained from the conciliation that is taking place at the moment. My delegation supports wholeheartedly the effort at conciliation of the Secretary-General of this Conference and the President. We feel that the more we can agree, the better it is for us all.

I for my part feel—and I am sure that this feeling is shared by many in this hall—that, in spite of everything, this Conference has been most worth while. For all nations represented here, and perhaps more particularly for the developing nations, this has been an inspiring and challenging experience. This United Nations Conference on Trade and Development is one of the most important events of the post-war era and is bound to have the greatest single impact on international trade and economic relations of our time.

The first and foremost achievement of this Conference lies in the fact that it has been possible to convene it at all. Once here, it is bound to stay. World trade relations can never be the same again—at any rate, not for long. Those of us who have had to leave Geneva since the beginning of this Conference, or those of us who happen to be in close touch with the world press and public opinion, must have noted the interest and expectation that this Conference has aroused the world over. The philosophy of interdependence and

co-responsibility—the two main themes of this Conference—have captured the imagination of peoples everywhere. The peoples of the whole world—and more particularly the emergent peoples of Africa, Asia and Latin America—have been watching this Geneva drama with great expectation and with hope and confidence that there will at last be new and orderly systems of mutually beneficial trade and economic relations, in keeping with the spirit of the United Nations Charter and with the economic objectives of the Development Decade.

People sometimes tend to forget that this Conference is but part of, and a logical consequence of, the political progress made in the period after the War, beginning with the establishment of the United Nations and continuing with the emancipation of the emergent peoples of Africa and Asia. The amazing thing about this Conference is not that it is facing difficulties at the moment—all conferences face difficulties at first: the amazing thing is that the convening of this Conference should have been delayed and been so long overdue. For without this Conference and the objectives that it is meant to achieve, the United Nations cannot be effective, nor can our independence be real and rewarding.

So much for the importance that we attach to the Conference. I shall now make some general observations as regards our efforts and achievements.

May I be allowed to be perfectly frank and to say that we, the developing nations, have—as has been pointed out by a number of my colleagues from the developing countries—been somewhat bewildered and disappointed at some of the attitudes of the developed Western Powers. Our disappointment and bewilderment was the more increased when we came to recall the promises of co-operation and assistance that we had thought we had been assured of in the policy statements of representatives of the developed countries. At times it has seemed as if we were being asked to accept, all at the same time, diluted principles, vague concessions and a weak machinery to implement them all. Moreover, we were requested to make concessions which, by implication, would have meant infringements upon our rights as sovereign Members of the United Nations. And when we got together in order to find some common ground, as developing countries, for informal talks and negotiations with the developed countries, we were immediately accused of some kind of devilish conspiracy. But when the developed nations did much the same thing, they gave it the more civilized name of

“mutual consultations”. It even seemed at times—I must say this very frankly—as if the developed Western Powers were prepared to do much less than they are actually doing for developing countries at the present moment. This was an attitude which did not do any credit to the Western position, since the Western Powers have done and are doing a great deal to help developing countries in the economic field.

That unfortunate development and the non-co-operative attitude on the part of the Western Powers have given rise to the dangerous impression—dangerous, that is, for world co-operation and mutual assistance—that the West recognizes the problems of developing countries but has not, for one reason or another, realized the urgency of those problems or made up its mind to play the historic role entrusted to it. This, as I say, is most regrettable, not only because the West has all the means to help and co-operate, but also because we, the developing nations, attach importance to our traditional associations and economic relations with the Western world.

Moreover, we all find ourselves in the midst of an era of reconciliation and new relationships. The developing countries, almost all of which have been victims of Western domination of one form or another, have shown a remarkable readiness to let bygones be bygones in the making of a new world of mutual opportunity and benefit.

When we examine closely the appeal for co-operation and assistance that we, the developing nations, put before our developed partners, it is seen very clearly that what we ask is neither excessive nor one-sided. If for the sake of sheer interest a comparison were to be made between what we have given to the West and what we ask of them now, I am sure that the balance-sheet would be in our favour. What we ask is nothing more than that they should invest in our regions part of their savings and extra earnings, so that there would result a world prosperity from which we could all benefit. Of course, we also ask for special treatment and for easy access to the markets of the developed regions, so that we may not find ourselves at a damaging disadvantage in the initial stages of our development.

It is, of course, also true that our own efforts and sacrifices must be added to, and must be the basis for, all international programmes of trade and development that we prepare jointly with our developed partners. When the Under-Secretary of State for the United States spoke to us on this subject of self-help in development, we listened to his advice with interest and due consideration because we felt that, as a representative of one of the great developed nations, he was entitled to demand that of us. We only wish that he had the time to spare to be with us here in Geneva to resolve these problems together with us. That, alas, has not been the case. None the less, we accepted his advice and we attached importance to it. We also know from experience that the limited resources of

our economies can not go very far to satisfy our economic needs and aspirations and cannot help us meet the pressing demands of rapid progress.

Therein perhaps lies the greatest divergence of view between us and the Western Powers when it comes to the urgency we attach to the matter of a new comprehensive trade organization to undertake as rapidly as possible the organization and direction of trade relations. For the West, progress in such matters as world trade and development can be something which can come in its own good time. The West can afford that. Their approach to these problems of development is more academic than real. When they talk of “progress”, they usually have in mind some luxurious addition to what they have already achieved: new inventions, perhaps, or new gadgets which can make life more comfortable for them than it already is. For us, on the other hand, for the developing nations, progress is a matter of life or death. When we talk and think of progress, we have in mind problems that cannot be ignored without endangering our own existence as nations, problems which at the same time have great and grave implications on the international scene. We cannot for one moment afford to ignore the poverty, ignorance, disease and hunger which are still rampant on our continents in this age of progress and plenty. What we require in order to combat these enemies effectively is a strong and effective programme of action in international trade and development, coupled with a machinery which has the status and effectiveness to do the job with speed and efficiency.

When we regard our Conference in that light, we see that it has done some good things, but that it cannot claim to have achieved enough to meet and satisfy the pressing challenges of our time. That is the cause of our disappointment and concern.

However, as I said at the beginning of my remarks, this Conference is an important turning point in international trade relations, in spite of everything that has happened here at this session. There has been, for one thing, an open confrontation and an awakening which is bound to have an impact on the pattern of trade relations. The philosophy of interdependence, to which I referred earlier, has been reaffirmed. The challenging question that this Conference has posed will prove to be the inescapable guideline for the economic policy of our time. For there can be no alternative to mutual co-operation other than world disharmony and disorder. That, therefore, is the clear choice before this Conference, and those who have not made up their minds as yet must soon decide which alternative they wish to choose.

So far as the developing countries are concerned, this Conference has marked the beginning of a new era of co-operation and solidarity. In the past, the unity and solidarity of the developing countries was naturally concentrated on political objectives. This Conference has initiated new challenges and has opened our eyes to new responsibilities with regard to our role in the world economy and the new world

potentials for the progress and well-being of our peoples. That being the case, it becomes very important for us, the developing countries, to maintain and strengthen the unity and solidarity that we have forged here at Geneva. This unity and solidarity is the only means whereby we can hope to achieve the urgent and genuine demands of our peoples for progress and for a reasonable share in world advancement and prosperity.

And so, if we ask ourselves, as we indeed are entitled to do, what we came to Geneva to achieve and what we have actually succeeded in achieving, the reply boils down to this. We have not, obviously, achieved all that we had hoped to achieve, but we have made a beginning and we have forged a solidarity and unity of interest between the developing countries of the world. Let us hope, also, that, in spite of the divergencies of view which have arisen between us and the developed countries, we have made our case clear *vis-à-vis* the developed world. From that point of view, I believe that the Conference has been as worth while for us as it has been for the developed countries.

Thus, we, the representatives of the developing countries, go from this historic Conference somewhat disappointed perhaps, but by no means disheartened. We shall continue to strive for a better deal for our peoples, and we shall continue to appeal to the developed nations to accept, together with us, the challenges and co-responsibilities of our interdependent world.

In conclusion, I should like to associate my delegation with other delegations which have expressed gratitude and appreciation to the President of the Conference, Mr. Kaissouni, and to the Secretary-General, Mr. Prebisch, as well as to the Secretariat. We have all admired and appreciated the President's great qualities of leadership and his untiring efforts, as well as those of the Secretary-General of the Conference, aimed at obtaining mutual understanding and comprehension among the nations represented at this Conference. May their noble efforts, as well as the efforts of all of us, not have been in vain, and may we all be given the wisdom and foresight to have better luck next time.

STATEMENT BY Mr. MOHAMED KASSORY BANGOURA,  
REPRESENTATIVE OF THE REPUBLIC OF GUINEA  
at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: French]

Speaking before this assembly on 7 April 1964, the delegation of Guinea explained that it had come to the Conference to make its contribution to the advent of a new world and to the joint search for suitable systems of better international co-operation. It thus posed in clear terms the problems of defective international trade and of under-development, referring briefly to the way in which they had arisen and the harm they caused and mentioning at the same time its recommendations for their solution. In conclusion, it expressed the hope that the Conference would divest itself of subtle maneuvers and conflicts of interest and ensure the triumph of honesty, courage, confidence in the community of nations and the new will to economic co-operation which must galvanize all energies and resources for the harmonious development of the world in the interest of all humanity.

It is with these ideas in mind that the Guinean delegation took part in the work of all the major committees; and, when their task was ended, it was able to reach the following conclusions.

The Conference has provided a channel of expression for the natural attraction between all under-developed

countries. Thus, whatever their geographical position, whatever their political options, all the developing countries have concurred in recognizing that they are suffering the same fate of economic inferiority. They have all recognized that the unfavourable world economic situation may get worse unless the existing disequilibrium in the terms of trade is soon brought to an end. Finally, they have all agreed that the situation in which they have been placed constitutes a real danger to world peace, and that a remedy should be found for it as soon as possible. Thus they have often been able to reach agreement on some items of the agenda relating to the promotion, expansion and enlargement of mutual co-operation between the developing countries and the industrialized countries in matters of trade, international financial measures, payment and financing, and the setting-up of new institutions.

This natural awakening to the realities of their situation and this active solidarity of the under-developed countries in face of their common problems is, in the view of the Guinean delegation, one of the positive results of the Conference.

Men determined to reject a legacy they did not want have thus united their efforts, but they have been opposed by a combination of the "haves" against recommendations which the disinherited regard as vital to a reform of the system of trade. Commentaries in the press and in the lobbies have been orchestrated to create the belief that the under-developed countries wish to impose the law of numerical superiority and secure the adoption of all recommendations of interest to themselves without consideration for those whose task it will be to carry them out. Those making this assertion are ignorant, or pretend to be ignorant, of the fact that, inevitably, every stage of a man's life has its demands and its imperatives which impel him to ever-greater awareness of his personality. They are also ignorant, or again pretend to be ignorant, of the further fact that economic necessities and technical, scientific and social progress entail special efforts on the part of every nation to renew itself. Thus, for example, in the discussion of item 16 of the Conference agenda on institutional arrangements, methods and machinery to implement measures relating to the expansion of international trade, it has proved very difficult to find a solution which would satisfy the interests involved.

In the statements made by the various delegations, there has in most cases been a general recognition that the existing institutions are inadequate and have failed to solve all the developing countries' international trade problems and to bring about wider international co-operation in the field of trade between States with different economic and social systems. Concern has also been expressed about the multitude of institutions, the overlapping of their activities and the lack of a sufficiently integrated and comprehensive structure to enable a more effective trade and economic development policy to be devised.

Although some delegations were of the opinion that the replacement of the existing machinery would not in itself be sufficient to impart the necessary political dynamism, the conclusion was reached that none of the existing international institutions had the necessary powers or resources for dealing with all the problems arising in the field of trade and development. The discussions turned largely on the role of the General Agreement on Tariffs and Trade (GATT) whose Executive Secretary made a statement explaining the work done by the Contracting Parties, the evolution of the organization and the possibility of adapting it to meet the needs of the developing countries. During the discussions, some delegations also expressed the view that while GATT had perhaps proved effective in promoting trade between the industrialized, market-economy countries, it had failed to grasp the requirements of the less-developed countries' new commercial policy and economic growth. Even with the suggested reforms of its structure, it would still be too much the exclusive club of the industrialized Western countries.

Many delegations also dwelt on the inadequacies of the institutions at present dealing with commodities.

They urged that the existing financial institutions, such as the International Monetary Fund and the International Bank for Reconstruction and Development, should play a more active part than formerly in the field of international trade.

All this has led us to take the view that to speed up the economic development of the developing countries, new institutions designed to meet present economic needs must be established. Despite the defects of the existing institutions—defects admitted even by their best qualified spokesmen—despite the appeals made from this rostrum, and despite our sincere willingness to co-operate frankly and loyally, some industrialized countries have refused to understand us and even to regard us as equal partners.

Whereas the developing countries were asking for a new institution, with adequate authority, under United Nations auspices, the developed countries wanted a subsidiary organ of the Economic and Social Council. Moreover, the market-economy countries tried to introduce the right of veto into the voting system for the body they wanted, as described in the relevant texts; and it was there that our conscience revolted, for in our view the weighting of votes is contrary to that principle of the equality of all peoples, which is the very basis of the United Nations, where great and small have the same international responsibilities. This leads me to recall again some passages from the message addressed to our Conference when it opened by the Chief of State of Guinea, President Ahmed Sekou Touré:

"We believe that your Conference, if it is to be equal to the responsibilities which it is assuming before history, will have to organize its discussions in such a way as to be free of any inferiority or superiority complex in relations between the delegations of the developed nations and those of the developing nations.

"For to start out from the notion that nations should give charity to other nations or, to be more precise, that the industrialized countries will have to contribute help to the development of the countries of Asia, Africa and Latin America, would lead to discussions far beyond what is demanded by human society, whose harmonious and balanced development remains the only real factor for mutual understanding, reciprocal friendship and fraternal co-operation among peoples.

"At this Conference, no one brings gifts and no one asks for them. There are only, and can only be, delegations instructed by their nations to study under what conditions it would be possible to establish relationships of justice in trade transactions which are at present prejudicial to the vast majority of the peoples of the globe, and consequently to the strengthening of the foundations of world peace."

The Republic of Guinea, therefore, maintains its faith in international co-operation, but demands that this co-operation, in order that it may be valid,

should be as between equal partners, on the basis of mutual respect and human dignity.

Before concluding, the delegation of Guinea would like to state its conviction that this Conference will have an undoubted effect on the policy of every country in the world. It therefore adheres to the belief that the essential decisions to be taken here will be merely a logical sequel to the undertakings assumed under Articles 55 and 56 of the Charter of the United Nations in economic and social co-operation.

Whilst deploring, once again, the absence from this Conference of a great country like the People's Republic of China, whose participation in our debates would certainly have added to their value, the delegation of the Republic of Guinea entirely approves and concurs in the reservations expressed in the report of the Credentials Committee concerning the credentials of the retrograde Government of South Africa and the reactionary Government of Portugal. The fact is that whilst in Angola, Mozambique and so-called Portuguese Guinea our unarmed brethren are fighting to claim their legitimate right of freedom, and whilst innocent human beings are being imprisoned and tortured simply because they rebel against that shameful stigma on mankind, *apartheid*, the very people who are applying those barbarous and outmoded methods, condemned by our Conference, are proudly seated side by side with respectable delegations. Whilst I am speaking here, African nationalists are being condemned to life imprisonment, victims of that unspeakable policy of *apartheid*, at the very time when we are talking of equity and international co-operation.

Gratified as the delegation of Guinea was at the election of Mr. Kaissouni as President of this now

historic Conference, it has even more cause for gratification today in the dignified and efficient manner in which he has discharged that difficult and delicate task. After more than two months' continuous work, after the personal efforts he has made since the memorable Cairo Conference, which resulted in resolution 1710 (XVI) of the United Nations General Assembly, and after the final days of this Conference, which have been a veritable marathon against the clock, I hope he will allow me to transmit to him the sincere congratulations of the Government and delegation of the Republic of Guinea on the results which have been achieved, meagre though they are.

My delegation would further like to thank the Secretary-General of the Conference, Mr. Prebisch, for all his sincere efforts to make this Conference a success. Nor can I conclude without addressing my delegation's warm congratulations to the Chairmen of the various committees whose task, too, has been far from easy, and to the Rapporteur and all the officers of the Conference. With them, the Guinean delegation would like to include the Secretariat as a whole, the interpreters, and all those who, from near or far, have assisted the Conference in its work.

Our Conference should have been a manifestation of inter-State solidarity, of conscious unity of action by all to improve the condition of mankind.

In conclusion, may I say that while I can well believe in the eventual resorption of under-development, it is also my belief that the greater the improvement in the living conditions of the under-developed peoples, and the greater the extent to which the developed peoples make themselves useful to mankind, the more of a reality will world peace become.

## STATEMENT BY THE REVEREND FATHER LOUIS-JOSEPH LEBRET, ON BEHALF OF THE DELEGATION OF THE HOLY SEE

at the thirty-first plenary meeting, held on 10 June 1964

[Original text: French]

The delegation of the Holy See has followed with the greatest interest the whole of the work of this Conference. It has inevitably been struck by the degree of maturity which the international community has now attained. Never, perhaps, has the conscience of our common solidarity been expressed with so much vigour, with so much mutual comprehension, above all with so firm a will to succeed.

Our delegation did not speak more frequently in the first part of the Conference's discussions because it felt its duty lay in avoiding any interference in matters

which are connected directly or indirectly with politics. Sometimes, too, it has abstained during the voting because, anxious not to lose sight of the universal common weal and faithful to the principles which, in pursuance of its instructions, it had enunciated during the general debate, it had to keep constantly in view the preparation of a new economic order designed to bring into being a genuine international community. In this community, we must trust the respect for the human values included in every civilization will go hand in hand with economic development.



It is true that during the course of the Conference our delegation has been distressed more than once to perceive antagonisms which seemed to jeopardize the very success of this important gathering. Only since the circulation of the reports of the five committees has the assurance been forthcoming that, despite the asperity of certain interchanges during the debates, the recommendations as a whole show a coherence which we scarce dared hope for. At this present moment, some matters are still pending; it is already accepted that the Conference has sown seed which, thanks to national, regional, multinational or international efforts, will gradually take root and create the conditions for a common and mutually dependent civilization.

And once the Conference is over, and we come to matters of practical application, the road ahead will be long; but the way is open. It would have been childish to expect the reciprocal misunderstandings to disappear at once, but they will not resist the general determination to break with national particularisms in order to strive for that service desired and organized between countries or groups between which insuperable antagonisms were thought to exist.

Our delegation considers that the immense collective effort which has been made here is a promising step towards the pooling of all natural and human resources for the good of all and each. Never yet has an assembly representing almost all the peoples been able to study in such detail the general co-ordination of productive efforts and the equitable distribution of the fruits of labour amongst all.

Without drawing up an exhaustive list of the principles which its programme allowed us to expect, the Fifth Committee has none the less made pronouncements which may very well effect a gradual change in collective attitudes. We are amongst those who firmly hope, even at this late stage of our work, that at least a partial result will come out of the efforts made within

the Fourth Committee to prepare for the adaptation of international and multinational organs to the requirements of the profound change in world structures which has taken place over the last eighteen years. During the debates, there has been above all talk of trade and not of the larger problem of all exchanges in their various forms. Despite this emphasis on commercial relations, the text of the recommendations betray our common preoccupation with the purpose for which exchanges must be adapted—namely, universal development and the multiple forms of aid required for this. Consequently, after following with emotion the vicissitudes of the Conference the delegation of the Holy See is now sincerely happy at the results already achieved. It sees in them yet another proof of mankind's striving for peace and growing respect for men who aspire to their full human dignity and for nations which seek to reach real political amity.

We venture to hope that the encyclicals of Pope John XXIII *Mater et Magistra* and *Pacem in Terris*, the recent messages of His Holiness Paul VI and the work which is being done at the Vatican Council will make a substantial contribution to the success that will come to these first measures taken by so many associated countries. This success would still be attained even if the start is not as rapid as we all hoped, and even if the organization of the forces to be harnessed is not achieved at the tempo we expected at the beginning of the Conference. The trail has been blazed for the forward march of humanity—for a greater collective effort in intensive co-operation and experience of this will bring the changes in attitudes which are still necessary.

Our delegation, which has benefited like all here from the immense labours of the Secretary-General and his staff, is happy to have played a modest part under the enlightened guidance of our President in these first steps towards a mutual understanding and in this joint effort which is to lay the foundations of a more equitable civilization.

**STATEMENT BY H.E. Mr. JÓZSEF BIRÓ,  
MINISTER OF FOREIGN TRADE OF THE HUNGARIAN PEOPLE'S REPUBLIC,  
HEAD OF THE DELEGATION**

at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: English]

Speaking on this solemn occasion on behalf of the group "A" countries, let me first express our highest esteem and profound gratitude to the President for his excellent leadership, endurance and tact which have greatly contributed to the success of the Conference. Let me also thank our Secretary-General, Mr. Prebisch,

for the devotion, skill and courage he has shown during the preparatory period and the proceedings of our Conference. Let me express our gratitude to all the members of the Secretariat for their excellent work and perfect organization with which they facilitated the intricate task of our meetings.

After so many weeks of hard work, of lengthy discussions, of exchanges of views, it is not a very easy task to draw a detailed account of our achievements. Nevertheless, there are results which we can be proud of.

The mere convening of this Conference is in itself a major achievement in the history of international economic co-operation. The results of it can be safely described as historic. It is the first time that a conference of this size, of such a high competence, has been held in order to deal with the new problems of economic co-operation among the nations. Stating this, we cannot but regret a major shortcoming: the lack of universality of this important meeting, due to political pressure, which had nothing to do with the aims of this particular Conference. Let me express my firm conviction that very soon we will see among us all the legitimate representatives of those nations, which have been deprived so far of the possibility of taking part in our deliberations.

This Conference has been a confrontation of new forces, striving for economic advancement, as the main prerequisite for real independence, and of those forces, which stick to their privileges and want to conserve the old pattern of world trade. In this connexion, an outstanding characteristic of our Conference is that it showed a definite direction for a new international division of labour.

Our Conference has adopted principles conducive to the development of trade. We see among these principles long-standing ones, which proved indispensable for the normal flow of trade, like the principle of the most favoured nation. We have adopted new principles of paramount importance, recognizing the right of the developing world to special advantages in order to accelerate their economic growth. Complete decolonization in compliance with the United Nations declaration is also embodied in this new Charter of ours. We are happy to see among these principles those recognizing the freedom of every country to trade with others, and to be free from any discrimination because of their different economic and social systems. In spite of all efforts to minimize or even to deny these principles, they will prevail because they express the legitimate aspiration of the peoples. We have reached a point, which we can call with all assurance the point of no return.

It is for us particularly satisfactory that the Conference has recognized the great importance of increasing trade between the socialist countries and the developing ones. Our declaration on quantitative provisions in this respect clearly shows the interest which we take in this flow of trade. It is gratifying to know that the Conference has also recognized that the solution of problems still existing between us and the developed market economies will contribute to the development of world trade.

A great part of our endeavours has been devoted to the creation of a new universal international trade organization in order to implement all the resolutions of this Conference. Although we have not been able to reach fully this target, we consider it as a first step and we will not spare our efforts to complete this task. All our results are embodied in the Final Act, which contains these positions of the highest importance. Our delegations will adhere to this Final Act in the spirit of friendly collaboration.

We must be realistic. All these achievements are but the first steps on a long road, full of obstacles not only of a technical and economic nature, but of political ones as well.

Dealing with these obstacles, we have been told to be realistic. To this we must answer that the only realistic attitude towards the contemporary problems of world trade and development is the full recognition, with all its implications, of the fact that an ever increasing part of humanity is progressing towards socialism, and that at the same time the immense majority of peoples and nations is firmly determined to do away with colonialist exploitation in whatever form. One can fight against these realities, one can ignore them for a while, but at the end one has to accept them. This and no other thing is the reality of our days.

The discussions, the struggles we witnessed here during this Conference have given us a precious lesson, the lesson of unity of all forces fighting for economic advancement, against exploitation. The socialist countries are proud of their share in this fight. They solemnly pledge themselves to do so in the future too. Wherever forces of progress will strive for their place under the sun, they will find us on their side. As to my country, I can assure you of our fullest support and co-operation to continue this work.

**STATEMENT BY H.E. Mr. MANUBHAI SHAH,  
MINISTER OF COMMERCE, HEAD OF THE INDIAN DELEGATION**  
at the thirty-third plenary meeting, held on 13 June 1964

[Original text: English]

As you are aware, I have returned to this Conference in the shadow of a great national tragedy, the death of our beloved leader and Prime Minister, Shri Jawaharlal Nehru. You were good enough to send me a message of sympathy. This was greatly appreciated in my country and I wish to repeat, apart from my formal reply to you, that I myself, my delegation, my Government and the people of my country are most grateful to the President and the delegates for this most spontaneous and generous gesture.

We have been fortunate in being led for the past seventeen years by one who, from the tributes paid to him by the world press and by people all over the world, has been adjudged a world leader with a very wide perspective, a universal vision and all-comprehending humanity. I myself took part in the immersion of his ashes at Allahabad—not in any spirit of narrow religious superstition but with the desire of being united with the sky, the earth and the waters of India which he was, to which he belonged, and with which he finally wished to be merged.

The basic principles and objectives for which the late Jawaharlal Nehru stood, as our new Prime Minister, Shri Lal Bahadur Shastri has proclaimed, will continue to influence our thinking and our conduct. One thing for which the India of Nehru stood solidly and without any reservation was the development of the so-called under-privileged peoples of the world in order to enable them to take an honourable and an increasingly important place in the rapidly advancing economic, social and political structure of the world. He believed basically and fundamentally in the less-privileged people among the world catching up with the more-privileged and taking their due part and due share in the application of the advance of science and technology to achieving rapid economic and technological development. He believed in the less-developed of the countries of the world achieving steadily rising rates of growth and standards of living and consumption. In these objectives, and especially in regard to technological advance, he and we never thought only in terms of India. In these objectives, he was a citizen of the world and, in particular, a citizen of what might be called the less-advanced and less-privileged part of the world.

Assessing the work of the Conference, my delegation and I would wish to ask ourselves some questions and

seek to answer them to the best of our understanding. A considerable measure of success has attended the Third Committee—namely, the Committee on financial and investment matters. It is also gratifying that in regard to basic issues like supplementary finance and the action to be taken in regard to the increase in exports of manufactures and semi-manufactures from the developing countries, there has been a clear identification of the issues involved and of the action which will have to be considered. With regard to the Fourth Committee, dealing with institutions, we have already had intensive discussion on the areas of agreement which are being expanded. My delegation and I consider that a continuing institution is most necessary in order to continue the consultations which have gone on over the best part of the last three months.

How is it that the Third Committee relating to financial matters has achieved more success than the other Committees? It seems to me that the answer is, firstly, that the questions relating to investment and loans are somewhat easier than those relating to trade, for reasons which I shall come to presently. Secondly, we in the world have more experience—fruitful experience—with regard to these financial matters, thanks, mainly, to the initiative of the International Bank for Reconstruction and Development which, in the last six or seven years has, each year, held a meeting and formed an enlarging consortium of countries willing, able and desirous of helping the less-developed countries of the world. The countries with free market economies and no less so, the countries with centrally-planned economies, have regularly and continuously assisted us in India with our plans and with the execution of our plans, in order to lay the foundations of continuing and self-sustaining growth. I need hardly say that India very greatly appreciates the assistance which she has received in regard to her economic development from countries such as the United States, the United Kingdom, the Federal Republic of Germany, France, Japan, the Union of Soviet Socialist Republics, Czechoslovakia and other friendly countries, irrespective of their political, social or economic systems.

In the field relating to investment and financial matters, there is mutual advantage. If a rich country lends money and gives credit to an under-developed country, obviously the industry of the rich country benefits. For a good deal of the assistance, the relationship is one of a tied economic relationship.

The industry of the lending or donor country, as the case may be, benefits by these loans. I would not for one moment wish to say that it is only this beneficial result that actuates the giving of assistance. My country knows that in many cases the mutual advantage and an increase in exports is incidental. Of course, we have been pressing for untied aid and for the possibility of the use of any aid funds in the most competitive and the best markets. The Marshall Plan would never have been initiated if it was based only on the objective of mutual benefit. There was something higher, something nobler, something unselfish about this effort. Similarly, the countries in Eastern Europe, i.e., the socialist countries, which began a revolution, had their economies shattered twice during a generation, and had to reconstruct their economies and further develop them twice in the course of about thirty years. These socialist countries, led by the Union of Soviet Socialist Republics, have made commendable contributions to the development of the developing countries at great sacrifice to themselves while they were themselves busily engaged reconstructing their economies.

It is, in our view, a very good thing that the developing countries have been able to join together and face the problems of development in a united way. If I may say so, this has been the most historic Conference since the era of United Nations began. For the first time here in this "Hall of Great Friendship", if I may name it as such, a hundred and twenty sovereign nations have met, discussed, argued, fought—with words and arguments—and united themselves into a permanent and lasting bond for world peace and prosperity and progress of the 3,200 million people of the world and specially forged a "united will" for the accelerated progress of the less-developed humanity of the world living in the eighty countries of the three continents of Asia, Africa and Latin America.

The recognition of the identity of basic objectives and wider interests which we have achieved at this Conference are of the greatest value. It is a fact that there are a large number of developing countries with a wide variety of problems. It is understandable that there can be no uniform remedy for the problems of all the developing countries, nor any panaceas. But the differences are differences of timing and differences of degree rather than differences of kind. As a country, India, which has worked hard over the last fifteen years largely on the basis of internal resources, I am happy to see that other developing countries are seeing the problems of development as we have learnt to see them by experience. Once these problems are seen, the remedies are not difficult to work out and implement. It is self-help which is our panacea and which I am glad to see all developing countries are working on. Basically, the problems of development are the same. The recognition that all the developing countries are confronted with the same kind of problems is an important gain which we have made during this Conference.

The basic situation in regard to the position of the developing countries has been accepted on all hands, namely, that *per capita* incomes and standards of living and consumption are low in the developing countries; and that the share of the trade of the developing countries in international trade has been falling where it should have been rising, and that it should rise at a much faster rate and in much larger quantum, if the disparities in standards of economic development, living and consumption are to become less marked between the two parts of the world than they are today. It is only on the nature, the extent and the duration of remedies which have been the matter of discussion and debate.

There has been fruitful discussion—in fact, on some occasions, acrimonious discussion—on these problems in the Committees. I will not consider this by any means a tragedy. It is when some heat and passion are developed that one is able to get all the facts down. No doubt in the heat of passion, some of the facts are a little exaggerated. But in an uninhibited discussion at least all the facts are noted and recorded. In some cases, by mutual agreement, solutions have already been suggested and could be implemented. In other cases, the clear and distinct identification of the problems and areas of agreement and disagreement between the developed and the developing countries is a matter of considerable significance. This provides a most important starting point for the continuing discussion and dialogue which we now envisage through the continuing and new high-powered economic machinery under the aegis of the United Nations which will be set up soon. This is the single most historic and vital achievement of this great Conference. A new era and "great debate" have begun. This Conference and the trade and development board of the United Nations, when established, will provide the strongest machinery and foundations on which the future prosperity of the world, in general, and the developing countries, in particular, will be based and worked through. The "Geneva Charter"—the Final Act and the documentations of this Conference—will go down in the history of the world as the Charter for freedom from poverty, hunger and disease of the peoples of the world, a Charter for Progress. India salutes this Conference and congratulates the Conference and herself on this historic achievement.

It would be unnecessary for me to deal in detail with questions such as commodity agreements, access to markets, suggested organization of markets, basic principles governing international trade, etc. I wish, on the other hand, to deal with the Conference, its achievements, its consequences and its succession on a philosophical plane. For the first time, a hundred and twenty countries have attended a unique international Conference dealing with economic issues as distinct from political issues. They have discussed the objective of helping the rapid economic development of the developing countries, reducing the growing disparity in the share and the terms of trade

between developed and developing countries and promoting the foreign exchange earnings of the developing countries. This will help to increase their rate of growth both in absolute terms and in relation to their growing population. This will help them to earn extra foreign exchange to promptly meet their obligations in regard to the payment of interest and repayment of capital on the loans which they have taken and will continue to take for their economic development.

The basic problem and the ultimate objective being recognized both by developing and by developed countries, the question is what one should do. It seems to me that in the atmosphere of a Conference of this kind where, naturally, each party is anxious to make its problems known and recorded, we have perhaps given a little more thought to the problem and its enunciation than its solutions. What is needed, in my view, is a break-away from traditional ways of thinking. The problem of development of the developing countries is so large and so urgent that we cannot deal with it according to any orthodox and hitherto accepted ways of thinking and action. We need to break fresh ground and, if necessary, take recourse to ways of tackling these problems which might shock the orthodox and the conservative elements in the world.

It seems to me, in this context, that perhaps the developing and the developed countries could put themselves into one another's shoes and consider the problems, so to speak, from the other man's point of view. If for instance, the administrations of the United States, the United Kingdom, the countries of the European Common Market and the socialist countries could see the problems of the developing countries from the latter's point of view, and could apply to these problems solutions in the background of their own economic, commercial and political systems, then I have a feeling that we would not take very long in coming to an agreement on what needs to be done, how and at what pace. We look upon this permanent and continuing Conference as a forum for mutual consultation based on understanding and good will. It should not be thought of as a contest or a confrontation. We of the developing countries have also to realise the problems and difficulties of the advanced countries and we are thankful to the developed countries for their co-operation in this Conference. They will have to move much more forward. It seems to me and to my delegation that there is no other way of bridging this gap between what is needed and what is possible. This would be an experience in thinking which, I am absolutely certain, would be of great mutual benefit. One of the sweet and healthy memories that my delegation and myself will carry with us, is the unity of thought and identity of objectives and solidarity that has been forged between the countries of Africa, Asia and Latin America. Added to this, the understanding developed between the

industrialized countries, the socialist countries and the less-developed countries, will pave the way for better friendship in the world.

In going through this process of thinking we must not forget that there are many countries in the world where incomes, standards of living, standards of education and—what is most important—the growth potential is low. These problems need particular attention. Those that started somewhat earlier the process of industrialization should give all the assistance to these countries—technical, financial and commercial—to see that the developing countries achieve a reasonable rate of growth. Only this will give them hope in a world which is technically, technologically and materially advancing extremely fast.

A thought which occurs to me in this connexion is the following: one has recently read that the Commission of the European Economic Community has put out a report which assesses the current situation and produces a prognosis for the short-term future. These are not at all encouraging. Many of the European economies appear to be "over-heated". There are signs of inflation and grave shortages in material and even more so, in labour. In this situation, the inelasticity of growth rates in the developed countries would be an impediment to further rapid growth in these countries. In the developing countries, there are very large populations and very wide deficiencies in *per capita* incomes and consumption which need to be filled. The opportunities afforded by these countries would provide a welcome complementary compensation to the developed countries. It seems to me that the transfer of capital and technical assistance to the developing countries from the developed countries would create a desirable trend in world economic growth and assist the objectives of the United Nations Development Decade. The industrial transformation based on principles of international division of labour is basic to any solutions emanating from this process of industrializing the economy of the less-developed countries.

The question should be not how far can we go, but how far must we go if our basic objectives are to be achieved. This process of introspection should apply no less to developing countries than to developed countries. The former also have to make concessions and understand and appreciate the difficulties of the developed countries in regard to the changes in industrial structure and changes in patterns of trade that may result as inevitable consequences of finding answers to the questions which we have posed. In some cases, it would be a question of a phasing and a programming of the measures to be taken. In these cases, it would be necessary to educate the industries of the countries concerned and the electorate. If the true facts are placed before the parties concerned, they would not come to conclusions radically different from those arrived at by the representatives of Governments and administrations. I would cite the example

of some of the older industries in several developed countries. In these cases, the younger generation finds these industries unattractive. It does not go in for training in these industries. It would rather work in the cleaner and more modern and complex industries like telecommunications, instrumentations and electronics. In the industrialized countries, there are more vacancies in the older industries, reported to labour exchanges than can be filled by the number of new entrants to these industries. In these circumstances, is there any merit in keeping on the older and uneconomic industries like textiles, jute, coir and many other simpler industries going in the developed countries, because a few interested parties raise a lobby and make difficulties for a rational solution of these problems?

I am most happy to know that the socialist countries led by the Soviet Union have given to the Conference an assured and firm perspective of their imports from the less-developed countries by 1970 and by 1980. This programme of purchase of raw materials, primary products and, particularly, large and increasing quantities of manufactured and semi-manufactured goods from the developing economies by the socialist countries is a step in the right direction, which is an example enough for the other industrialized countries to programme and plan some of their imports on a preferential and vast basis from the less-developed countries, particularly their manufactured goods. I heartily congratulate the Government and delegation of USSR and other socialist countries who have made this announcement. I hope the other developed countries of the world will evolve some similar programmes.

We have begun. Though it is just the beginning, nobody can now stop our forward march. This Conference can and must now onwards "produce" remedies and results. The Conference will gather momentum as the years go by, and no power on earth can halt its "forward march" in the emancipation of the peoples of the world. I consider this Conference as being the first stage in a hopeful, fruitful and continuing consultation that will go on for several years yet. Solutions cannot all be found together for all our problems. Nor can solutions even in any particular case be found in a complete form at one time. But the important thing is that we have embarked on this process of mutual consultation, thinking and arriving at solutions which we shall have a desire and a willing-

ness to implement. This is, in my view, a great step. I would not agree with any prophets of doom, who assess the achievements of this Conference pessimistically. A great deal has been and can be achieved, and achieved very quickly. The seeds of friendship—friendship in the spheres of trade and economic development—have been sown, the tree, the flowers and the fruits must and will blossom forth.

I congratulate the members of the various Committees on the very devoted work which they have done, which has made it possible to identify the problems and to at least think of alternative possible solutions. I am sure my colleagues would wish me to thank the Conference Secretariat, the interpreters, the précis-writers and all others who have worked devotedly for the success of this Conference over the past three months.

The Secretary-General, who has endeared himself to all delegates in the course of the last three months, is a dedicated man whose sole desire and objective is to win for the developing countries the means and the opportunity for accelerating their rate of economic growth. On my own behalf and on that of my delegation, I wish him all success in this noble task. I wish him ten years and more as the Secretary-General of this great and historic Conference.

I certainly would not wish to leave the rostrum without paying a humble and most well-deserved tribute to Mr. Kaissouni for the way in which he has conducted the proceedings of this Conference. What he has done in public by presiding over plenary sessions, if I may say so, is only a minor part of his achievement. What he has done over the last several weeks, when he has remained here continuously in spite of his heavy and major pre-occupations in the United Arab Republic, especially in private and personal discussions and negotiations with individual delegations and groups of delegations, has been of the most unestimable value in leading this Conference towards a successful conclusion. Without necessarily knowing it, we have done ourselves the great honour of choosing in him a head whose great understanding, courtesy, urbanity, vision, and great sense of fairness and responsibility, have been of great benefit to all of us and to the Conference. We are all indeed immensely grateful to him for the very inspiring leadership which he has given us.

May this noble and gigantic "adventure", this Conference, grow from strength to strength.

**STATEMENT BY Mr. D. HOROWITZ,  
GOVERNOR, BANK OF ISRAEL, HEAD OF THE ISRAEL DELEGATION  
at the thirtieth plenary meeting, held on 10 June 1964**

[Original text: English]

These are the last days of the United Nations Conference on Trade and Development, and it seems that it would be proper to sum up at this moment some of the facts revealed here and the suggestions made at this Conference.

There is a consensus of opinion as to the relative deterioration of the economic conditions of the developing nations, owing to demographic expansion, the worsening of the terms of trade and the crushing burden of repayment of debts, both principal and interest, contracted on unrealistic terms. The gap of 1 to nearly 50 between the lowest and highest incomes in the world—\$60 per head per annum and nearly \$3,000—is widening.

On the other hand, the political power of the developing nations is growing with the number of countries becoming independent, and as fortunately war becomes more and more impossible, the shape of things to come is being determined by political, social and ideological pressures and counter-pressures and not by force. This fact alone exacerbates the feeling of frustration in view of the present economic conditions in developing nations.

This dual gap between the standards of life of the rich and the poor nations and between the political influence of the developing nations on the one hand and their economic opportunities on the other hand creates an explosive situation.

We are now confronted with the question: "What did this Conference achieve in the way to a solution of these problems so crucial to humanity? Did we engage only in an amiable discussion become a talking shop—with no bearing on the grim facts of life and the destiny of the human race?"

In replying to this question, it must be borne in mind that the main obstacles to the solution of these great problems of our time are in the minds of people and that there are no insuperable obstacles independent of our will and efforts to achieve a better life for the world as a whole. Who would have dreamt in the 1930s that we should experience in Europe an uninterrupted boom for twenty years with shortages of labour and rapidly rising standards of life? The 1920s and the 1930s in Europe and in America were, in the economic field, an unmitigated disaster. There is much substance in the assumption that, were it not for that tragic experience possibly the holocaust of the Second World War could have been averted.

How have deep economic crises been prevented since the Second World War while the natural conditions and resources remained the same? What was eliminated? Were the economic fallacies in the minds of people, as economics became humanized, and subservient to great political and social aims?

The mechanism of modern economic life was finally discovered and subjected to the will, objectives and purposes of modern nations which ceased to be prisoners of their own prejudices. The modern welfare State has been the main achievement of democracy in each nation. We stand now on the threshold of a new era of international democracy which may bring about the international welfare community: a projection of the concept and ideas of the welfare State on a global scale.

This Conference was an important step on the road to such a development, and it was the first of such large scope, its main purpose must have been and was the germination of new ideas, exchange of views and experience, and a new mutual understanding of the problems of different nations.

The ideas formulated here are bound to become an independent force and be institutionalized and they will influence the various institutions of the United Nations, such as the GATT, the International Bank for Reconstruction and Development, the International Development Association, as well as the policies of sovereign Governments.

In this sense, this Conference may represent a new departure, a turning point, as the following ideas emerge into the conscious and become a living force.

The feeling of interdependence: whoever attended this Conference could hardly have escaped the feeling that we live all in one world and are mutually responsible for its future destiny. No nation and no representative of a nation would today pose the question: "Am I my brother's keeper?". The poverty, plight and suffering of any nation is the concern of all of them.

There is at least the first awakening of social conscience on an international scale and the recognition of needs and justified claims beyond national boundaries.

There is a feeling of urgency with regard to the burning and pressing problems of the developing nations.

What is now needed is a down-to-earth analysis as to what extent these lofty ideas found a concrete expression in the proposals and plans of this Conference. I would like to mention four main points on which such



progress, modest as it is for the time being, was made: all of them reflected in the Final Act of this Conference the Magna Charta of developing nations:

First, the idea of formal equality was discarded. It is recognized as antiquated and obsolete. And just as the modern State internally discriminates in favour of the poorer and weaker sections of population by progressive taxation and social services, such discrimination in trade in favour of the poorer nations seems to be fully warranted.

The GATT declaration and other pronouncements in favour of tariff concessions without reciprocity on behalf of the developing nations are a case in point.

Secondly, this new approach was reflected fully in the resolutions asking for the unrestricted access of developing nations to the markets of the industrialized countries.

In this context of preferences, I would like to refer to the special problem of countries with a limited population and area and with scarce natural resources. We know that such small countries are much more dependent on foreign trade than those with large populations and potential advantages of large-scale production for an extensive domestic market. Preferences for the trade of developing nations would make their industrialization possible and in the same time promote a new division of labour. The expansion of industries producing capital goods would in the long run amply compensate the industrialized nations for any possible contraction of some traditional industries and be helpful in eliminating the dangers of recession ever present in mature economies. The new economic thinking, approach and action would confer invaluable benefits on the developing and developed nations.

Thirdly, it was recognized that the deterioration of the terms of trade of the developing nations represents a structural long-term problem and that this situation calls for an early remedy.

Considering the industrialized nations benefit greatly from declining prices of primary commodities, the need for compensatory financing for the developing nations is clearly recognized in various degrees, from present short-time arrangements of the International Monetary Fund to the more far-reaching suggestions of long-term rectification by the International Development Association.

Fourthly and last, but not least, great progress was made in considering the most important measures of financial aid to development.

Economically, the only realistic solution of the problem of developing nations is the industrialization and diversification of their economies. Commodity agreements, compensatory financing and so on are desirable palliatives, but the long-term solution is inherent in a structural change of the economies of the developing nations and evidently the problem with which this historic Conference is confronted can be solved only through an economic breakthrough, which is conditioned by a massive transfer of capital and investment.

Development is a function mainly of investment, although other factors, such as skill, proper administration, planning etc., are also essential. Even the other factors, however, are to a great extent dependent on the availability of funds for training, education, etc., and they alone are of no avail if capital transfer is inadequate, as the internal formation of capital in countries with an extremely low standard of life must of necessity be a slow and agonizing process.

Admittedly, such a massive transfer of capital and investment on a very large scale involves some waste and this is the price of projecting the welfare State and humanly-tolerable standards of life on an international global scale.

Modern technology and modern economics are today adequate to solve these problems. Never in the history of mankind have the conditions for such a solution been so propitious as at this moment.

Even the experience of the most tragic event of our time, the World War, proved the possibility of allocating increased amounts of capital without great harm to the economies which engaged, for one reason or another, in such a diversion of funds and physical resources.

As to governmental aid, the mature nations are limited in extending aid to the developing nations by budget allocations.

On the other hand, capital is available on the free markets of the world on an immense scale. Fixed interest debentures and bonds are issued at a rate of \$35,000 million per annum on the financial markets of industrialized nations.

The bridge between the developing nations and these capital markets cannot be constructed by free competition of the developing nations with the highly-industrialized nations on the free markets. Such resources can be tapped for the developing nations only by a combination of inter-governmental aid with commercial transactions.

Relatively small amounts provided by the rich nations of the world on a governmental and multi-lateral basis could act as an ignition spark with regard to these resources and generate a vast transfer of capital. This multiplier effect can be achieved by a relatively small subsidy overcoming the gap between what the developing nations could pay in interest and the rates on the free markets, and by an international guarantee. This guarantee will never become effective if the operation is successful, as it should be, and the developing nations are launched on the road to self-sustaining growth.

Social conscience, political wisdom and an understanding of the real interests of both industrialized and developing nations should establish a proper scale of priorities and give high preference to the development of two-thirds of humanity even at the price of some slight slowing up of the rate of expansion of domestic demand of the rich nations, which will—at any rate—continue growing by leaps and bounds.

This seems a way of breaking the vicious circle of under-development and poverty; and it is gratifying that the Conference decided to explore this avenue through the International Bank for Reconstruction and Development. So far, these are only resolutions and ideas. However, in this context, it should be borne in mind that the main obstacles to progress on the road to self-sustained economic growth, are not objective conditions, but rigid, antiquated and obsolete economic thinking; utterly unrealistic in the atomic and space age, in the age of one world. The stubborn adherence to economic ultra-orthodoxy was, to a very great extent, responsible for the world economic crisis in the 1930s and may frustrate the attempts to raise the standards of living of two-thirds of humanity today.

Immediately after the war, the spectre of ultra-orthodoxy receded, with the rising wave of liberation after the dark days of the Second World War, and this new spirit was reflected in the very important Marshall Plan.

However, the affluent society of the 1960s caused a new retreat from this spirit of human solidarity. A return to the moral farsighted motivation of the period of the Marshall Plan will necessitate the revival of a spirit of world wide co-operation and a statesmanlike approach to the whole problem and the absorption of modern economic facts and ideas.

An imaginative approach to the great tasks of our century could have the same result as the counter-cyclical policy in the developed world had in the

elimination of economic crises in the post-war world. Such a policy would not only narrow the gap between the two halves of humanity, but make richer and more prosperous all those embarking on this great venture.

What is Israel's position in that framework? We identified ourselves with the aims, purposes and aspirations of the developing nations in this Conference. This attitude, deeply rooted in the social and political philosophy of Israel, based on a fruitful co-operation with many developing nations in the spheres of economic and social endeavour and economic development and in conformity with its interests, was consistently reflected in our contribution to the work of this Conference, in the sphere of development financing, trade preferences, etc. This attitude was not affected by ephemeral political situations. We believe in our common destiny with the developing world and in the contribution which we could make to its progress. By our tradition and past, we could help form a bridge between the two worlds and, we believe, promote in a modest way the objectives of peace and prosperity which we all cherish.

This Conference should be a new departure; it should inspire all of us with a sense of urgency. Time is of its essence. With very little sacrifice, the problems with which this Conference confronted us so vividly, can be solved in this age in which humanity is reaching for the stars. The efforts of the Conference will not be in vain; and the seeds sown here will germinate and bear the fruit of a better world.

**STATEMENT BY H.E. Mr. ARIALDO BANFI,  
UNDER-SECRETARY OF STATE FOR FOREIGN AFFAIRS OF ITALY  
at the thirtieth plenary meeting, held on 10 June 1964**

[Original text: French]

In a few days the Conference will come to an end and I think that today we can already draw some conclusions from the intensive and enthusiastic work which we have accomplished in twelve weeks under the President's wise and intelligent guidance.

These conclusion may perhaps be modified by the discussions and talks which will continue to take place throughout this week between the representatives of the various groups, and we cannot but express our most sincere wishes for the efforts which those delegations are making to extend the scope of the agreements reached.

Nevertheless, whatever may be the result of the negotiations in progress, I do not think that I can be accused of optimism if I express the opinion that our work has been positive and that we are on the right road.

Possibly a superficial observer would not share my opinion; but that observer would doubtless be he who, three months ago, expected miraculous and startling results from the Conference without realizing the extent of the problem with which the General Assembly of the United Nations had presented us and the hurried preparations which preceded the opening of

the Conference, despite the efforts made in this connexion by Mr. Prebisch, his associates and the Preparatory Committee.

If I were now to sum up the results of the Conference—and I am sure that other representatives will do this better than I—I should say that the first success we have achieved has been to bring out clearly all the problems involved in speeding up the development of the lesser-developed countries, thanks to increased international trade and with terms of trade more favourable to those countries, and in strengthening international economic co-operation.

A second positive result is that, whatever differences of opinion there may be regarding the machinery which will continue the work of this Conference, we are all agreed on the principle of setting up such machinery, and I am convinced that it will not be long before agreement is reached on that subject.

Today we have a better knowledge of the needs of the developing countries, their aspirations and the degree of urgency. We also know to what extent the industrialized countries are capable of satisfying those aspirations, we know what are the limitations of the concerted international action for which we hope. The confrontation of the positions of the two groups of countries, the developing and the already developed countries, has also enabled us to realize the problems and difficulties which a radical change in international trade relationships would entail for the industrialized countries. In some cases there must be slow and difficult changes in structure, whilst in others the difficulties will be temporary and incidental. But there must always be changes which will at least call for some time for reflection before commitments are taken on.

A superficial observer might perhaps tend to dwell more on the points of disagreement than on those of agreement, but may I repeat that the contrasting positions also provide us with very interesting and useful indications. These contrasting positions have shown us more clearly the details of the problems to be solved and have often indicated the road to be followed in order to reach a general unanimous agreement by way of further negotiations.

The Conference has shown us that it is possible to bring about an intensive development of trade relations between countries at different stages of development or operating under different economic and social systems.

The Conference has also revealed the determination of the industrialized countries to help the developing countries to accelerate their economic and social progress, to co-operate in measures designed to diversify their economies, and to promote the rapid growth of their receipts from exports.

Although there have been differences in the positions of the countries taking part in the Conference, and although those differences have become evident above all in the voting on the draft recommendations approved within the Committees, more often than not they are differences of form rather than of substance and in many cases they might disappear as soon as the discussions initiated by the Conference are resumed.

In any event, these differences should not discourage us, nor should they halt our efforts to find a solution to the problems we have been discussing for the past twelve weeks.

Our work has just begun, it must be carried on without respite. It will, I am sure, be carried on within the United Nations, within all the international organizations concerned with questions of trade and development, and within each of the Governments of the countries members of this Conference.

The first opportunity for all of us to resume our work together will be the next General Assembly of the United Nations. I am convinced that many representatives who are present in this hall today will meet again in November in the Second Committee of the General Assembly.

If today I were to address an appeal to our colleagues from the developing countries, I should like to ask them to think of the positive results of the Conference rather than of its negative aspects and to curb their understandable impatience to see their aspirations realized as quickly as possible, although we, too, are convinced of the urgency of the problem.

At this point, I should like to emphasize that, in the opinion of the Italian delegation, the solution of the problems laid before the Conference will undoubtedly be brought about all the more rapidly if the improvement in the relations between the countries of the East and the countries of the West is also accelerated.

If this political and economic relaxation does not come about, we should have to expect—it is better to say this frankly—an increase in military aid to the detriment of economic aid for the developing countries.

We are all going back to our own countries with a fund of experience and knowledge. I am convinced that this better knowledge of the problems will lead to the initiation of studies and contacts which cannot fail to bring highly positive results.

The Conference has mapped out the road we have to follow and it only remains for us to continue our work.

This is what will be done by the countries which are members of this Conference, and it will certainly be done by the Italian Government.

STATEMENT BY H.E. Mr. ROBERT C. LIGHTBOURNE,  
MINISTER OF TRADE AND INDUSTRY OF JAMAICA,  
HEAD OF THE DELEGATION

at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: English]

Before this Conference began, I had anticipated that the most likely obstacle to its success would have arisen from the conflicting interests between the developing countries, with their varied existing attachments, obligations, stages of development and geographical locations. I would not have been surprised if difficult and even insuperable problems had emerged in finding common answers that would adequately satisfy the major interests of each developing country.

Let it be placed on record that sufficient common sense, reason and consideration for each other's problems developed during the course of our work, that an amazingly unified approach became possible with but a small number of reservations coming from amongst us.

Perhaps the achievement of such a situation occasioned sufficient surprise to the developed countries to bring about a feeling amongst them that they were being confronted with an inimical bloc bent on divesting them of their wealth. Such a belief may account in some measure for some of the attitudes which seem to have been displayed by certain countries, if attitudes can be judged from the records.

After examining the records of the Conference, I must express the opinion that the majority of developed countries did not appear to have regarded this Conference as being of sufficient significance to warrant enough homework on their part, that would have permitted them to put forward concrete proposals at the very outset of this Conference—few countries provided us with such proposals—proposals which would have given us positive guidelines as to what we could reasonably expect—unless of course those that did not do so, do not regard the putting forward of proposals as any responsibility of theirs.

I have heard blame attached to the developing countries for forming themselves into a bloc and attaining a high degree of unity in the various committees; that is on the whole true. It is equally true however that their decisions could have no effectiveness without acceptance and co-operation on the part of the developed countries.

I have also heard it said that a major cause for relations between developed and developing countries deteriorating into what has been described as two

deeply entrenched monolithic blocs with irreconcilable views, resulted mainly from several unreasonable proposals put forward by the developing countries.

Is this indeed a fair assessment of the facts? First of all, need undue surprise be expressed at some measure of exaggerated ideas or of unreasonable proposals being put forward either through the youthfulness of many of our nations or because of the circumstances which developed?

In any event, assessment of the reasonableness of any proposal largely depends on through whose eyes the assessment is made. Were I to consider and look at the proposals put forward by the developing countries solely from their viewpoint—bearing in mind their problems—I might not find a great deal to regard as unreasonable. On the other hand, were I to look at those same proposals solely in terms of the interests of each developed country, assuming I could face up to the complexity of such a task without becoming a schizophrenic, I have no doubt that my views of reasonableness in this second instance would differ from those I would have taken in the first.

I submit common agreement on the reasonableness of any proposal can only be reached when there is enough mutual good will to permit viewing parties with different interests to look at the same object in a spirit of complete frankness, with full consideration for each other's interests, and in instances where there are wide inequalities of wealth amongst the viewers, the wealthy must be prepared to be as generous as possible to those in need without occasioning undue damage to themselves.

I wonder whether an unprejudiced critic would not be inclined to ascribe equal or even more blame to the developed countries, which possess far more experience in matters of this sort, for permitting such a situation to develop. For, I repeat, to judge from the records, the majority of developed countries appear merely to have awaited receipt of the proposals from the developing countries, dealing with them thereafter like a skilled boxer facing a novice—awaiting his swings, casually blocking them or counter-punching almost with contempt, content to beat his inexperienced opponent mainly by letting him wear himself out. I feel that few developed countries, if they look back at the records, can do so with what will be lasting satisfaction.

Let these few figures remain in our minds when considering the question of reasonableness against the background of the problems of under-privileged countries. World exports over the period 1950 to 1962 increased from \$61,000 million to \$139,000 million, the developed market countries increased their trade from 60 to 66 per cent; countries with centrally-planned economies increased their share from 8 to 13 per cent, while the developing market countries' share was reduced from 32 to 21 per cent. Further, during the 1950 to 1960 period, the terms of trade of the developed countries rose by 5 per cent while in the case of the developing countries there was a decline of 9 per cent. Although there has been some recent improvement in so far as developing countries are concerned, this was due mainly to the prevailing condition of the sugar market, where prices clearly cannot be maintained at recent levels and therefore has no permanent meaning. Also let us remember that the population of the developed countries rises by approximately 1.3 per cent per annum as against 2.2 per cent in the case of the developing countries. These figures, I submit, contain all the elements of future world tragedy.

A typical example of the lack of understanding of the problems of developing countries is demonstrated by the fact that concurrent with the holding of a conference designed to seek the improvement of the developing peoples, it was reported that consideration was being given by one great country to increase her internal production of sugar by 1,500,000 tons. Sugar is one of the few commodities that the developing countries can produce on an efficient basis. Contemplation of such a move, must therefore cause the developing countries deep concern and wonderment. Would it be unreasonable were a proposal put forward to that country to forgo doing this or would such a proposal be placed under the heading of unreasonableness.

Let us next briefly turn to the subject of aid. There are some who wonder whether tied-aid does not—unlike the quality of mercy, in terms of economic blessings—fall more on him who gives rather than on him who takes. Such a feeling may be unjustified, but it exists and is looked at with some questioning. There are those who feel that such aid has become an inbuilt stabilization device for the economies of certain donor countries. In the case of aid loans, the low rates of interest must be adjudged against the price of goods; when these goods are unduly uncompetitive, but have to be bought as part of the transaction, this then results in a dilution of benefit, to a point where such "aid" can become an unbearable burden to the recipient country. The papers presented to this Conference which refer to questions of aid are informative and welcome, but there seems to be a real need to go further, so as to establish with more accuracy the costs and benefits to both donor and recipient of tied-aid. In this way, it may be found that either there is insufficient ground for resentment, or, if there is, then adequate changes should be made to permit this type

of aid to accomplish its purpose so that the donor country can with universal and unquestioned respect point to it as an unselfish act of generosity.

But aid however generous cannot in itself find solutions, although there are some developed countries that appear to regard aid as a solution in itself. Let us not forget that aid in circumstances where it is used to increase production becomes a useless instrument without the accompaniment of markets. I realize only too well the complexities and difficulties that beset this thorny subject—nevertheless, ignoring this fact will not remove the problem.

In a world in which technology advances so quickly that the most modern achievement, when it makes its appearance, is often already in process of being superseded and made redundant by plans on the drawing board, it clearly becomes a mockery to expect young nations to transform themselves into competitive trading entities overnight or even within measurable time. Unfortunately there are those who expect the young nations to operate on equal terms in so unequal a race. We do not question the right of each sovereign country to make its own decisions. We can only say to all nations: the greater your wealth and power, the greater is your responsibility to the world and its people. Let not the opportunity of helping the developing countries in their most pressing hour of need founder because of disagreement amongst the developed countries as to the right method of approach. Surely, decisions of yesterday were made in the context of yesterday; therefore I ask every developed country to look at the world in the context of the needs of today and let not today's needs be ignored through inflexibility or desire to demonstrate power.

The developed and developing countries have currently reached an impasse. It would be indeed a tragedy if either side began to regard the other as an enemy.

An equal tragedy could occur if the leaders of the developed countries were to attach no significance to the fact that the developing countries can today identify their position in terms of world trade and will inevitably watch most carefully the future relative position of betterment between the developed countries and themselves. I do urge that these thoughts be not lightly or arbitrarily brushed aside.

To the developing countries, I say, let us see in what practical terms we can from here on continuously press our case in every direction possible, using every avenue in which humanity, a sense of justice and a love for peace is likely to find response. Let us be certain, however, that we do not pursue our task either in bitterness—or in disregard to the interests of others—for were we to be so foolish we would merely break up the solidarity amongst ourselves that we have recently achieved, and create fear of our motives in the minds of those who can and should help us both in their own interests as well as in ours.

In closing, I leave this thought with the Conference—the limitations of the future depend only on the horizons of those who lead us today. Let us fervently hope

that those who are at the helm will now so act that they be not found wanting in their vision when history comes to record these times.

**STATEMENT BY H.E. Mr. J. G. KIANO,  
MINISTER FOR COMMERCE AND INDUSTRY,  
HEAD OF THE DELEGATION OF KENYA**

at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: English]

Now that we are about to close this historic Conference, my delegation feels very strongly that we cannot return to our homes with a clear conscience if we do not record our deep appreciation and, if I may say so, admiration for the magnificent way in which the President and his devoted colleague, the Secretary-General, have helped to guide the Conference. Our thanks go to them unreservedly.

We came here with high hopes and inspired motivations for the betterment of our people's lot. We depart with sober appreciation of the difficulties still lying ahead of us. We depart, if I may say so, not with the starry-eyed notions expressed in our speeches at the beginning of this Conference, but with the full realization of the old saying that there is no short-cut to economic success—not even international conferences of this kind. We from the developing countries are not going home disappointed. We are going home better informed as to what to expect from our richer counterparts and at what price. We, therefore, are to decide what kind of price we are willing to pay.

In this respect, let me speak of one price we cannot accept—we the newly-independent and the developing countries cannot, will not, and shall never sell our birthright for a bowl of pottage! This is absolutely fundamental to us. The misunderstandings and heated arguments about institutional arrangements in this Conference have arisen from this principle and this alone. Many of the nations here present have fought and shed blood for the right of all peoples to vote as equals. Weighted votes or rigged membership of boards or councils to placate the rich is reminiscent of the colonial practices which, thank God, we have already overcome in our respective countries. We cannot stomach them in international conferences such as this. This is a United Nations-sponsored Conference. The rules we must always follow are the same rules as those applied by the United Nations itself. My delegation is opposed to all forms of economic oligarchy whereby the few rich seek to wield unsavoury power

over their many poor neighbours just because of their wealth. The principle of equality of rights and equal respect for all men and women, and for all nations—rich or poor—is Kenya's most cherished principle. Our internationally revered and most beloved leader, Prime Minister Jo Kenyatta, has suffered and struggled for over forty years to establish this principle in our country. He and we his followers will continue defending that principle both at home and in the international field as well.

To those afraid that we the developing nations will soon swamp the relatively few developed nations in international affairs, let me say this: Empires rise and fall. The day of the black man, the yellow and the brown and any other ex-colonial subject is now at hand. No longer will we accept the second or the third position any time, anywhere. We want to march forward together—shoulder to shoulder with the industrialized countries—toward the goal of world-wide prosperity. We want to march forward as equals so that every child born in this world—whether black or brown, or yellow or white, can be guaranteed proper feeding, proper clothing, proper education and truly equal opportunities irrespective of race or national origin. We the developing countries are not seeking to dominate the rich nations. We want to abolish that extreme poverty now existing amidst our peoples. That we must accomplish and are determined to accomplish.

Let me now refer to the specific achievements of this Conference. This has been a most fruitful conference. We the developing countries can now look forward to increased exports to the developed countries. Willingness to offer freer access to their markets has been genuinely made manifest. The Western Powers have shown willingness to reduce trade barriers and protectionism which have plagued our exports in the past. The Eastern centrally-planned economies have given specific guarantees that they will buy more coffee, cotton-lint, fruit and similar tropical items during the 1964-1970 period. Price stabilization at remunerative

levels has been accepted in principle and we look forward to the necessary machinery being established without delay to put this principle in action.

In this connexion, it is gratifying to note that this Conference has also accepted the idea of turning this Conference into a permanent body of the United Nations General Assembly with a secretariat of its own and a standing committee or board to see that the resolutions we have approved will not be shelved and forgotten, but rather will be pursued and be put into practice as soon as is feasible. I am sure that the General Assembly of the United Nations will not fail us but will pass the necessary resolutions to have this world trade and development machinery established. Most of the countries here present are also members of the United Nations General Assembly. I am sure, therefore, that we can expect no difficulties at that level. Now, in the preamble of the Resolution calling for the necessary institutional arrangements, it is stated that other international organizations dealing in world trade or specified commodities should take note of the conclusions arrived at in this Conference. In this respect, I do hope that talks on the International Coffee Agreement will take note of the Introductory Text, which calls for "ensuring that adequate measures for increasing consumption and imports (of the primary

products) are taken before resorting to measures to restrict production and exports". This is particularly important to us in Kenya. We can ill afford to restrict production or exporting of our products such as coffee just after getting our independence. Coffee is a great earner of foreign exchange. It is our biggest export item. To restrict our coffee production is to damage the economic prospects of the masses of our people. I am grateful to the Soviet Union and other socialist countries which have promised in this Conference that they will import more coffee. I hope other countries will give us similar undertakings.

In this respect, let me touch on those countries that have terribly adverse balance of trade with us—or should I say against us—and who still appear reluctant to purchase more of our primary products. These countries know themselves. After this historic Conference, they should live up to the letter and spirit of the recommendations all of us have approved and that they will seek to redress these trade imbalances which are crushing us in terms of foreign exchange.

This Conference has been but the first round of a long economic battle, particularly against the trade gap between the rich and the poor. In the spirit of unity of purpose and comradeship in arms against world poverty, the battle shall indeed be won.

STATEMENT BY H.E. MR. A. ROMEO HORTON,  
SECRETARY OF COMMERCE AND INDUSTRY,  
HEAD OF THE LIBERIAN DELEGATION

at the thirty-third plenary meeting, held on 13 June 1964

[Original text: English]

I am grateful for having been given the floor and for the opportunity to speak in plenary during the closing phase to this great and most important Conference.

When the Liberian delegation made its principal statement at the opening of this Conference, we said "it is not the purpose of this Conference nor the intention of the so-called poorer, under-developed or developing countries to declare war on the richer nations". This Conference, in my view, has followed this course throughout all of its activities and in all of the deliberations of the delegations.

My delegation said, further, that "We were here to deliberate sanely, dispassionately and with frankness and conviction on issues, problems, situations, circumstances and conditions that relate directly to universal understanding, human justice, international prosperity and world peace". We have done this.

However, my delegation made it clear at the opening of this Conference that the developing countries were here to talk business, that they had not come here in search of charity. That the developing countries had something to offer in exchange and in consideration for whatever they have asked. Indeed, the earning of our exports invariably makes it possible for our countries to buy finished capital goods produced in the developed countries. We can import only to the extent that export of primary products, manufactured and semi-manufactured goods can generate adequate earnings through fair, equitable and remunerative prices.

My delegation also pointed out in its general statement, that we must all come to grips with the problems and issues before this Conference so that we can understand clearly, and know exactly, what each of us has in mind and where we each stand on the items



on the agenda. This, I believe, we have done. The developing countries know now where some of our friends among the developed countries stand. We know how far they are unwilling to go in closing the trade gap between us and in solving the international trade problems which we all face.

We are now fully aware of what we should not expect and what we should expect in so far as unfavourable world economic conditions and existing patterns and terms of international trade are concerned. In this respects, the developing countries have been profoundly enlightened here at this Conference by their friends. We have likewise been very disappointed. It might be, perhaps, still premature to say at this stage that our friends among the developed countries have not kept faith with us and have lost face, because we continue to entertain hopes that in the course of further negotiations better understanding may be reached, and we may be able to secure more positive, practical and concrete reactions from our friends. We share still a gleam of optimism with respect to reaching agreement in the days ahead.

I ask our friends of the developed countries: what has been their policy for the development of the under-developed countries? If I may attempt to summarize these as we understand them, they have been oriented toward the granting of technical assistance and financial aid with a view to promoting the social and economic advancement of the developing countries.

However, there seems to be an obvious contradiction between these policies and objectives and the position taken at this Conference as reflected by the votes cast by some developed countries in the Committees. Let us now review briefly the results of the work of the five Committees.

In the First Committee, the group of seventy-five countries asked principally for international commodity arrangements to stimulate a dynamic and steady growth and to ensure reasonable predictability in the real export earnings of developing countries, to provide them with expanding resources for their economic and social development. The reaction of the developed countries to our proposal for implementing this objective was, for the most part, negative.

The agenda items which evoked the most heated debates and on which reservations were made by delegates of developed countries were items which dealt with positive proposals for increasing the export earnings of primary products through the removal of trade obstacles and discriminatory practices and the stabilization of prices at equitable and remunerative levels. After expressing generally at the beginning of the session their desire to co-operate with developing countries in the solution of these problems, it became increasingly difficult as the developed countries came face to face with the reality of sharing trade in the process of a practical reorientation of trading patterns. The developing countries in their

proposals were forthright in requesting practical measures which would reduce the trade gap in the shortest period of time. The response, for the most part, has been an evasion from any firm commitment with an effort to maintain the *status quo* of present trading trends (an example of this was the concept handed to us in a document entitled "*Chapeau*").

In the Second Committee, the developing countries, recognizing the urgent need for industrialization and the diversification and expansion of their export trade in manufactures and semi-manufactures, made certain proposals to improve their export earnings and to facilitate the narrowing of the persistent trade gap. These proposals dealt with tariffs and non-tariff barriers to trade, preferences, subsidies and the establishment of a specialized agency in industrial development.

In the case of preferences, the proposal of the developing countries advocated that preferences should be granted generally to all developing countries without discrimination. In this respect, the proposal recognized that some equitable disposition should be made of existing preferences and therefore provided that some form of special treatment be given to those developing countries who presently enjoy preferences so that the scheme would not result in a loss of income to those countries when the principle of general preferences come into effect. The proposal further recommended the elimination of tariffs on certain types of products and the gradual phasing out of others. It also, where it deemed them discriminatory, recommended the complete elimination of all other administrative and non-tariff barriers.

Recognizing the importance of the implementation of the above measures, the developing countries recommended that a United Nations specialized agency for industrial development be established.

A majority of the developed countries with market economies are opposed to these proposals and recommendations of the seventy-five developing countries at this Conference. Where they do not register their opposition by an outright negative vote, they find it necessary to abstain even when they are in agreement with the basic principles being advanced by the developing countries.

In the Third Committee, the main issue was international compensatory financing and measures for stabilizing primary export earnings at adequate levels. The Third Committee also discussed the importance of invisible trade of developing countries and also financing for the expansion of international trade. The discussions in this Committee were long and involved, but no specific solutions were found to any of the problems, nor were any clear understanding or agreement reached as to the disposal of these issues. Developed countries and developing countries still remain at variance. The most that has been accomplished was to commit the proposals to the envisaged continuing machinery or other agencies for further study. It is regrettable that none of the recommenda-

tions aimed at achieving workable and practical solution to these many problems were acceptable to the developed countries.

In the Fourth Committee, the developing countries advanced the proposal that an international trade organization, comprehensive and permanent in character and responsible for trade and development problems, be created under Article 22 of the United Nations Charter. Towards this end, they proposed that there should be periodic conferences on trade and development and that this should constitute an organ of the new proposed international machinery, which shall have in addition an Executive Council (with subsidiary commissions on commodities, manufactures financing and invisibles) and a secretariat.

The developed countries with market economies stated that while they agreed that the Conference should meet periodically every three years, recommended that the continuing machinery proposed be subordinated to the Economic and Social Council under Article 13 and Chapters IX and X of the United Nations Charter. They have outrightly rejected the idea of setting up a new international trade organization. Although they recognize the need for some secretariat arrangement, they have refused the establishment of this organ as an autonomous agency of the United Nations.

My delegation, although prepared to relax—and has in fact agreed to relax—its position in respect to the recommendation on matters of the First and Second Committees finds it difficult to compromise our position on the basic issues of the institutional arrangement for a continuing machinery to handle the problems of world trade. We maintain that the most constructive and effective approach to an organized and consistent solution of world trade problems lies in the establishment of an impartial international trade organ under the auspices of the United Nations with specialized subdivisions for handling specialized problems of trade.

In an effort to find a general formulation within which international trade policies can be reconstructed to influence significantly the expansion of world trade and, in particular, the economic development of developing countries, the Fifth Committee drew up a set of general and special principles within the context of the work of the other Committees for the regulation of international trade relations between developed and developing countries. These new principles were formulated in recognition of a basic concept which has ceased to be a matter of controversy; that there is an urgent need for raising the living standards of the peoples in the developing countries. This can be most effectively accomplished through a new approach to international trade co-operation based on reality. Here again the developed countries found it difficult fully to accept these self-evident principles.

In our opening statement, my delegation expressed the feeling that the least we could do at a Conference of this size with such an elaborate agenda before it and

convened for such a limited time to consider a number of serious and complicated matters, was to express our position clearly and frankly on all aspects of each of the items on the agenda, so that we would leave here knowing each other's point of view and position. As I have said, I think we have accomplished this. We have aired our feelings, we have ventilated our ideas, we have even voted. Now we certainly know where the developed countries stand; we also know, even more clearly perhaps, what our own position is as developing countries. This is very important. What my delegation and many other delegations consider as of primary importance for this Conference is that we lay the framework, before this Conference closes, for a permanent machinery under the United Nations that will reconcile the divergent views and interests involved in international trade on a continuing basis. Such a machinery can carry on from where we shall leave off at this Conference. We are also looking forward to this machinery endeavouring to implement the decisions reached at this Conference. This machinery would, therefore, become the best vehicle by which developing countries and developed countries working together can close the gap between them in respect of trade and development.

My delegation places great hopes in the establishment of such a machinery under the aegis of the United Nations. All the Committees recognized the advisability and the need for such a machinery. The developed countries as well as the developing countries each submitted proposals regarding institutional arrangements for trade and development. The proposals of the developed countries do not meet our objective. They proposed an organizational structure which would in effect perpetuate the existing pattern of international trade relations. We are sovereign States. We want an institution in which the sovereignty of each member nation is equally and irrefutably recognized. One nation, one vote. No small group of nations irrespective of their wealth, size or military might should have any exclusive rights in such an institution above any other nation or nations.

It is not the intention of the developing countries to dominate the developed countries. This is impossible. It is not the wish of the developing countries to impose their will and their desires over the developed countries—this is also impossible. All we want is to create an atmosphere in which all of us may sit together and negotiate as equals.

Many of the developed countries have implied that the developing countries cannot expect to beg and at the same time dictate terms; suggesting that we are beggars and therefore cannot be choosers. Some countries have also said we are asking too much, we are moving too fast, we want to get all our problems solved overnight. This point of view suggests that the developed nations have everything to lose and nothing to gain. Further that their interest is more deeply involved, as the developing countries have all to gain and nothing to lose, and the developed countries have a whole lot to lose. This seems to be their attitude. We

are accustomed to these reactions from the great Powers. They said the very same thing when Africans and Asians asked for their independence. The chorus is always the same: you want too much, you are moving too fast, let us determine what you need and what is best for you.

But we have got our political independence in Asia and Africa because we were determined and did not take no for an answer; because we were willing to suffer and make any sacrifice. Now having become independent States, many of these countries are victims of economic circumstances for which they are not responsible. They must struggle to develop and, indeed, in some instances, survive under patterns of trade and financing that are most unfavourable, undesirable and in some cases impossible. The developing countries wanted an opportunity to sit together with all the developed nations and come face to face with these circumstances, conditions and problems that impede their progress, stifle economic development and make for unhappiness, breed hate, and even war. These are the reasons why this Conference is so important.

The developing countries have worked closely together in a most admirable manner. We shall continue to do so in order to establish a suitable, effective and sound institution for trade and development on a permanent basis. We shall continue to work together very closely to correct the unfavourable conditions of international trade. We shall work together in the interests of all the parties and partners involved in international trade, and we shall hope that the benefits which will result, shall be shared and enjoyed by all nations.

Our aims are to increase and expand international trade, to narrow as fast as possible the trade gaps between nations, by bringing all nations up to the highest level. We also seek economic development through improved terms and conditions of trade. These benefits among others, are for the good of the

world and not for any one nation or group of nations. But if the developing countries must be alone in this struggle, we shall nevertheless, struggle to achieve these aims and objectives.

The point here is that we cannot sit, hold our hands and wait for the industrialized countries, whichever group they represent, to make up their minds to cooperate and work along with us in the solution of problems, and the improvement of conditions of our economies for which many of them are principally responsible in the first instance, and the benefits of which they shall also fully enjoy.

It is the feeling of my delegation that all the developing countries which have worked closely together at this Conference should join hands with each other and with the industrialized countries who are willing to cooperate and share in our aspirations and convictions, and who are guided by the same great principles as we are, in acquiring universal prosperity and happiness through better conditions of international trade. We have shown here a type of solidarity that is rare and that has baffled and astounded many. We must maintain our unity in the long, hard but imperative uphill climb ahead. Let us baffle those who do not share our views, not only in our capacity to truly work together at this Conference but also in our capacity to work together in real life.

We express our sincere thanks to the President, Vice-Presidents, Chairmen of the main Committees, the Rapporteur, our Secretary-General and all those who have contributed to the work and success of this Conference.

My delegation does feel that we have so far accomplished quite a lot. We do share hopes that in the future conferences of this nature and for the same purpose even far greater achievements will be realized towards the goals for which all of us here have given so much time and attached such great importance.

**STATEMENT BY H.E. Mr. JACQUES RABEMANANJARA,  
MINISTER OF STATE FOR NATIONAL ECONOMIC AFFAIRS,  
HEAD OF THE DELEGATION OF THE MALAGASY REPUBLIC**

at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: French]

Pirandello once said that a door must be open or shut, but if parodying his "Six Characters in Search of an Author", he came back among us to stage "seventy-five countries in search of development", he would unfortunately learn not to be so positive.

Although it is unfair to say that the door between us and development through trade has remained bolted and barred here, to claim that it is now wide open would be grossly to deceive the peoples who have sent us here to represent them. Let us say, to

be impartial, that the door is ajar, but that it is jammed by those "narrow interests and ideas" to which His Holiness Pope Paul VI referred recently when speaking of the relations between capital and labour.

The amount by which the door is ajar is, it must be confessed, not commensurate with the tremendous hope this Conference had aroused among the peoples of the developing countries. Apparently, that hope was based on an underestimate of the strength of certain habits of thinking and living. Apparently we were wrong in disregarding the experts, who consider that international conferences, like the great vintages, have good years and bad.

And yet, when we came here we were not expecting any miraculous and spectacular results. We had not promised public opinion in our country that we would return home on 15 June carrying in our pockets an international agreement providing for definite action to solve the problems caused by that "great drama of the twentieth century", under-development.

What our peasants wanted above all was the recognition by everyone that the hard, unjust and inhuman law of supply and demand not only failed to ensure them a return commensurate with their sweat and needs, modest though the latter often are, but left them to vegetate in a state of penury which only the sun, alas, did anything to gild.

What they wanted was that the first countries to organize their internal agricultural markets should themselves finally acknowledge that there cannot be two truths, one for internal use and another for abroad.

Were they asking too much?

We are told that if we had been more realistic we would have gained more. That sort of talk reminds us of how the employers used to speak, long ago, to the working class until the workers, realizing their strength and acting together, forced through reforms whose legitimacy no one today dares to deny and which benefit, in fact, the very people who were so reluctant to accept them.

We are also told that if we work more we will produce and earn more. That too was what they told the workers in the days when they haggled over their wages. Our peasants are perfectly prepared to work more—and yet their working conditions are, believe me, unutterably bad. And they must be able to find a market for what they produce with this extra work and get a fair price for it.

Lastly, they say: "Patience! this Conference has been a sowing time; now wait for the harvest. Cer-

tainly, it will be a long time in coming, but sooner or later your ideas will win the day". Patience we have already displayed; but though we are compelled to accept the fact this Conference will not produce tangible results immediately, we cannot wait indefinitely. Our thirst for development, for international justice and for peace, too, is so strong that it must speedily be quenched.

As I promised to be impartial, I must now state that this Conference has nevertheless brought us some satisfaction.

Satisfaction in the first place to find that the developing countries now form a real community, that they have become aware of their problems and of their solidarity.

Their problems they have expounded here without rancour, although not, at times, without passion. These problems are now known, at least to the experts and the initiated. It now remains to convince—no longer so much the Governments themselves as the peoples of the developed countries—that we, the proletarian nations, are not professional beggars but people who wish to live with dignity by their labour. These peoples must be convinced that all we are asking them is to give up a little of what they might have to enable others to have a little of what they have.

The developing countries have displayed here their solidarity, despite occasional differences in their pre-occupations and I must say that in this respect our satisfaction is especially great, for we have been advancing for years the argument that it would be no use undressing Peter to dress Paul if both of them had to keep on shivering.

We have also been satisfied to observe the appreciation of our problems by certain industrialized countries, and their wish to solve these problems despite the unreflecting selfishness of a noisy—but luckily, a minority—section of their public opinion.

What more have we now to do? To prevent this Conference from sliding from committee to commission and ending up nowhere.

In the months to come and within the existing international agencies and organs, we shall have a chance to put into effect certain ideas which have finally received almost unanimous acceptance.

Let us not let slip these chances.

This will be the best, indeed the only, way to show to the people who sent us here that our work has not been in vain.

STATEMENT BY H.E. Mr. LIM SWEE AUN,  
MINISTER OF COMMERCE AND INDUSTRY OF MALAYSIA,  
HEAD OF THE DELEGATION

at the thirtieth plenary meeting, held on 10 June 1964

[Original text: English]

In considering the problems facing this Conference, it would be salutary to remind ourselves that many countries present here were once developing countries themselves. Their transformation into a community of rich nations was achieved by making fundamental and radical changes in the structure and organization of their economies.

We need another such revolution now on the international plane in order to bridge the wide disparities in economic wealth and welfare between the rich and the poor nations. This is only possible if the developed countries, mindful of their own experience, are willing to make the necessary changes and adjustments in their economies. Such a revolution is in the interests of us all, for the prosperity of the developing countries will inevitably benefit the developed countries as well. Furthermore, the rich and the poor nations cannot long coexist in their present state without leading to a human explosion born out of misery, resentment and helplessness, which will have inescapable consequences for each one of us. Time is not on our side in meeting this challenge.

The developing countries at this Conference have spoken with one voice about their needs and their aspirations and have made specific proposals for attaining their goals. The developed countries, on their part, have expressed their recognition of the necessity for change. Henceforth we need not spend more words or time to identify the issues which now challenge the international society. What is needed now is a dynamic and imaginative response to specific proposals.

This Conference must now decide on a large number of principles and specific measures which have been submitted for adoption. We note that only a few of these have found general acceptance. Far too many have had reservations entered against them and yet others have merely been referred for further study. We must register here our great disappointment that so little has been achieved after so much effort.

A matter which has caused us deep concern is that some developed countries have chosen to repudiate their earlier acceptance of particular proposals within a group because they could not subsequently agree to other proposals within that same group, although these proposals were in no way related to one another. We deplore the use of such tactics. In particular, we wish to refer to the question of surplus disposal from stockpiles. As a country

which has directly experienced the repercussions of such disposals, we had earlier welcomed the constructive attitude shown by the Governments concerned in agreeing that such surpluses should be disposed in accordance with internationally formulated criteria. However, this earlier acceptance was later suddenly withdrawn by the application of a blanket reservation over a group of proposals including those which had already been agreed upon.

There is another disquieting feature of this Conference to which I would like to refer. Despite the full recognition of the problems facing developing countries, the developed countries have been reluctant to accept, and have even opposed, measures which are basic to the solution of these problems. Such an attitude is inconsistent with their declared intention of helping the developing countries. An illustration of this lies in their approach to the subject of synthetic substitutes. This Conference has already recognized that the continuing displacement of natural products important to the economies of developing countries by synthetic substitutes poses a serious problem requiring urgent solution. Yet, the developed countries have refused to accept the specific measures recommended for their solution, such as the principle of mixing regulations and the adoption of measures to prevent the creation of additional excess synthetic capacity.

This inconsistency between promise and performance also appears in the refusal of the developed countries to accept many other specific recommendations which are fundamental to the economic advancement of the developing countries. We would urge the developed countries to reconsider their position and in particular withdraw their objection to the following:

(1) The rapid removal of trade obstacles and the elimination of protectionist policies against the exports of developing countries;

(2) The granting by developed countries of preferential treatment to the exports of all developing countries on a non-reciprocal basis;

(3) The creation of a United Nations capital development fund;

(4) The principle that the most important objective of international commodity agreements is to achieve a dynamic and steady growth in the real export earnings of the developing countries so as to provide them with the expanding resources for their economic and social development, and

(5) General and special principles governing international trade relations and trade policies.

Turning now to the proposals which have been referred to the relevant international bodies for further study, especially those relating to compensatory and development financing, we must ask that such studies should not only receive priority but also result in positive measures for channelling more funds to developing countries on less onerous terms than at present. We must stress that the developed countries should not use this device of remitting subjects for further study as an excuse to delay making difficult political decisions.

The results of this Conference until now have fallen far short of the urgent and vital needs of the international community. But this Conference is only the beginning of a process. We are glad to note that there

is general recognition of this and that in the Committee discussions there has in fact been unanimous agreement that a conference similar to this should be convened again in the next two or three years. There has also been unanimous agreement on the need for a continuing executive body and a secretariat. Differences remain on a number of important details, but despite their reservations and misgivings we must ask the developed countries to think again and accept the unanimous demand of the developing countries for a continuing machinery which could effectively carry on the work begun at this Conference. Without such a machinery, our efforts over these many months may well be sterile and this Conference may become not a beginning to fresh hopes but a final and disastrous witness to the inability of the nations of the world to overcome their problems in joint endeavour.

STATEMENT BY H.E. Mr. H. N'DOURÉ,  
MINISTER FOR TRADE AND TRANSPORT OF MALI,  
HEAD OF THE DELEGATION

at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: French]

The World Conference on Trade and Development, which began on 23 March 1964 and which is ending today, will be among those which will have a permanent place in the annals of Geneva and which will be remembered by future generations because it will have marked the beginning of a necessary and fruitful co-operation between all the peoples of the earth.

This Conference raises for the first time, in its relations with international trade on a world-wide scale, the pressing problem of development. Two-thirds of the world, if not more, are in a state of under-development such that it is liable to upset world equilibrium if it is not speedily remedied by peaceful means.

Despite the initial difficulties, despite a year of prevarications, common sense prevailed and men of good will succeeded in having the principle of this Conference agreed to.

We Africans who, since Addis Ababa, have chosen negotiation as the means of solving all our problems, in accordance with the real aspirations of our peoples, were ready for such a meeting at which comprehensive

discussions might solve the problem of the moment, that of under-development.

The African representatives therefore came to this Conference free from any inhibitions, to meet representatives from other continents in order to seek and find a common basis for fruitful co-operation.

We never expected a sterile confrontation between rich and poor, where people do not speak the same language and where all are solidly entrenched behind selfish interests.

Although we represent millions and millions of men long subject to a hard colonial rule, who, because of this, have been unable to fulfil themselves, we are not thereby embittered. We are convinced that we are living in an age of interdependence, and we therefore believe that it is on this basis and in a spirit of real solidarity that all problems must be solved.

We have analysed the economic realities of our world and have together tried to find a humane and just solution. The momentary limitation of our resources will in no way shake our firm will to build our States and offer our people the fruits which they are entitled to expect from their labour; but we

firmly believe in the interdependence of peoples and in human solidarity, in consequence of which the problem of under-development cannot be the concern of only a few States.

That was why the opening of this Conference raised in Africa immense hopes which were shared by all the representatives of the other developing States, confronted as they are by the same difficulties as ourselves.

At the end of this Conference, we can affirm that it has not been sterile, even if the results we have obtained fall short of those appropriate to the pressing realities facing two-thirds of the world's inhabitants.

Before going any further, I should like to thank the Swiss Government on behalf of all the African delegations for the generous hospitality we have received at Geneva, and to express our sincere admiration to our distinguished President, Mr. Kaissouni, whose wisdom and patience have steered this Conference through so many hazards. We must also congratulate the Secretary-General, Mr. Prebisch, thanks to whose untiring efforts we have had all the documents we needed; and lastly we must thank the secretaries, interpreters and all those who, in any capacity, have facilitated the Conference's work.

Those of us who have followed this Conference's work, either directly or through the reports of experts who have remained here, have been struck by the way the Conference evolved, by what must be termed its internal dynamics.

This evolution throws light on the difficulties we have encountered, but also on the positive features which, despite everything, have emerged as the Conference developed.

It is possible that at the outset the developing countries, as a group, hoped too much from this Conference.

It is easy for anyone who is aware of the present thirst for change, of the desire for economic advancement which animates public opinion in our countries, to understand why some of us thought that this Conference ought, at the very least, to make an outstanding contribution to the solution of our problems.

On the other hand, there can be no doubt that at the beginning of this Conference many industrialized countries did not realize how much importance we attached to it.

The fact is, that as our work progressed, the great majority of representatives of developing countries, particularly those of the African continent, seem to have realized: (1) that the problems of under-development cannot be solved once and for all at this Conference alone, however important it may be; (2) that our recommendations must, as far as possible, and specifically as far as is compatible with the need to maintain the principles and positions we deem essential, try to associate under-developed and developed countries.

We have had the satisfaction of seeing the industrialized countries ready to meet us to some extent on this

difficult path of compromise and dialogue, which follows the best African tradition. We cannot, therefore, say categorically that their attitude—that is to say, their way of appreciating our difficulties and positions—has not evolved at any point.

It is not necessary to go here into the details of the recommendations which have been adopted unanimously or without encountering the open opposition of the industrialized countries.

Those of the Third Committee and most of those of the Fifth Committee may be cited as examples.

Furthermore, none of us, I believe, is unaware of the importance of the domestic obstacles which the developed countries often have to face in applying radical measures such as those which our economic situation has sometimes led us to advocate at this Conference.

The fact remains that even making every allowance for these factors, many of us cannot but feel some disappointment when we compare what the developed countries could do to help us to solve the economic problems confronting us with what they have actually agreed to do in the various recommendations they have supported.

We have followed with the greatest attention during these last few days the various attempts at conciliation in connexion with the permanent institutional machinery to be set up by this Conference.

We rely on the institutions to ensure the survival of this Conference. There will have to be a deliberative body, in which the discussions that have proved unsuccessful here will have to be continued.

But there must also be an executive organization enjoying the widest autonomy, and we expect it to act as a stimulus both in hastening the application of the recommendations adopted here and in taking any new action which circumstances may require.

We regard the very acceptance of the principle of the establishment of this machinery as one of the most positive features of this Conference.

It is not, however, the only one. I attach the greatest importance to the spirit of solidarity and co-operation demonstrated by the group of seventy-five developing countries during this Conference.

We hope for our part that the action and cohesion of this group will continue well beyond this Conference, so that the friendships and understandings established here may continue the action already undertaken or promote fresh enterprises.

But what we appreciate most is that a dialogue has been initiated among all the regions of the world and that a process has been set in motion which must direct our concerted efforts towards prosperity for all and the achievement of the lofty objectives of the United Nations Charter in the economic and social field.

This Conference has marked a step in this process; we must now look towards future steps.



STATEMENT BY H.E. Mr. VEDA NANDA JHA,  
MINISTER OF COMMERCE AND INDUSTRY,  
HEAD OF THE NEPALESE DELEGATION

at the thirty-third plenary meeting, held on 13 June 1964

[Original text: English]

We have now arrived at the concluding stage of this very important and historic United Nations Conference on Trade and Development and before I say anything else I would like to extend, on behalf of His Majesty's Government of Nepal and the Nepalese delegation, our sincere congratulations to the President and other distinguished delegates for the hard work put in the Conference. I would also like to put on record the deep appreciation of the tireless and efficient way in which the Secretary-General, Mr. Raúl Prebisch, and his able staff have worked towards the successful conclusion of the long and important deliberations here

My delegation is of the opinion that the most significant achievement of this Conference has been the realization that the destiny of the entire mankind is one and inseparable, that the economic progress and development of each country is a necessity for the prosperity of the others for lasting peace and well-being in the world. In this connexion, I would like to go back to the time of the opening of this Conference, and recapitulating the opinions then expressed by the various delegations and going through the documents now placed before us, I have come to the happy conclusion that the problems of developing countries have been realized by all. I have also felt that there is a growing recognition of the necessity of the closest economic co-operation between countries for the betterment of the world. My delegation feels that this understanding should be translated into action and we want to stress that no groupism or political considerations should be allowed to obstruct the implementation of the conclusions we have arrived at.

My delegation, further, is of the opinion that the responsibility of the developing nations in this regard is in no way less, because genuine understanding of mutual problems among the developing countries is essential to maintain a high sense of good will. I am confident that to maintain solidarity among all developing countries, we shall make all possible efforts for mutual co-operation.

The developing countries, beset as they are with vast and varied problems confronting their economic development, placed these before the Conference for urgent consideration and concrete solutions. The developed countries on their part did not quite meet the challenge of the problems in all their manifestations as

seriously as deserved, thereby resulting in differences of opinion between the two groups even on the basic issue of meeting the trade gap, which if not bridged, would in reality be a serious stumbling block to the integrated growth of the world economy as a whole. We can never think of being able to continue in a state of peace and harmony in a world of divided prosperity. Past trends in the terms of trade must be rectified, otherwise, inescapable consequences are bound to follow. I am still hopeful that some solution will be found in the immediate future for some of the basic issues before the Conference.

Nepal has stated its stand on major issues before this Conference in all the five Committees. I would not like to repeat here what I had said in the plenary meeting at the beginning of the Conference or what my delegation had stated in different committees. My delegation was guided by the spirit of unity of the seventy-five, which in this Conference, if I may say so, has developed into a real cohesive force of the developing countries. So far as the regional economic co-operation was concerned, my delegation was guided by the Bandung principles of equality and non-interference.

The delegation of Nepal, in its modest way, presented a draft recommendation which embodied a proposed plan of action with a special request for financial and technical assistance to enable the developing countries to create a viable tourist industry. This included specific measures for its implementation, at least in part, during the Development Decade itself.

This initiative of ours was taken because of my Government's conviction that for developing countries, including Nepal, tourism affords one of the most efficacious means of assuring accelerated growth of their embryonic economies and for enabling them to rapidly reach the point of "economic take-off".

The delegation of Nepal has stated in different committees that special consideration should be shown towards the problems of countries at lower stages of development. In this regard I would like to recall the significant remark Mr. Raúl Prebisch, our Secretary-General, made while addressing the special plenary meeting on 6 May; "It would also be most useful to establish principles making a clear distinction not only between the different conditions prevailing in the developing countries as against the developed countries, but also of the very obvious differences in conditions in the various developing countries themselves. . . . An

effective international economic co-operation policy could not fail to recognize these differences and to deal with them by flexible measures”.

The delegation of Nepal fully shares the views of the Secretary-General and is confident—as I am sure are the delegations of other developing countries in the Conference—that due account will be given to the differences in stages of economic development among the developing countries themselves in the implementation of the body of principles along the line of the proposal made by Argentina, Brazil, Colombia, Ecuador and Honduras, later sponsored by Nepal.

As you are aware, the task of preparing a new draft convention for the transit trade of land-locked countries on the basis of the draft submitted by three Asian land-locked countries and sponsored by eight African land-locked countries was entrusted to the sub-committee of the Fifth Committee. This task could not be fulfilled. The urgency of the problem, it appears, was not appreciated to the full and thus the problem remained unsolved in this Conference.

The delegation of Nepal is convinced that had this problem been solved by this Conference by establishing an appropriate international convention, it would have contributed greatly to the success of the Conference.

Nepal believes in mutual understanding and co-operation, and guided by this spirit she brought the problem of the transit trade of land-locked countries for solution before this Conference. But, unfortunately, in the course of the deliberations the spirit of the dynamism and urgency of the problem was not fully appreciated by some of the delegations, and they succeeded in deferring the issue to future conferences. In view of the sufferings of the land-locked countries, we do not feel happy at the delay in the solution of the problem but believing in mutual co-operation and having very high regard for this Conference, I support the recommendation with the hope that no further delay will take place.

The delegation of Nepal is constrained to say that in the entire proceedings of the sub-committee on land-locked countries, the main opposition to solving the problem of the transit trade of lesser-developed land-locked countries came from some of the developing transit countries, which, in my opinion, was not a happy commentary on the spirit of the Conference itself.

I once again reiterate that the problems of the land-locked countries are of a serious nature and they need immediate solutions on international basis. The pious objectives of the United Nations for solving the trade

problems of developing countries and their sustained economic growth cannot be achieved unless the land-locked countries are assured of free and unrestricted transit and access to the sea as a matter of right. There are instances of transit countries restricting the efforts of land-locked developing countries in diversifying their trade. Such restrictions, in the opinion of my delegation, are barriers to the activities of economic development of the land-locked countries and should be removed as early as possible. We feel that this Conference and the United Nations should face this reality squarely and tackle it to the satisfaction and well-being of the land-locked countries.

For us who are all gathered at this historic Conference to solve our common problems and make the world a better place to live, the first requisite is that sincerity should be our watch word. If the development of developing countries is necessary for the well-being of developed countries, it is equally true that the development of land-locked countries has also a great bearing on the development of transit countries.

When we all meet together to discuss ways and means of helping each other, a negative approach on vital matters affecting the well-being of even a single nation retards the generation of international good will and co-operation. We must therefore practise what we preach to achieve world peace and prosperity.

We have faith, however, in the human understanding and good nature of man and we very much hope that this problem will be solved to the satisfaction of all at the next earliest opportunity; and we pledge our sincere efforts, co-operation and support for the success of such a future Conference.

Consequently, the delegation of Nepal fervently hopes that the General Assembly of the United Nations will promptly and effectively act upon the recommendation of this Conference and request the Secretary-General to convene, at the dates specified in the recommendation, the meeting of the experts and a Plenipotentiary Conference to solve this problem once for all.

I thank the meeting for having given me your attention. I do not want to take up your time much longer. Before I conclude, I wish to express on behalf of my delegation my sincere thanks for the co-operation which was extended to my delegation during the Conference. I wish to express once more my thanks to the Secretary-General, his staff and all others concerned with this Conference who have laboured so hard to make it a success.

STATEMENT BY H.E. Mr. S. AMJAD ALI,  
REPRESENTATIVE OF PAKISTAN

at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: English]

As Chairman of the Group of seventy-five, I have the honour to present a joint declaration. Since the word "seventy-five" has acquired a historic significance, in this joint declaration that word has been used throughout, although the declaration is actually on behalf of seventy-seven delegations.

The seventy-seven developing countries are: Afghanistan, Algeria, Argentina, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, the Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Leopoldville), Costa Rica, Cyprus, Dahomey, the Dominican Republic, Ecuador, El Salvador, Ethiopia, Gabon, Ghana, Guatemala, Guinea, Haiti, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Liberia, Libya, Madagascar, Malaysia, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Panama, Paraguay, Peru, the Philippines, the Republic of Korea, the Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Syria, Tanganyika and Zanzibar, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, the United Arab Republic, the Upper Volta, Uruguay, Venezuela, Yemen and Yugoslavia.

The developing countries named above recognize the United Nations Conference on Trade and Development as a significant step towards creating a new and just world economic order. They regard this Conference as the fruition of sustained efforts which found expression in the Cairo Declaration, the Alta Gracia Charter, the Resolutions of Brasilia, Addis Ababa, Niamey, Manila and Teheran, and, above all, in the Joint Declaration of the seventy-five countries made at the eighteenth session of the General Assembly of the United Nations. These efforts helped to forge the unity of the seventy-five—the outstanding feature of the entire Conference and an event of historic significance.

The basic premises of the new order were enumerated in these earlier declarations and in the report of the Secretary-General of the Conference. In brief, they involve a new international division of labour oriented towards the accelerated industrialization of developing countries. The efforts of developing countries to raise the living standards of their peoples, which are now being made under adverse external conditions, should be supplemented and strengthened by constructive international action. Such action

should establish a new framework of international trade that is wholly consistent with the needs of accelerated development.

The several themes of a new and dynamic international policy for trade and development, including the question of transit trade of land-locked countries, found concrete expression in specific programmes and proposals presented by the developing countries to this Conference as a united expression of objectives and measures in all major fields. The developing countries consider it an achievement that this Conference has provided a basis for the fullest discussion of these programmes and proposals by the entire international community. They are confident that the deliberations of this Conference will be of assistance in the formulation of new policies by the Governments of both developed and developing countries in the context of a new awareness of the needs of developing countries.

The developing countries declare, however, that they consider the final recommendations of the Conference as only an initial step towards an international endorsement of a new trade policy for development. They do not consider that the progress that has been registered in each of the major fields of economic development has been adequate or commensurate with their essential requirements. There has not, for instance, been an adequate appreciation of the problem of the "trade gap" of developing countries. Only the most limited approaches were made regarding trade in primary commodities, and of preferences for exports of manufactures. Similarly, only preliminary steps were possible relating to schemes for compensatory financing to meet long-term deterioration in the terms of trade. The developing countries have, nevertheless, accepted the results of this Conference in the hope that these results would lay the foundation for more substantial progress in the period ahead. They have also accepted these resolutions in recognition of the need for a co-operative effort in the international field. To this end they have chosen to arrive at the widest measure of agreement possible, rather than to register their aspirations by majority decisions.

The developing countries attach particular importance to the establishment of international machinery in the field of trade and development. It is vitally necessary that this new machinery should be an effective instrument for the discussion of issues, the formulation of policies, the review of results and for

taking such operational measures as are needed in the sphere of international economic relations.

The developing countries recognize the value of the general agreement attained regarding the establishment of continuing machinery. They note that some important issues pertaining to such machinery have been held over for decision by the General Assembly. In this connexion, it is their view that there should be ample scope for reaching workable agreement on substantial issues. But they categorically declare that no arrangements designed for this purpose should derogate from the ultimate right of the proposed Board and the Conference to adopt recommendations on any point of substance by a simple majority vote in the case of the Board and two-thirds majority vote in the case of the Conference. The developing countries attach cardinal importance to democratic procedures which afford no position of privilege in the economic and financial, no less than in the political, sphere. Furthermore, the developing countries would stress the need for continued evolution in the institutional field leading not merely to the progressive strengthening of the machinery that is now contemplated, but also to the ultimate emergence of a comprehensive international trade organization.

The developing countries regard their own unity, the unity of the seventy-five, as the outstanding feature of this Conference. This unity has sprung out of the fact that facing the basic problems of development they have a common interest in a new policy for international trade and development. They believe that it is this unity that has given clarity and coherence to the discussions of this Conference. Their solidarity has been tested in the course of the Conference and they have emerged from it with even greater unity and strength.

**STATEMENT BY H.E. Mr. C. BALMACEDA,  
SECRETARY OF COMMERCE AND INDUSTRY,  
HEAD OF THE DELEGATION OF THE PHILIPPINES**  
at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: English]

We are meeting at this very late hour—it is past midnight according to my watch—because we would like to finish the business of the Conference as scheduled, that is by 15 June. Only two days remain, and we still have many important matters to finish.

The developing countries have a strong conviction that there is a vital need to maintain and further strengthen this unity in the years ahead. It is an indispensable instrument for securing the adoption of new attitudes and new approaches in the international economic field. This unity is also an instrument for enlarging the area of co-operative endeavour in the international field and for securing mutually beneficial relationships with the rest of the world. Finally, it is a necessary means for co-operation amongst the developing countries themselves.

The seventy-five developing countries, on the occasion of this declaration, pledge themselves to maintain, foster and strengthen this unity in the future. Towards this end they shall adopt all possible means to increase the contacts and consultations amongst themselves so as to determine common objectives and formulate joint programmes of action in international economic co-operation. They consider that measures for consolidating the unity achieved by the seventy-five countries during the Conference and the specific arrangements for contacts and consultations should be studied by Government representatives during the nineteenth session of the United Nations General Assembly.

The United Nations Conference on Trade and Development marks the beginning of a new era in the evolution of international co-operation in the field of trade and development. Such co-operation must serve as a decisive instrument for ending the division of the world into areas of affluence and intolerable poverty. This task is the outstanding challenge of our times. The injustice and neglect of centuries need to be redressed. The developing countries are united in their resolve to continue the quest for such redress and look to the entire international community for understanding and support in this endeavour.

We opened the Conference nearly three months ago with the Ministers of most of the participating countries making statements from the rostrum. As we listened to them, we were greatly encouraged and inspired by their expressions of good will and their

desire to co-operate and to help bring about the success of this historic Conference.

After those very encouraging and inspiring statements from the Ministers who appeared and spoke to us, we went into the most important business of the Conference, which was to exchange views and make studies and deliberations on the various important matters which we had included on our agenda.

We have to be very grateful for the dedication and hard work which our experts—technical men from all over the world—showed when they were attending the five main Committees of the Conference. The real labour—the real task—was in their hands. We are now putting together the results of their studies and deliberations in deciding what is going to be included in the Final Act of the Conference.

As is true with all deliberative assemblies, we find that the last days are the most difficult; because it is really now—when we have come to a show-down, as it were—that we have to decide what we are really willing to do; not what we are willing to promise, not what we are willing to say, but what we, as participants in this Conference, are actually ready to perform.

During these last few days of the Conference we naturally find more divergencies of views and opinions. Those have appeared during the discussions in the various committees. But even after we discussed the various matters in the committees, where participating nations had their representatives, we find that at this stage we still have to do a great deal of negotiation, reconciliation and discussion. That is why we found that the programme had to be somewhat altered, necessitating a night plenary meeting. It may be that tomorrow, which is a Sunday, will be occupied with plenary meetings in the morning and afternoon and perhaps in the evening—I am merely stating what I believe might happen—so that by Monday we shall be able, as expected, to wind up the business of the Conference.

We have come close to the end of our labours at this Conference. We came to Geneva three months ago as representatives of a hundred and nineteen countries to examine together the economic problems facing the world. Our common objective was to find a solution to those problems so that the gaps which separate the developed countries from the rest of mankind might be narrowed or considerably lessened and the benefits of better standards of living might be shared by the great majority of mankind who live in the less-developed or developing countries.

Now that we are about to end the Conference, it is meet that we pause and take a second look at what we have accomplished together during three months of arduous study, reflection, discussion, negotiation and efforts at co-operation. On behalf of the Philippine delegation, I should like to express our sincere commendation of the efficient and patient management of the Conference. Credit for this happy

accomplishment is due mainly to the President of the Conference, Mr. Kaissouni, and the Secretary-General, Mr. Prebisch. Part of the great success is undoubtedly due to an efficient Secretariat and an alert simultaneous-interpretation service. To those two indispensable entities appreciation is equally due. But perhaps the delegates themselves should not be forgotten. Away from their homes and their families, they have spent three months in Geneva in earnest work that has taxed their patience and energy and challenged their wisdom and statesmanship. They too deserve the gratitude of everyone who is concerned with human well-being.

When passing judgement on the results of this Conference, I believe we must keep in mind what we set out to do and also consider the magnitude of the problems presented for our consideration and the magnitude of the Conference itself, which has no precedent in number of participating nations and world organizations. For the first time in the history of the world, a hundred and nineteen nations have met to re-examine the structure of international trade so that under a new régime of international economic co-operation the ills and defects of the present world economy may be remedied and the slow pace of development of the poorer nations may be accelerated. We began our task fully conscious of the difficulties that we were bound to meet but strongly determined in our common resolve to seek a new basis for world economic co-operation. Statesmen, economists and experts from all over the world worked together to study the problems and to find solutions. I believe there was some degree of unanimity in the identification of the problems; but when it came to some of the measures advanced and proposed for their solution, differences arose between the developed and the developing nations.

A great deal has been said in the Conference about the emergence of the group of seventy-five developing nations. Many even consider this as one of the most significant results of the Conference—the coming together of seventy-five of the less-developed countries of the world, which, after realizing what their common problems were, forged a unity among themselves and were able to show that unity in their deliberations in the Conference. With all the interpretations that have been given to this result of the Conference, I believe we should look at it as something that was very natural, even the need to present problems that are common to those countries so that these problems could be better understood in all their aspects. This is the first time they have been able to come together and discuss problems which are common to them but which do not have exactly the same impact or the same application as regards the conditions that obtain in their respective countries. The only purpose of the group was to assist in the successful attainment of the objectives of the Conference. This same group action, as a matter of fact, started even before the Conference, when the declaration of the seventy-five

developing nations was signed in New York. Their proposals were the result of joint study and deliberations animated only by what they believed to be the most effective way to meet needs of the developing nations. Of course, this had to be reconciled with any divergent views from the developed countries; and the efforts that were made for reconciliation and which are still being made for reconciliation—and these are occupying much of the time of the last days of the Conference—must not be regarded as a serious cleavage between two opposite camps, as they are being pictured in the world press, but as necessary steps towards reaching a successful solution to certain problems that were presented at the Conference.

In a statement I made during the first days of the Conference, I said that we were not here for a confrontation between developed and developing countries. We did not come here because we expected that one group would give and another group would receive something; rather we came here because we were animated by a common desire to correct a faulty world economic structure so as to enable the less-developed countries to accelerate their economic development.

It now appears that we are probably going to end the Conference without a complete accord on all the issues that were raised. Nevertheless, I believe that we have accomplished much in our assigned task. We have cause for congratulation, even if we have also some reason for disappointment. I believe one great achievement of the Conference is that a successful beginning has been made for reaching eventually the goal of effective and equitable economic co-operation. The changes which are needed in the present structure of international trade in order to reach that goal and which are envisaged in the various measures that we have adopted in this Conference will require time to materialize. However, we have moved forward and taken a decisive step, although only the first stride towards our as yet distant goal. We have set the guidelines for action. We have hammered out some forty-two resolutions, each recommending improvements in vital aspects of international trade and development, and we have drawn the blue-prints for new machinery which we believe capable of implementing our plans and translating our vision into reality. We did not expect from the start of our deliberations that this would be the only Conference of its nature that the developed and developing countries would hold. We did not expect that in a three-month period of negotiation and study together we should be able to complete the great task that was placed in our hands by the United Nations. The record of the Conference as a whole, viewed from

its natural perspective, is highly commendable. Ours has been a pioneering task, the first world-wide co-ordinated attempt to brighten the darkness of poverty and misery that envelops much of the world. Considering that the conditions we seek to improve are the accumulation of forms of human suffering during aeons of time, what we have been able to accomplish in three months is indeed considerable. Not only have we indicated the lines of attack against the darkness of poverty and misery in the developing world but we have set in motion forces which cannot but develop and strengthen world public opinion and which will in time lead countries and peoples nearer the goal of universal economic co-operation.

We leave Geneva with other lasting gains. We have acquired a broader and deeper understanding of national problems that must be solved and national attitudes that must be reconciled. We have learnt lessons that will serve us in good stead, not only in our further quest for common economic well-being but also in the broader sense of international friendship and amity. We have set in motion a process of evolution of a common conviction that world economic well-being is indeed indivisible. We must not let the world remain one-third in plenty and two-thirds in want. The war against poverty, disease, ignorance and illiteracy which still remain the lot of the greater portion of humanity, has to be successfully won if our dreams of universal economic stability and peace are to be realized. Either the benefits of modern civilization, high standards of living and human dignity will be generalized, so that they will no longer be almost exclusively enjoyed by the peoples of the developed countries, or they will be lost even to the peoples of the developed countries.

As we have laboured under the auspices of the United Nations, so our work is subject to its scrutiny and ratification. We have no way of knowing at this time what the General Assembly will decide to do with our plans and recommendations but we do sincerely believe that if it approves them and sets in action the processes we have devised the results we have sought to produce will begin to emerge.

When we came here three months ago as representatives of a hundred and nineteen different countries of the world, most of us were complete strangers to one another. In a day or two we shall part not only as delegates who have laboured together for months on common problems but as brothers who have learnt to respect one another as part of that big human family which must rise together or fall together. Au revoir and God-speed.

STATEMENT BY H.E. MR. VU VAN MAU,  
FORMER MINISTER FOR FOREIGN AFFAIRS OF THE REPUBLIC  
OF VIET-NAM, AMBASSADOR OF VIET-NAM IN LONDON

at the thirtieth plenary meeting, held on 10 June 1964

[Original text: French]

World opinion has followed with increasing interest the proceedings of our Conference, which is rightly regarded as a decisive turning point in the economic development not only of developing countries but also of industrialized countries.

It reflects a recognition of the facts on the part of the developing countries which, thwarted by the tragic and ever-growing disparity in the terms of trade, are in danger of becoming daily more in want of the means to make up the leeway in technology, and of suffering day by day a further deterioration in their economic situation.

The added strength taken on at this Conference by the group of seventy-five developing countries does not represent an attempt to blackmail the minority group of developed countries but merely reflects the similar aspirations and the identical economic and financial needs of the developing countries.

Two-and-a-half months of work have not, of course, sufficed to deal exhaustively with all the problems of trade and development raised at this Conference. From the outset, indeed, the participating States were fully aware of the immensity and complexity of those problems, which could be solved neither simultaneously nor instantaneously.

These special circumstances explain the great importance which all delegations have attached to the establishment of an institutional organ to ensure that the work of this Conference is not left unfinished.

In other words, by force of circumstances and in the nature of things, the development programme must be carried out in stages. The main consideration is never to lose sight of the objective.

At the final stage of this Conference, then, our business is to take note of the tangible results we have already achieved. These results are substantial in many directions. I refer, *inter alia*, to the draft recommendation on growth and aid, the purpose of which is to raise rates of growth in the developing countries and which recommends that each economically-advanced country should endeavour to supply financial resources to the developing countries of a minimum net amount approaching as nearly as possible to 1 per cent of its national income; the draft recommendations on the establishment of an interest equalization fund; and those on foreign investment in developing countries, shipping questions, insurance and reinsurance.

These measures will undoubtedly help to increase the economic potential, develop the trade and improve the balance of payments of the developing countries.

But even as regards the difficulties on which agreement has not yet been reached, the discussions held at the Conference have nevertheless also had the effect of bringing these problems squarely before the developed countries and confronting them with their heavy responsibility.

Setting aside these vexed questions which will have to be solved by future conferences, the delegation of the Republic of Viet-Nam wishes merely to refer strictly to a few recommendations which it considers of great importance.

As a producer of primary and tropical commodities, our country naturally has a considerable interest in the recommendations for the removal of obstacles to trade and to the consumption of primary commodities, particularly tariff and non-tariff barriers against the exports of the developing countries. From this point of view, the decision taken by a certain regional economic organization to increase customs duties on rice and its by-products from developing countries in the very near future will perhaps provide the first field of application for these recommendations.

As to the serious and complex problem created by synthetics, we hope that the industrialized countries will give a favourable reception to the proposals made in the series of recommendations designed to mitigate the disastrous effect of competition from synthetic substitutes and to assist the producing countries in making the necessary readjustments to their economic structure.

As to the principles governing international trade, it is probably true that differences between social and economic systems are not in themselves an obstacle to the free flow of trade; but from the standpoint of those peoples whose development was delayed by colonization in the eighteenth and nineteenth centuries, how can we fail to recall the heart-breaking truth that "the flag has almost always followed trade"? It is important that freedom of trade should not be abused so as to result in the rebirth of another form of imperialism which is the more dangerous in that it flies the false colours of international brotherhood and solidarity. The developing States should be all the more on their guard since, on more than one occasion,



this new form of imperialism has not hesitated to use the tempting technique of dumping in order to bring nascent economies under its control.

With regard to the principle of freedom of access to the sea for land-locked countries, we consider that the Barcelona Convention constitutes a sound basis for study. Specific problems will be settled more satisfactorily through bilateral or multilateral agreements. The Republic of Viet-Nam, for its part, signed a bilateral transit agreement with its neighbour, Laos, as long ago as 1959. At this Conference, our delegation fully supported the draft recommendation on freedom of access for land-locked countries, which was adopted by a large majority. It stands to reason, however, that care must be taken to ensure that this freedom threatens neither the security nor the legitimate interests of the transit countries.

Furthermore, since a recommendation has been made at this Conference that a committee of twenty-four members should be appointed to prepare a new draft convention relating to the transit trade of land-locked countries, we should also like to draw the attention of the Conference to the question of this committee's composition. As our delegation has already pointed out, there are, in addition to land-locked and transit countries, maritime countries whose sea-board does not lend itself to international trade and which, under bilateral and multilateral agreements, have hitherto enjoyed freedom of transit through other maritime countries.

However, since their interests will be defended by the land-locked countries and at the same time by the transit countries, it is not strictly necessary for them to participate in the committee's work, whereas it is essential that the transit countries and the land-locked countries proper should do so.

Speaking earlier of the institutional arrangements relating to the organs which are to continue the work of this Conference, I was perhaps over-optimistic in anticipating their establishment.

In common with all the other delegations present, the delegation of the Republic of Viet-Nam is firmly convinced that the Conference has achieved tangible

results and taken some highly encouraging decisions in the field of international co-operation; but it is important that, when the Conference is over, these results should be carried further by an appropriate international organization.

At this very moment I earnestly hope that, before it closes, the Conference will reach yet further agreements, and first and foremost an agreement on this important problem of future institutional arrangements.

The delegation of the Republic of Viet-Nam gave its support to the proposal of the seventy-five developing countries. The smooth functioning of these future institutions will depend primarily on the spirit of co-operation shown by the member countries, on their willingness to carry out such decisions as are taken. This is why the delegation of Viet-Nam considers that the countries members of the future comprehensive trade organization should be Members of the United Nations or members of its specialized agencies, as was made quite clear in the draft recommendation\* which stipulates that the institutional arrangements and the composition of these institutions shall be established strictly "within the United Nations system".

As to the method of appointing the members of the standing executive organ, it seems to us equitable that the principle of geographical distribution, combined if necessary with that of periodic rotation, should afford all nations, whatever they may be, an opportunity to be directly represented on it.

The few points I have briefly touched upon suffice in themselves to give us an idea of the range and complexity of the problems which beset us. They remind us also of the serious nature of our responsibilities and the extent of our obligations in this Development Decade, which is giving fresh meaning to international co-operation. The co-prosperity of the world community, like any public asset, must be a joint enterprise, and depends essentially on the spirit of co-operation shown by each and all.

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\* E/CONF. 46/C.A/L.12/Rev. 1. See Vol. I, Report of the Conference, Annex G, appendix II.

STATEMENT BY H.E. MR. M. MALITZA,  
DEPUTY MINISTER FOR FOREIGN AFFAIRS OF ROMANIA  
at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: English]

The Conference is nearing its end.

The Romanian delegation would not like to appreciate now its outcome in terms of victory or defeat. Soon after the French Revolution, there took place a significant event which however did not produce immediately visible results. It was the famous Valmy cannonade. None the less it marked the beginning of a new chapter of history. And the great German poet who witnessed the event, wrote in his diary: "Today begins a new era and we can say we have been there."

Whatever its shortcomings and not yet fulfilled expectations, this Conference is a beginning, a categorical and an irreversible one.

It is a basic fact that for the majority of the countries of the world and for mankind as a whole, the need for accelerated development is now a central problem, a vital cause.

It is the undeniable merit of this Conference to have identified those springs and devices in the international trade mechanism, which result in constant disadvantages for the developing countries, impairing their efforts towards a higher rate of development and better living standards.

The idea has been forcefully stressed that not only the elimination of these elements is needed, but also the necessity to set up new conditions, of a nature to promote actively these efforts. If this idea is not as yet fully understood by all competent factors as shown by the opposition manifested in this hall to it, and not implemented in a satisfactory manner, it is not to be doubted that this idea is historically bound to be realized by all Governments and all factors of responsibility in the common interest of all, of general progress and international peace and security.

Undoubtedly with this Conference, this idea has been brought and settled firmly into the house of the United Nations, among the major problems of mankind, which it is the task of this world organization to deal with and to solve.

It is an important achievement, to our mind, that further endeavours in this direction will be based upon the solid ground of the set of Principles adopted by the Fifth Committee, the first of which reads as follows:

"Economic relations between countries, including trade relations shall be based on respect for the principles of sovereign equality of States, self-determination of peoples, and non-interference in the internal affairs of other countries".

The Romanian Government has striven for years, in fact since 1957, to see such principles recognized and expresses their desire and hope that in the nearer future they will be consecrated in a solemn international document.

It is our considered opinion that in order to make the future mechanism work properly, it is of the utmost importance that its structure and procedures should be consonant with the above Principles, which are also basic principles of the United Nations Charter.

That is why any effort resorted to in this matter to bring about a rapprochement of distant positions or divergent interests, should by no means infringe the Principles to which I referred just now, as well as the right of every State to express its position in conditions in keeping with these Principles.

In this context, I want to state once more, the attachment of the Romanian Government to the universal character of the system dealing with the problems of world trade and development. The sooner the requirements of fair and equitable international trade relations are solved, the better. Past discriminations—themselves without any legal or moral foundation—can by no means justify new ones. *Ex injuria non oritur jus.*

The results we are in a position to note could not have been achieved without the perseverance and solidarity of the developing countries, which is one of the most salient features of this Conference, opening up new avenues for the progress of international relations.

The great majority of the countries of the world, striving for the acceleration of their economic development have numerous, sound and common grounds to demand the adoption of measures to this end, for the improvement of international economic relations and the elimination of those practices which hinder and distort international trade.

It is quite natural therefore that during the debates or while drafting the Final Act, numerous countries from various geographical regions in the world, countries with different social and political systems have come together with a similar stand, have expressed the same aspirations and pursued the same objectives.

The delegation of our country has come to this Conference inspired by the ardent wish to contribute to the common effort to promote stable and equitable economic relations, bound to create favourable conditions for the economic advancement of all developing countries, consolidate their economic independence, secure

the expansion of international co-operation among all independent, sovereign States, enjoying equal rights.

It is from this stand that we have always supported proposals aimed at the acceleration of the economic development of these countries, elimination of barriers and discriminatory practices in world trade and ensuring of adequate financing means for trade and development.

The Romanian delegation notes with a sense of satisfaction that it has been able to submit together with the delegations of other developing countries proposals on various items and to see them embodied in the final recommendations as adopted by the Conference.

Notwithstanding the fact that we have achieved something, we cannot of course consider that as a result of this Conference the multiple problems of world trade and of the economic advancement of the developing countries have been solved or that at least we have put forward concrete proposals in a sufficient number. No doubt, the attainment of such an objective will still require great and sustained efforts.

We wish to associate ourselves with the accent of determination expressed by the distinguished delegates

who took the floor this afternoon, to use the remaining hours of this Conference in order to bring about such results as are needed and asked for by the peoples of the world.

We want to express our deep appreciation for the efforts of the President and the Secretary-General, the Rapporteur and the other personalities elected in various bodies, for their outstanding and positive contribution to the work of this Conference.

The same goes true for all the experts and members of the Secretariat, who by their high competence and devotion have made possible our negotiations here.

The Romanian delegation will leave this Conference strengthened in its conviction of the urgency to solve the problems this Conference has had the merits to put into so strong a light.

Constantly pursuing the principles guiding its foreign policy and its preoccupations in the field of economic development and socialist construction, Romania will continue to bring its full contribution to the cause of establishing fair, stable and equitable international economic relations, and to the promotion of relations and international co-operation among all States.

## STATEMENT BY H.E. Mr. DOUDOU THIAM, MINISTER OF STATE, HEAD OF THE DELEGATION OF SENEGAL

[Original text: French]

Allow me at the outset to address my sincere thanks to the President of the Conference for the notable work he has done; to the Secretary-General and his staff for the immense effort they have made during this Conference; to the Committee Chairmen and to all the delegates for the great task accomplished here.

It was my duty, on behalf of Senegal, which I have the honour to represent, to pay this public tribute to all of you here present before embarking on my statement.

On the eve of the end of the Conference, after the brilliant speakers who have taken the floor before me to emphasize in masterly fashion the broad outlines of the Conference, the hopes it has engendered, the results recorded, the lessons to be drawn from it, I shall restrict myself to acquainting you with some thoughts which come to my mind, thoughts dominated by a certain disappointment and immense hope.

### *A certain disappointment*

A certain disappointment for two reasons.

Disappointment first, because, in coming to this Conference which is called "Conference on Trade and Development", we thought that the question posed was in fact the following: "How can the development of developing countries be ensured by acting on international trade?"

A satisfactory answer to this question would, in our opinion, require a review of the problems of developing countries, beginning with a study of their needs.

Instead of that, we have had the impression that the emphasis had been placed more on the first term of the binominal "trade and development".

We have talked of trade, and in doing so have started from the idea of profit instead of starting from the idea of need. This change of approach has in our opinion

been responsible for the many difficulties which we have encountered in the course of our discussions.

The real problems of under-development have been passed over in silence polarized as we were by the *profit mirage*.

Disappointment, lastly, at the great and glaring discrepancy throughout the Conference between the great generous declarations of world solidarity and the concrete acts which ought to manifest this solidarity in deeds.

Specialists from the developed countries have in fact informed us that the developing countries were "caught in the vicious circle of poverty".

They have also informed us that through the action of the cumulative process the developing countries would, at their present rate of development, fall further and further into arrears.

In plain language, they have given us this dramatic warning: "The gap between the poor and the rich will continue to grow unless the poor raise their rate of development".

The lesson has been learnt, the warning heard.

But at this Conference, what have the developed countries done, in the name of the world solidarity so often proclaimed, to enable us to break the "vicious circle of poverty" and make up the arrears into which we have fallen?

I would not minimize the gestures made, but they are not equal to the generosity of the declarations or to the

breadth of the problems to be solved. And this despite the laudable efforts of certain delegates from developed countries, whom we know well and to whom we very particularly address our sincere thanks.

Their efforts have tempered our disappointment.

This disappointment is, however, combined with immense hope. Immense hope first because of the powerful political vibrations of this Conference, during which developed peoples and developing peoples have found themselves face to face and confronted by their responsibilities.

They have entered, backs to the wall, into a dialogue which must be concluded. Henceforth no one will be able to escape without incurring the disapproval of the world.

Immense hope, secondly, because the seventy-five, rising above all that could divide them, have been able to transcend differences of religion, race and ideology to form a single bloc.

They thus followed the advice of the great philosopher who said: "Mount ever higher: at the summit of your ascent, you will meet those who have made the same ascent as you; for all that rises converges".

This Conference has cemented their unity, which at the beginning caused certain sceptics to smile but which now shows the modern world the "power of poverty".

Immense hope, finally, because this Conference which is ending is in fact only beginning.

STATEMENT BY H.E. Mr. S. E. NILSSON,  
MINISTER WITHOUT PORTFOLIO, HEAD OF THE SWEDISH DELEGATION  
at the thirty-second plenary meeting, held on 11 June 1964

[Original text: English]

At the opening of this Conference, the Swedish Government expressed its firm will to assist the developing nations in their own efforts to expand trade and reach a quicker economic growth. My Government underlined that, to the best of our ability, we would introduce and support realistic and constructive proposals, which would enhance the possibilities of creating improved economic conditions for the less fortunate members of the world community. Now, when we have entered the final phase of the Conference, the Government of Sweden would like to reaffirm its willingness to co-operate wholeheartedly with the other participating nations in bringing forth measures and recommendations which would ease

the burdens of the developing countries and secure for them a fair share in the fruits of economic growth.

My Government recognizes the threatening signs which forebode a widening of the economic gap between the rich and the poor nations. We also realize that the problem of creating a higher standard of living for the less-developed areas touches upon all activities within society. Its solution calls for co-ordinated and well-planned actions over the whole field.

Of fundamental importance is, however, that the developing nations reach a more rapid expansion of their economies. The task of achieving a more

balanced economy and accomplishing a higher degree of diversified production is tremendous. Among other things it turns our attention to the need for increased investments in the infra-structural activities and to a step-up of investments in industry and agriculture. Without this it would be unrealistic to hope for the higher productivity and augmented rate of economic growth, which are inescapable prerequisites for an improved standard of living among the developing nations. And that is the essential target set by the United Nations for the Development Decade.

It is true that the developing nations themselves provide a considerable part of the capital needed. But it is likewise a fact that this capital must be supplemented from outside sources, if we want to ensure genuine progress in a reasonable time. Important contributions have already been made by the industrial nations. But we have to face the fact that this financial assistance must be strengthened, and that we must spare no energy in seeking the ways and means for reaching this goal.

An increase of the export earnings is also of vital interest to the developing nations. It goes without saying that this would better their ability to import the capital goods, which are necessary for building up the machinery of production. Immediate results of efforts in this field could first and foremost be found in measures aimed at facilitating the exports of primary commodities and tropical products, which occupy a most prominent position in the total exports from the developing nations. We must not, however, neglect the long-range targets. In that perspective it is equally important that the exports of the less-developed areas to the industrially-advanced are directed towards products on which demand is more expansive.

International trade is—and always has been—a powerful factor in economic development. A higher degree of division of labour among nations forms the very basis for unbroken and strong growth. In our time, when economic, technological and scientific development creates rising demands for intensified international co-operation, the call for a continuing liberalization of world trade grows stronger and stronger. The liquidation of trade barriers in the industrial countries will promote an expansion of the world economy, which, in its turn, is of utmost importance for the possibilities to enlarge the exports of traditional products from the developing nations. This is so, since the overwhelming majority of the export earnings of these nations stem from primary commodities, fuels and semi-finished products, the demand on which is closely related to the economic growth rate of the industrial countries. The present situation illustrates this tellingly.

As my Government sees it, there are great dangers ahead if we establish systems for the international exchange of goods, which would encourage the still prevailing protectionistic forces. Should we embark

on such a road it would not only hurt the industrial parts of the world but also block the endeavours to aid the less-developed areas more efficiently.

But at the same time as we advocate as far-reaching a liberalization of world trade as possible, we are certainly aware of the fact that this is not enough. The Swedish Government is thus prepared—during an initial phase—to accept other principles of trade policy for the developing nations than for the industrially-advanced. We also support the idea that the industrial countries, while eliminating their obstacles to their trade with the developing nations, should not demand reciprocity.

At this Conference, interest has been focused on the trade and economic development problems of the new States. The necessity for rapid and constructive solutions has been generally recognized. As for the Swedish Government, we have tried—and will try—to contribute to reach results, which would expand the trade of the developing nations and give them increased resources in order to enable a widening of their production. Thereby the much-needed substantial rise of their exports would be made possible.

The Swedish Government is convinced of the possibilities for accomplishing essential and concrete results, if the problems are tackled in a practical way. Some agreements have no doubt been reached in this spirit. This is, just to mention one thing, true of the proposal about supplementary financing, where Sweden took an active part in the search for a constructive solution.

But, on the other hand, I cannot conceal my disappointment over the fact that the work for a quick doing away with trade barriers has not been characterized by the same realistic outlook. I do believe that a concrete approach to these questions would have brought forth more direct progress than the attempts to demand sweeping measures of a general and immediate character.

The needs of the developing nations are well known. The willingness to meet their demands has been manifested earlier as well as at this Conference. It must, however, be understood that the industrial countries have problems on which no immediate solutions could be found for political or other reasons. But such problems should not be permitted to hamper possible progress in other fields. Too-generalized recommendations do, however, breed risks for a deadlock. The Swedish delegation has constantly worked for practical results over a broad area. But without specified declarations on our part we have not consented to support proposals, which are so generally and vaguely worded that they would obviously not lead to a rapid and successful outcome.

Our Conference is now drawing towards its close. It is our desire that the work shall go on in the continuing machinery and that the results now achieved shall be pursued by existing organizations as well as by the new organs to be set up. From this point of

view, it is important that all countries taking part in this Conference realize that real progress will be possible only if the leading trading nations, which will be called upon to modify their trade policies and in other ways implement the decisions, will participate in this work in an active and positive spirit.

This is the reason why the Swedish delegation has consistently worked for a formula for the institutional problem that would contain as an essential element stipulations that would make it possible for the industrial countries to accept the responsibility of carrying out negotiated solutions.

My Government is of the opinion that the practical and realistic approach I have been advocating enhances the prospects for worthwhile results and thus genuinely serves the cause of the developing nations.

It is no intention of mine to deal with all the items on the agenda of the Conference from this point of view. But in order to demonstrate our determined will to contribute along constructive lines, I would like to present the immediate steps we are willing to take. We do this with a sincere hope that our action will be instrumental in aiding the future work of the continuing machinery of this Conference.

As Sweden's tariffs are very low and we have very few quantitative restrictions or other obstacles to the trade in industrial products, we can do only little by reducing further these barriers, but we are anxious to aid the developing countries in promoting their exports.

In this connexion, I would like to draw your attention to the Swedish proposal for trade promotion.

The Swedish Government is prepared to engage immediately in negotiations with the developing and the industrial nations about the dismantling of tariffs on the imports of tropical products. Other barriers to free trade with these products should also be included in the negotiations. If no concrete results are reached within one year, we are willing to go further on the road that we have started by abolishing the tariff on

tea and the special tax on coffee by considering a unilateral dismantling of tariffs on coffee, cocoa, bananas and spices of all kinds.

Sweden is furthermore ready to take part in discussions with the developing and the industrial countries about the elimination of tariffs and import restrictions on fuels and industrial raw materials—as well as about the consolidation of concessions already made or to be made at zero level for these products.

My Government also wishes to co-operate in the work aimed at reaching multilateral and world-wide agreements on the main products of agriculture.

As earlier, we are prepared to participate actively in the efforts to achieve stabilization of the prices on primary commodities.

Within the "Kennedy round", the Swedish Government will support substantial cuts on the high tariffs, which hurt the exports from the developing nations—naturally without asking for any compensation.

We also understand the need for developing countries both to give preferential treatment within their own regional groupings and to raise the level of their tariffs for a transitional period. My Government is willing to co-operate in changing the rules of the GATT to serve this purpose.

As for the question of preferences in the industrial countries, the Swedish Government has already expressed doubts on their usefulness to developing countries. Our hesitation, however, is not based on fears for the effects that such preferences might have on our own economy and we are quite prepared to take part in further studies about the principles for a preferential system and the methods to implement it.

I am hopeful that my Government has made clear its firm determination to work for substantial and concrete results in our common endeavour. To the extent that this Conference has served as a catalyst and thus strengthened the political will needed now, it has fulfilled an important purpose.

**STATEMENT BY Mr. HANS SCHAFFNER,  
FEDERAL COUNCILLOR IN CHARGE OF ECONOMIC AFFAIRS,  
HEAD OF THE SWISS DELEGATION**

at the thirty-second plenary meeting, held on 11 June 1964

[Original text: French]

We are coming to the final stage of our Conference with a feeling of hope and also with a question. The reason for this is that we all ask ourselves whether we have used to the full the opportunities offered us

by this Conference. The judgement that we pass—and I hope that we will do our utmost to pass it in common—will be extremely important for the spirit and indeed for the concrete success of our future work.

It is essential that we should not suspect each other of reluctance or illwill, but that we can create a climate of confidence which is indispensable for fruitful co-operation. The issues of international trade are sufficiently complex and difficult in themselves for their solution to need clear and thorough study. We must, therefore, not allow our vision to be blurred by emotional conflicts.

I learn that the President of the Conference has made a very balanced and equitable assessment of the situation. I trust he will not find that I am taking unfair advantage if I now borrow from the spirit that inspired him.

“A tout seigneur, tout honneur.” I should like first to address the developing countries and ask them not to underestimate the results of the Conference, whether they are apparent and put down in words, or invisible, that is to say recorded in our minds and in our determination. Other speakers have taken stock of the detailed and formal achievements so far obtained and of the main tasks ahead of us. I shall not try to do the same. As to what I called the invisible results, I am convinced that one of the foremost achievements of this Conference is to have allowed us all not only to become conscious of the problem but also to appreciate its size, its variety, and “last but not least” its urgency. At the same time, the representatives from the developing countries will recognize that one cannot control economic realities at will. Things cannot be done in a day and the adjustments to the world economy that are needed must be in keeping with the possibilities of the developing countries to avail themselves, in fact, of new opportunities.

And now let me turn my attention to the policies of the industrialized countries. They should not, and I am sure they will not be tempted to believe that the maintenance of the *status quo* is something possible, notwithstanding the broadly agreed diagnosis which we have made in the course of this Conference. A new situation, a new international division of labour will come into being; the sooner we realize this and prepare for it, the better. In practice, judging from the experience of my own, small country, which has also to strive for a better place in the international division of labour, I know that there is room for evolution if everyone, in all countries, really gets down to work. I would also like to say to the developed countries that the problem of deciding who should bear the burden of help, in what proportion and in what form is, of course, a crucial one, but we must not allow the solution of that problem to retard the concrete measures which we will have to implement as soon as possible for the benefit of the developing countries, after careful consideration of all the issues.

And now I should like to make some remarks on our methods of work. I consider it an enriching experience that we have been able, during this Conference, to test several procedures. For one thing, the joint expression of the preoccupations and wishes

of the seventy-five developing countries has brought some light, if not full clarity yet, into the whole picture. It was thus possible to identify the main issues on which discussions should concentrate. However, the formation of opinions within groups can only be a helpful preliminary step and sufficient flexibility must be allowed to allow for the subsequent working out of realistic and constructive bases for agreement. Global solutions applicable to all developing countries will not always be practicable, in particular not when we are approaching more and more concrete issues. We must establish between ourselves habits of co-operation so as to avoid creating the wrong impression that unity is jeopardized when we discuss solutions more suited to some cases than to others.

We have discovered during the Conference that real success and not apparent achievements will depend on something that no one can define but that everyone understands: the broadest consensus possible. And on this point I should like to stress how important it is that the methods of work are so devised as to bring about broad adherence from the developed countries to solutions negotiated among us all. Switzerland has always insisted that international obligations should be discussed and adhered to freely. We shall maintain this attitude which has not prevented us from taking an active and useful part in international co-operation. We are also convinced that the broad adherence of developed countries will prove the best method of working for the developing countries as a whole.

This is the reason why a realistic solution of the institutional problem seems to me of such paramount importance. Institutions should never be considered as an aim in themselves and we should not yield to the temptation of perfectionism. They are a means to an end and must be conceived in the form that will be most conducive to the attainment of that purpose. In the field of trade, a pragmatic approach is indispensable since economic realities are not changed by declarations and words. Governments must be persuaded to act and persuade in turn the private economic sectors that this action is justified by an overriding general interest. These considerations must be borne in mind when we decide, as I hope we will before the end of this week, on the institutional basis to carry on the work of this Conference. The effectiveness of any institution depends on the spirit which animates its members. I take it as an encouraging sign that conciliatory efforts are being made at this very moment, on the initiative of the President and of the Secretary-General, to reach agreed solutions on some of the major issues. This means that we have developed, or are about to develop, a spirit of teamwork, which is quite an accomplishment in as large a gathering as ours.

Switzerland has approached the Conference with the sincerest wish to make as useful a contribution as possible. We fully understand the wish of developing countries to promote international trade as one of



the means of increasing their export earnings and, more generally, of achieving an accelerated economic growth. This was the way the Swiss economy developed and it was due to steady efforts in this direction that my country, with a population of only five million people, has become one of the major trading nations, not to speak of our considerable invisible trade. In this spirit, Switzerland will support the efforts of the

developing countries when they demand an equitable and realistic consideration of their requests. We shall also co-operate with developed countries in order to give the best possible response to these demands. We shall continue to do so until the end of this Conference to ensure its success and in the "continuing machinery" that we must decide in common to establish.

**STATEMENT BY H.E. Mr. L. MARCONI ROBINSON,  
MINISTER OF AGRICULTURE, INDUSTRY AND COMMERCE,  
HEAD OF THE TRINIDAD AND TOBAGO DELEGATION**  
at the thirty-fourth plenary meeting, held on 14 June 1964

[Original text: English]

Three months ago we formulated certain questions, the answers to which we had hoped would be found by now.

In the five Committees of the Conference charged with the consideration of certain broad and interrelated issues, the problems facing the developing countries have perhaps never been so fully exposed as they have been in this world forum. And let us be frank about this, these problems which face the developing countries today are the result of past international action, or inaction.

It follows, therefore, that they can only be corrected by equitable and redistributive international economic policies, if the imbalance is to be redressed. Let no one deny that in the reshaping of these policies we of the developing countries must decide on the priorities.

We had expected that concrete results would have been achieved at this Conference, and that we would have been able to return home with some message of hope to our people. Unfortunately, we are not able to go back to a population with low standards of living and high unemployment, and justify the continuance of their condition with technical arguments. We need to tell them that we have, through international co-operation, been able to secure access to the markets of the richer nations for our products. We must be able to tell them that we can, and shall achieve development through trade, technical and financial aid. This, in my view, has been the basic purpose and responsibility of this Conference.

The distinguished Minister for Italy warned us that if political tensions rose in Europe and elsewhere, a great deal of the help which the developing countries could receive may have to be channelled into other directions. We, of the small nations of the world, have

no interest in wars, but certainly we know from long experience that in wartime very often the terms of trade do move to the advantage of primary producers. As was said by the distinguished representative of Tanganyika in another place, "the Korean incident did more for the economies of the under-developed countries than all the efforts made on their behalf for ten years". But we do not accept war as an instrument of economic growth, for the long-term results are disastrous for all.

We came to this Conference as a small nation willing to co-operate fully and wholeheartedly on basic issues. Quite naturally, as a small nation, we have had to be fully realistic, and on the issue of preferences we have had to make certain reservations. But we have supported, as a matter of urgency, the initiation of an immediate study of the future of preferences, for we realize that the tools of yesterday may not be of practical use today. The old concepts of trade have not turned out to be instruments for the spread of affluence. We ardently believe that if success is to be achieved, all the nations of the world must co-operate in the formulation of a plan for world trade and development, for the time is long past when any individual nation could project its prosperity on a policy of economic isolation.

We are happy that this Conference has found it possible to have written into the records that small trading economies must be given special facilities to maintain the growth and expansion which is so essential for their survival.

We also fully recognize the invaluable part which both the President and the Secretary-General have played in enabling this Conference to salvage the little we have achieved when it appeared imminent that the Conference would end in disagreement and rancour.

We are coming to the end of our labours, and I think the time is appropriate for me to reaffirm our faith in the United Nations as the instrument for the management of world affairs be they economic or political.

The small nations of the world, whose voices will be otherwise lost, find in the United Nations the forum where on the basis of equality commensurate with their individual sovereignty they can express the legitimate aspirations of their peoples and make their contribution to international good will and co-operation.

It is our view that this Conference marks the beginning, however small, of the redress of economic inequality. The disappointment which many have

expressed over the paucity of concrete results must be tempered by the realization that we have made this beginning.

From this beginning, where do we go? The future holds the answer. This answer will depend on the attitude taken by all of us—whether that attitude is one of international understanding and co-operation, or whether we continue to place narrow self-interest above broader goals. Adopting the correct attitudes, we may yet discover in the final analysis that the three months of labour at this Conference have been a positive contribution towards the solution of the most pressing economic problems of the world.

### STATEMENT BY Mr. THOMAS MAKUMBI, HEAD OF THE UGANDA DELEGATION

at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: English]

Three months ago, the majority of the world's trading nations—large and small, rich and poor, strong and weak—started on their difficult and prolonged search for remedies for the world's trade and development problems. At that time, these nations were apparently united in the belief that the economic and social prosperity of all was the prosperity of each one of them. Apparently, they were unanimous in the view that the problems of one were the problems of all. It was a family of nations with a common interest: the prosperity of Man; a common task; a common goal.

As did several representatives here assembled, members of my delegation and myself, looked forward to the deliberations of this Conference in faith and in hope: in faith because many of us could not accurately predict the outcome; with hope because we knew that given the will, we had, between us, the power, the resources and the knowledge to accomplish our task. So far we have travelled but a short distance along our journey. We have spent several weeks of patient and diligent toil, and I would like at this juncture to express the heartfelt gratitude of my delegation to the President, to the Secretary-General of the Conference and to all those men and women who have been actively concerned with the work of this Conference.

The time has now come for us to look back in an attempt to appraise the achievement or achievements of the recent past. In so looking back, I can assure you that the Uganda delegation does not "look back

in anger". But at the same time, it would be highly hypocritical of me if I did not reveal that we look back with profound disappointment. This is not the occasion for any of us to state the various economic problems facing his particular country, for we have had ample opportunity to do so since the beginning of this Conference. These problems are known only too well. But in spite of its full knowledge of them and its ability to do so, the Conference as a whole has failed to find agreed solutions to even one-quarter of these problems, it is of course in itself very discouraging. In saying this I do not want to imply that we ever expected the Conference to give all the necessary answers just in a matter of weeks. It would have been naïve to do so; even we who come from the developing countries have a developed sense of proportion, notwithstanding the fact that part of the Western European press does not credit us with any. The fundamental cause of my delegation's deep sense of disappointment is the fact that on practically all the major issues—and here I exclude questions relating to aid and the sharing of the benefits of technological advance—the Conference has failed to agree not merely on what should be done now or hereafter, but on the very reasons why it should be done. Speaking generally, but not so generally, the developed countries have either abstained from voting on a number of vital principles of economic policy or flatly rejected them. Perhaps, the ideas put forward by the developing countries as a basis for discussion have been in themselves unacceptable on the ground that they were not the best ones to promote the objects of the Conference.

And yet, the people who flatly reject these ideas would appear to be still groping for more effective alternatives. It may be argued, of course, that commerce, trade and economic development are highly practical activities and that, therefore, there is no room for extensive or detailed theorizing about the principles which underlie these activities; that what is required is to get down to practical steps. Well, that business is a practical activity is as clear as a crystal ball. But at the same time business is a human activity which necessitates the agreement of the participants on how it should be conducted. Moreover, where issues of equity enter into it—as they do or should do in this Conference—there must also be agreement on why business should be conducted in such and such a way. To ask “why” is often to ask for a basis for action, for a rule, a regulation, a principle, if you like. To ask “how” is to look for a method. It may be recalled that the main objective of this Conference is so to arrange international trade and finance as to promote the prosperity of all countries represented here, with particular reference to those which, in the circumstances, are still relatively economically weaker, namely the developing countries. If this objective is accepted—and it appears to have been accepted by everybody at least at the time the Conference started—the Conference must agree on why certain courses of action should be taken, and not merely on how, as disagreement on the former is likely to mean disagreement on the latter and thus preclude concerted action. Unfortunately, the reaction of the different delegations to the principles which the Fifth Committee tried to enunciate as guides for action, indicates that some basic re-thinking on the objectives of this Conference is required on the part of the majority of the developed countries if they are really genuinely concerned about them.

In the Fifth Committee particularly, as indeed in the First and Second Committees—and where it comes to the granting of loans in the Third Committee—almost consistent refusal is shown on the part of the developed countries to commit themselves to taking any step which, in the opinion of the developing countries, would help promote the objects of this Conference. The reactions seem to range from cool indifference to outright opposition. Somewhere in between one finds that some of these countries agree on what should be done, for instance, with regard to the marketing of primary products and the GATT Programme of Action, but when one asks for effective implementation, these countries refuse to commit themselves. There is agreement today in principle but implementation must be a long-term affair—how long? In the very long run—in perpetuity! And here is a field in which we, the developing countries, want to help ourselves by the fruits of our labour. Here is a field where we want to earn our living honourably rather than live by charity unless we must. But the developed countries coolly respond by agreeing that there is need, but action must wait. The accent is still on aid and not on trade, in spite of what the

developing countries have said—namely, that the emphasis should be on “trade, not aid”. In this refusal to be committed to action, even where all the delegations agree on why and how a certain course of action should be pursued, lies the tragedy of the matter. Herein lies the deep concern of my delegation, of all the delegations from the developing countries. Is there still a common interest, a basis for concerted action, to continue to engage in and to carry on the noble work started here? Does each and every delegation assembled here identify itself with the interests of each and all of the other participating delegations? We have heard a great deal about the existence of good will, of a will to press on until the whole task is accomplished. It is not really profitable for me to enquire into whether this will exists at all. Where is this massive will? We want it to act. Yes, perhaps a massive will, a strong will, there is. But this appears to be a will to talk, to talk until developing countries have talked themselves out, and not a will to act. Am I being pessimistic? Perhaps I am, but the will must arise and show itself in action or else forever remain a useless metaphysical entity.

There is still work to do and the way is still arduous and long. The appeal of my delegation to all the representatives down below is that we must brace ourselves for sustained action and stoop to conquer. This is no time for unfounded suspicion and mutual mistrust. Our countries may be at different stages of economic and technological development, but the international community is one. The United Nations must continue to be united in purpose and action, not only in political but also in economic matters. One of the salutary aspects of this Conference is that the nations of the world have been able to meet and confer on a subject which hitherto has been left to groupings, groupings based on such considerations as economic power or political ideology. At this Conference socialist countries, countries with mixed economies such as my own, and capitalist countries have managed to discuss problems of trade and development and impress on each other the necessity of viewing the whole problem as an international problem. This is the sort of thing which has not been possible before in GATT or in the Council for Mutual Economic Assistance, for example. In continued common endeavour for common causes lies the prosperity of Man—I shall not add the peace of Man, important though this is, in case I excite unnecessary jingoism on the part of some people.

It is therefore imperative that this Conference should leave behind an organ, a forum in which the dialogue, which we were forewarned was really destined to last many years, will continue until the necessary conclusions are reached and the solutions are found. We must resolve, here and now, that those who have laboured here for the past three months shall not have laboured in vain. On behalf of my delegation, on behalf of my country, I so resolve.

STATEMENT BY H.E. Mr. N. S. PATOLICHEV,  
MINISTER FOR FOREIGN TRADE OF THE UNION  
OF SOVIET SOCIALIST REPUBLICS, HEAD OF THE DELEGATION  
at the thirty-third plenary meeting, held on 13 June 1964

[Original text: Russian]

The Soviet delegation would like to give its views on a number of matters concerning the work of the Conference.

The Conference has proved that the objective economic interests of all countries require the early elimination of barriers to the normal flow of world trade in every sector.

This period of great social and economic reforms calls for a new approach to the development of trade and economic co-operation among countries and the adoption of specific measures opening up more favourable prospects of development for all nations.

The representatives of countries have outlined at the Conference their positions on important issues relating to the development of world trade and have been able to make proposals for the solution of major problems of international economic co-operation. As the Conference has proceeded, it has been possible to compare the positions and roles of individual groups of countries at the beginning and the end of its work.

The Soviet Union, like other socialist countries, submitted its positive proposals on all the main questions affecting the normalization of world trade and promotion of solutions to problems of vital importance to the developing countries. These proposals are designed to further economic and social progress in all countries and to strengthen peaceful coexistence among nations. In the course of the Conference, the delegations of the socialist countries have done everything possible to facilitate the achievement of concerted practical solutions.

The proximity of the positions of the socialist and developing countries, which became evident at the Conference, was an essential factor in the attainment of positive results by the Conference and serves as a guarantee of further success.

In the course of the Conference, the developing countries showed their ability to unite in formulating and upholding a joint position. This is undoubtedly an important indication of their growing international significance. Their collaboration on a progressive basis of principle may further enhance their positive role in international economic relations.

As you know, however, certain developed countries came to the Conference without constructive proposals and have taken a negative stand in regard to the matters discussed. They would apparently have liked to see the

Conference end without the adoption of practical solutions on major issues. We think it necessary to say this bluntly, in view of the fact that our work is drawing to a close and much still has to be done during the remaining two or three days.

At this final stage of the Conference, much is being said about the need to compromise in order to reach agreed solutions. In principle, the Soviet delegation does not exclude such an approach to certain matters, subject, however, to the essential condition that a compromise does not involve the renunciation of fundamental principles in exchange for meagre or illusory concessions. Otherwise the Conference would to all intents and purposes have failed. The maintenance of the positions of principle shared by the majority, even if they have not been able to secure general acceptance at this stage, also constitutes a success for the Conference, which will play its part in the achievement of positive results in the future.

We believe that the Conference is closing with useful results to its credit.

Discussion of a variety of topics has given many participants a fuller appreciation of the scope, complexity and urgency of the tasks of regulating world trade and of promoting the economic growth of the developing countries.

A useful exchange of opinions has taken place and agreement has been reached on recommendations concerning a number of important issues.

The points of view of the majority of participating States have drawn closer together on many matters and this in itself is of no small importance to the further strengthening of co-operation among these States.

It enables the Conference to adopt a number of decisions and recommendations on the principles of trade relations, the establishment of international trade machinery, the elimination of barriers and discrimination in trade in primary and food products, manufactures and semi-manufactures, on the principles and aims of international commodity agreements and other matters.

It would, however, be wrong to under-estimate the complexity of the task that still lies ahead.

The chief success of the Conference consists in the fact that the overwhelming majority of participants have united in support of new principles of inter-

national economic relations and of the establishment of machinery capable of dealing with the whole range of world trade problems, with due regard for the interests of all groups of countries and especially of the developing countries.

The question of the principles of trade relations is of special and fundamental importance. The point at issue is the basis on which trade and other economic relations among countries should rest. The Conference has revealed the similarity in the approach of the socialist and developing countries to a number of vital problems, a fact clearly demonstrating that there are now forces capable of bringing to an end the domination of weaker States by strong Powers, inequality and interference in internal affairs, discrimination and infringement of the interests of the less-developed countries. The principles approved by the Fifth Committee provide for the elimination of manifestations of colonialism and neo-colonialism in the economic field and for the creation of favourable conditions of trade for the developing countries, thus assisting them speedily to overcome their economic backwardness and achieve genuine independence. The disagreement of certain Powers with these principles testifies to their stubborn desire to preserve their privileges and to build their relations with other countries on economic force.

The practical application of the new principles to international trade relations will depend on the solidarity and determination of the countries upholding these principles.

The principles approved by the Committee do not include some of the provisions of the draft submitted by the socialist countries. In particular, they do not contain a direct condemnation of the use of economic pressure by some Powers against weaker countries. Nevertheless, the acceptance of these principles is an indisputable success for the countries fighting for equality in economic relations. At the same time, it represents a defeat for the forces which would like to perpetuate the old outdated order. This is indisputable.

The decision on institutional matters is also of fundamental importance. This issue has been the subject of bitter controversy throughout the Conference, a controversy which is not yet over. The need for an international trade organization, universal in its composition and functions, has gained the support of the majority of participants in the Conference. We remain convinced of the urgent need to set up an international trade organization. In view of the position of the developing countries, the Soviet Union and other socialist countries, have agreed that, until the international trade organization is established, the Conference on Trade and Development should be convened periodically and a council with sufficiently broad functions and powers should be established. This decision is intended to provide an institutional basis for further study of the problems under discussion and the implementation of agreed decisions.

The problems of trade and development which are of primary importance for the developing countries have been in the foreground of the work of the Conference. The Soviet Union attaches great importance to the improvement of the conditions of trade and economic advancement for the developing countries, and will co-operate with them both in the search for mutually acceptable international solutions and in the development of co-operation in the form of bilateral relations.

The Soviet delegation has frankly stated its views on the effective solution of the problems facing the developing countries and has submitted a number of proposals. In participating in the work of committees, the Soviet delegation saw its task as that of reaching agreements and mutually acceptable solutions.

Our proposals aim at the normalization of world trade in which all countries are interested and at the creation of favourable conditions for the developing countries through the stabilization of markets and prices, the elimination of non-equivalent exchange, the granting to the developing countries of various preferences and advantages, the abolition of the various obstacles and discrimination in trade and our proposals for economic and technical assistance, limitation of the interest rate on State credits to 3 per cent and repayment of these credits by deliveries of goods were designed to promote the speedy development of the countries of Asia, Africa and Latin America. We still consider it important to remove the underlying causes of poverty and stagnation, to contribute to the formation of sources of domestic saving, the comprehensive development of the economy and the attainment of economic independence. Many Soviet proposals have been sympathetically received by the developing countries and are reflected in the recommendations of the Conference.

At the same time, I wish to emphasize our position of principle and to explain the attitude of the Soviet delegation on certain provisions of a number of recommendations approved by committees of the Conference.

Firstly, we are in no way responsible for the serious economic consequences which prolonged colonial domination or the policy of neo-colonialism has involved for the developing countries. In considering matters relating to compensation for the damage caused by colonialism and the activities of capitalist monopolies, it is therefore unnatural and unrealistic to try to adopt the same approach to the developed capitalist countries and the socialist countries.

Secondly, we cannot agree with those recommendations which fail to take into account the specific features of the socialist economy.

Thirdly, the Soviet delegation was unable to support a number of recommendations because of its positions of principle, positions which it has previously outlined at the Conference.

This applies, for example, to the recommendations on encouraging investments of foreign private capital which do not include the necessary conditions to safeguard the interests of the developing countries.

In the statements and proposals it has made, the Soviet Union, like the other socialist countries, has given a clear indication of the prospects for the development of its trade relations with the developing countries. These possibilities can be achieved through practical negotiations between the countries concerned.

So far as the Soviet Union is concerned, I am authorized to say that we shall steadily increase trade with all countries, pay special attention to trade and economic relations with the developing countries and assist those countries in every way in carrying out their programmes of economic construction.

As I said in a statement at the Conference, the Soviet Union, according to the estimates of our economists, will increase the volume of its foreign trade four-fold during the period from 1963 to 1980. We expect an eight-fold increase in trade turnover with the developing countries, bringing the total to over \$11,000 million. In accordance with the wishes expressed by the delegations of the developing countries, we have already given more specific indications of the possibilities for the growth of the USSR's trade in particular items with that group of States, especially during the period which lies immediately ahead. According to these preliminary estimates, the volume of the USSR's trade turnover with the developing countries during the next seven years may increase by nearly two-and-a-half times, bringing the total to more than \$3,600 million by 1970. We base these estimates on the assumption that high rates of growth in the USSR's foreign trade with the developing countries will be maintained for a long time to come, and particularly during the period 1964-1970. At the same time, we have given some indication of our possible imports from the developing countries of a number of such important commodities as coffee, cocoa-beans, citrus fruit and various vegetable oils. The USSR will also increase its imports of cotton fibre, jute, wool, tea, bananas, pineapples, spices, certain minerals and raw materials for the chemical industry. At the same time, there will also be an increase in our purchases of manufactures and semi-manufactures from the developing countries under trade agreements, including purchases in repayment of credits granted by us.

These estimates may be given concrete form by negotiations for the conclusion of trade agreements, including long-term agreements, between the countries concerned. In this connexion we express our readiness to continue the practice of mutually acceptable forms of trade which involve no currency difficulties for the developing countries, including trade on a multilateral basis. The general normalization of world trade and, in particular, the increase in the

number of countries with which we have normal trade relations, can greatly facilitate the above-mentioned broad expansion of our trade relations with the developing countries.

In his speech on the occasion of the opening of the Nile Aswan Dam on 14 May 1964, Mr. N. S. Khrushchev, Head of the Soviet Government, said we would continue to co-operate with new developing States, helping them to establish the foundations of their national economies, and thus creating the conditions for the strengthening of their economic and political independence.

The developing countries can rely on the Soviet Union, as on other socialist countries, not only in the sphere of bilateral trade relations but in the matter of support for their justified demands when international problems are dealt with.

During the Conference's short lifetime, a number of important events have taken place in the field of the further development of trade and economic relations between the USSR and other countries.

The completion of the Nile dam in May was an important event in carrying out the huge programme for exploiting the hydro resources of the United Arab Republic. Agreement has been reached between the USSR and the United Arab Republic regarding the granting of further long-term credit to the UAR to the value of \$277 million for the construction of industrial plants.

The Soviet Union and India have signed an agreement providing for the construction in India of a big iron and steel works with an output capacity of 1.5 million tons of steel, and for the granting of credit for this purpose to the value of \$385 million.

Developing their trade and economic relations, the Soviet Union and the Democratic and Popular Republic of Algeria have concluded an agreement on the construction of an industrial complex in Algeria and for the granting for this purpose of further long-term credit to the value of \$126 million. The Soviet Government has also decided to organize and present to the Algerian people a Petroleum and Gas Institute, and a Special Technical School. These institutions will provide facilities for the simultaneous training of 2,000 specialists.

During the same period the Soviet Union and Kenya have concluded an agreement providing for the rendering of USSR assistance to Kenya in a number of agricultural and industrial projects, and for the granting of credit for these purposes.

Like all the USSR's trade and economic agreements, these new agreements are free of any economic or political conditions infringing national sovereignty. They contain nothing which would cause the recipient countries any currency or foreign exchange difficulties. Such assistance strengthens the public sector, which plays an important part in promoting the developing

countries' economic growth and the achievement of their economic independence.

These specific measures graphically express the readiness of the Soviet State to contribute to a solution of the complex problems facing the peoples of the developing countries, which are eager to get rid of their economic backwardness as soon as possible and

break out on to the broad highway of social and economic progress.

The Soviet delegation is hopeful that during the days that remain the positive results achieved by strenuous work in the Conference will be confirmed. We must justify the hopes and confidence of the peoples who sent us here.

STATEMENT BY THE Rt. Hon. EDWARD HEATH,  
SECRETARY OF STATE FOR INDUSTRY,  
TRADE AND REGIONAL DEVELOPMENT OF THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN IRELAND,  
PRESIDENT OF THE BOARD OF TRADE, HEAD OF THE DELEGATION  
at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: English]

This morning we bring to a close the most important Conference that has ever met to consider the problems of international trade and economic development.

After three months of hard and sometimes anxious work it has achieved success.

What do we mean by success? What in fact has it done?

Each of us will form our own judgement, depending to some extent on the hopes and expectations with which we entered the Conference.

I expressed my own view at an earlier stage when I said that:

we could not expect the Conference to solve, in the short period of twelve weeks, all the problems facing developing countries;

the Conference should be regarded rather as a stage in a continuing effort;

it should be judged by whether or not international policies on trade and development are seen to be moving in the right direction.

From this point of view, the Conference has unquestionably been successful.

The topics we have discussed and the recommendations we have adopted concern trade in primary products and manufactures, invisible trade and many aspects of aid. Some of these recommendations are for action by individual Governments; others are for the further study of problems which we have so far lacked either the will or the knowledge to solve. Finally, and perhaps most important, we have decided to ask the General Assembly to set up new institutions to carry forward the work we have begun.

I would like to review briefly the achievements of the Conference in each of these fields. Before doing so, I should like to pay tribute to the work of the Secretariat in servicing so vast an enterprise and to the translators without whose help we could never have completed our task.

We have been able first of all to agree on a comprehensive recommendation on exports of manufactured goods from developing countries including the elimination or reduction of tariff barriers. This is a considerable step forward.

At the same time we have reaffirmed the principle that developed countries should not expect reciprocity from developing countries in negotiations for the reduction or removal of barriers to trade.

Some among us may be disappointed that the Conference did not agree on the immediate introduction of a system of preferences for the benefit of developing countries. But we must recognize that more work must be done to resolve the doubts which some Governments still harbour about the principles involved and to devise a practical system to give effect to them.

*Trade in primary products*

Next, trade in primary products. This is of such vital importance not only to most developing countries but also to developed countries like my own which are major importers of these products that it is not surprising there have been marked differences of approach to this question. We have not yet succeeded in reconciling them. This is not the occasion to enter into the merits of the argument. Our own views are well known.



I would like to make only one point. However great the differences of approach may appear in general debate, I believe that they may well prove to be much more easily reconcilable in practice when we come to deal with particular commodities.

#### *Development*

Thirdly, on development and aid, a number of important recommendations have been accepted by a large majority of both developed and developing countries. I would like to refer to three of them in particular.

First, there is a widely endorsed Recommendation covering many aspects of the subject. Taken together with the Recommendation on growth and aid, this could form a new charter for international co-operation in development.

This second Recommendation recognizes the urgent need for accelerated growth in developing countries. It emphasizes the efforts to be made by developing and developed countries alike. In particular, the latter have undertaken to do their best to provide at least 1 per cent of their national income in aid and other capital flows to the less-developed countries.

The third is the Recommendation which includes the initiative taken by my delegation on supplementary financial measures. This is intended to help to deal with problems arising from adverse movements in export earnings which disrupt development programmes. We are glad that all the developed countries with market economies found it possible to accept it.

#### *Invisibles*

On some questions related to invisible trade agreement was not so far-reaching.

Two matters of particular interest to my own Government are insurance and shipping. We understand the desire of many developing countries to build up these activities and to see the savings generated by insurance used as far as possible to develop their own economies. We believe however that insurance and reinsurance business generally needs to operate on an international basis. We believe that it is important that insurers, whatever the economic policies of the countries in which they operate, whether developed or developing, should not be subject to restrictions or controls which are against the interest of the policy-holders.

#### *Multilateral aid*

Finally, before leaving the subject of development and its financing, I should like to reaffirm our support for the multilateral aid programmes of the United Nations family.

Just before this Conference opened, Parliament passed an Act enabling Britain to contribute a further \$96 million over three years to the International Development Association (IDA). We shall be ready to contribute our fair share when the funds of the Association need further replenishment. The sugges-

tions for supplementary financial measures, which we together with Sweden sponsored, would themselves involve additional resources and extended functions for the IDA.

In addition, Her Majesty's Government has now decided on four further measures.

(i) At the conference to be held next autumn, we shall pledge an increase in our contribution to the Special Fund and the Expanded Programme of Technical Assistance for 1965.

(ii) Together with other Western countries, we are willing to support an increase in the United Nations budget which will make possible an expansion of the activities of the United Nations Secretariat in the field of industrial development.

(iii) During this Conference, my delegation, together with others, sponsored a Recommendation recognizing the importance of regional development. I can now state that Britain is willing to provide capital assistance to the African Development Bank at the appropriate time.

(iv) We are also willing to examine sympathetically the possibility of assisting other regional development banks, including the Inter-American Development Bank.

These new initiatives demonstrate our willingness to support in a practical manner policies advocated by the Conference.

#### *Institutions*

The establishment of continuing institutions, which we have now agreed should be set up, has seemed to many delegates to be the most important single issue before the Conference.

The proposals which have now been worked out after much discussion, with the valuable assistance of the Secretary-General, are capable, I believe, of providing effective machinery for carrying further the work which this Conference has begun.

Their success in so doing will depend on the will of their members to work together in a spirit of practical co-operation. The procedural issues which caused us so much difficulty are to be examined and will be settled by the General Assembly of the United Nations.

I am confident that a satisfactory solution will be found there and we look forward to playing our part in an organization that will contribute effectively to our common prosperity.

#### *Principles*

One of its first tasks will be to take further the work on principles governing international trade and development to which this Conference has devoted so much attention.

All our discussions have revealed the difficulties of drafting a set of principles acceptable to so many countries with differing economic systems and in different stages of development. Considerable progress

has been made. Nevertheless, it is hardly surprising that a wider measure of agreement could not be reached within the time available here. It is no secret that we find ourselves unable to accept all these principles as they now stand. Our position is shared by many other major trading countries. We ourselves proposed, however, that work on the drafting of a set of principles should continue. It has now been agreed and we are fully prepared to play our part in it.

It must be a source of great satisfaction to the President that he should have presided over a Conference which has achieved the successes I have outlined. We are grateful to him for the skill and patience which he has shown both inside and outside this hall. I would like also to acknowledge our debt to Mr. Prebisch for the contribution he and his colleagues have made to our work, in particular through the conciliation groups during the last few weeks.

Finally, perhaps I may be permitted to draw a few conclusions from our experience over the last three months.

Conferences such as this naturally see their main tasks as the passage of resolutions and recommendations. At least equally important is the exchange of ideas, the meeting of minds, the insight which we gain into each other's problems. These exchanges, formal and informal, will, I believe, influence thinking and policy in the years to come no less than the formal resolutions that we have passed.

I have been impressed by the way in which the developing countries have discovered a unity of interest which has outweighed the differences between them. This, I believe, owes much to the contacts and discussions that have taken place here in Geneva. This unity has enabled them to put forward their case with greater force. It lays on them all the more responsibility to reconcile their rightful aspirations with a realistic assessment of what is practicable.

Another conclusion I would draw is that in matters such as those we have been discussing majorities,

though easier to obtain, are not as effective as a real consensus of opinion.

This is what is required if solid progress is to be made. We have seen at this Conference the usefulness of a conciliation procedure in bringing about this necessary measure of agreement. Perhaps it could with advantage have been adopted earlier. I believe that this procedure will prove to be important for our future work together. Conciliation and the search for an agreed consensus of view may be less dramatic than a majority of a hundred votes, but it is more likely to feed the hungry, which is our common task. For we must keep always in the forefront of our minds what is our real purpose. It is to agree upon the means of improving the conditions and standards of life of the peoples of the world.

Throughout our work, and in particular during the pressures and tensions of the last few days, the arguments about voting procedures and numbers of seats, the difficulties of language and interpretation, the misunderstandings of meanings, throughout all these things we had had to keep our real purpose clear. This we must continue to do when we return to our own countries and when we take part in the future work of the Conference. The countries in the group of which we are a member are already making great contributions to this cause. We appreciate the recognition which this receives. In this Conference, they have made sincere attempts to carry them further.

If I may add a personal word, I would like to say how great a privilege it has been to take part in this Conference, to share its hopes and fears, its disappointments and its successes.

If we who leave this Conference pass on to a wider public in our countries the impressions we have formed and the lessons we have gained here, if we turn them to practical effect, we can help to create a growing prosperity from which all our peoples will benefit—and we shall have made no small contribution to the future peace of the world.

STATEMENT BY H.E. Mr. GEORGE BALL,  
UNDER-SECRETARY OF STATE OF THE UNITED STATES OF AMERICA,  
HEAD OF THE DELEGATION

at the thirtieth plenary meeting, held on 10 June 1964

[Original text: English]

It had been my intention this morning to review the accomplishments of the Conference and to suggest the ways and means by which, in the view of my Government, we might best build on the foundations we

had laid. This presupposed, of course, that by this time—by the middle of the closing week of a Conference which has continued now for three months—we would have accomplished substantially all of the

major tasks which we had undertaken and would have reached agreement on the major issues among us.

This, as we all know, unfortunately is not the case. This Conference still has a very substantial amount of unfinished business, a number of issues of great importance on which agreement has not been reached.

I have concluded, therefore, taking account of the state of the Conference's agenda—and taking account, also, of the fact that we are working against a very tight but intractable termination date—that I can best

serve the purposes of all of us if I refrain this morning from making any extended remarks and if I suggest to the Conference as a whole that we get to work with very great assiduity during these remaining days, that we try to bring to a conclusion these very great tasks that we have undertaken, that we try to reach agreement on the hard issues that are still before us. The will to do this exists, I am sure, in this Conference—I think we should now translate that will into effective and practical results.

STATEMENT BY H.E. Mr. A. AGUIRRE,  
REPRESENTATIVE OF URUGUAY

at the thirty-fourth plenary meeting, held on 13 June 1964

[Original text: Spanish]

The Government of Uruguay has made a great effort, within the limits of its capabilities, to contribute to the results of the United Nations Conference on Trade and Development.

A country of limited resources, Uruguay first of all worked hard in preparing for its participation at the Conference. It took part in the preparatory meetings as well as those on the Latin American continent at Mar del Plata, Sao Paulo, Brasilia and Alta Gracia, and did its best not only to ensure its own participation but also that of all the other countries in the same region—not merely participation in the technical sense but also participation in a spirit of unity, constructiveness and collaboration.

When the time came for the Conference to meet, it arranged to maintain throughout its duration a delegation capable, both in numbers and knowledge, of coping with the requirements of the work.

All this constitutes a great effort for a country like mine. We might describe it as dedication and devotion to a task which we feel to be of sufficient importance to justify such efforts on the part of a country which has difficulty in balancing its budget month by month and which is kept in a state of continuous uncertainty by the fluctuations of its trade balance.

Why did Uruguay do this?

We did it because we looked forward to the Trade Conference with high hopes and considered that it offered an endless variety of prospects. A conference sometimes opens with great promise but often ends in frustration and enhanced scepticism. This is due to the clash of wills and the exercise of pressures which influence trade relations and consequently the lot of the smaller countries which are helpless to defend themselves but are vitally concerned with the well-being or impoverishment and despair of their population.

Now that the Conference is nearing its end, an attempt must be made to draw up a balance-sheet and see whether its results have justified the effort or not.

We must say frankly and clearly that we are going home with some encouraging prospects although we have not attained all we had hoped for. There has been a mass of recommendations, more or less well-inspired, whose texts cover the whole range of trade and development problems, but if we compare them with the voluminous files of resolutions and statements of the existing international organizations, we find that they repeat much that has been said before, and the support now given to them is hardly sufficient to endow them with that vital spark which they previously lacked.

We do not intend to make any lengthy comments on the various recommendations.

As we are leaving with some relatively concrete results, we can also say that after three months' work in common at Geneva, we feel encouraged and fortified; and if the support given to the texts at these meetings has not been as whole-hearted as we could have wished, we under-privileged countries feel stronger, more united, more conscious of our objectives, clearer in our ideas and, it must be admitted, better understood and respected.

In the course of discussions and analysis, the problems at issue have been thrashed out and assessed, and none of their elements have been neglected.

The difficulties have been identified and recognized, even those of the powerful and rich countries, for even in their prosperity and development they still have to contend with day-to-day challenges in this difficult world of ours.

A solid basis has been established for carrying on the work with imagination and understanding; and thus we may be certain that the hesitations of today, the

reserve that has veiled opposition to some of our recommendations, will soon give way before the irresistible pressure of needs, balances and realities. Standards of living must be brought closer together in a world in which we can live in security and with increased satisfaction of our needs.

We wish to say that we have been neither grieved nor offended because some country or countries have voted against the texts of recommendations in which we had placed our hopes.

We are ready to accept opinions different from our own without taking umbrage and in a spirit of mutual respect, but we cannot help being disconcerted when we meet with opposition based on selfish interests and without regard to the demands of world progress.

As regards the attitude of the centrally-planned economies, we have found them little disposed to make their structures sufficiently flexible to bring them into line with the needs of a general world organization.

Behind the barriers raised by the incompatibilities of their political and economic systems, the measures they have suggested for the developing countries are difficult to reconcile with a common and generalized conception of world trade.

We should have been grieved and offended if we had not been heard, if we had not been allowed the opportunity to defend and explain our ideas.

But the Conference has provided a wide forum for mutual understanding, and its deliberations cannot have failed to impress all those who took part in them.

That is the basis for our hopes.

In this solid foundation for carrying on our work, in the vigour and clarity of the ideas that constitute the moral substance of the Conference, we find justification for the efforts made and hope for the future.

We trust that when these matters come before the General Assembly of the United Nations, resistance will be less categorical and less extensive.

We ourselves, a small country, intensely preoccupied with the improvement of relations between governors and governed, feel that, looking towards the future, we see more clearly the road ahead.

As members of what has been called the group of the seventy-five, which has taken such admirable and decisive action, we are glad to have formed part of that group and have every confidence in the work which will be accomplished in future as a result of the unity and solidarity affirmed at Geneva between the countries of Asia, Africa and Latin America.

We should add, however, that we do not regard the group of the seventy-five as an end in itself, but as a dynamic instrument designed for the affirmation of a still broader unity, a more universal solidarity, ending the division into blocs which has impeded understanding, and extending interdependence and joint responsibility to the maximum and in the most rational manner.

As Latin Americans, we observed the activities and the perseverance of our Latin American brothers

with pride; and to our appreciation of the message emerging from the Conference, we would add our fullest support for the idea that our future lies in economic integration, in regional areas capable of offering an adequate basis for a broader market, enabling us to launch forth into the adventure of industrial investment, and to raise productivity scientifically with the prospect of a solid, economically justified relationship. The Conference has in our view clearly mapped out such a course. The aim is a world of economic integration, regional planning, harmonious development, in which the main instrument must be our own efforts and in which the stabilization of prices at reasonable levels, technical and financial aid and preferential treatment are secondary instruments—powerful and indispensable, but secondary—in securing co-operation and support for the efforts of all. We Latin Americans should leave the Conference with a strengthened conviction that the process begun by the Montevideo Treaty, which instituted our Free Trade Area, must be intensified and accelerated. We must strengthen the Latin American Free Trade Association, making such changes as are required to adapt it to the purposes defined in the Preamble to the constituent Treaty. One of the means of giving it the political support which has so far been lacking would be the immediate convening of a conference of Ministers of Foreign and Economic Affairs of the Contracting Parties. These ideas, needless to say, apply also to the General Treaty on Central American Economic Integration.

The Conference would indirectly offer further confirmation of this conviction, if confirmation were needed. There can be no doubt that the historic formation of the group of the seventy-five owes its origin, *inter alia*, to the vigorous unity of the Latin American countries which finds its clearest expression in the Alta Gracia Charter.

Would that Charter, that unity of views and political criteria, have been possible without previous preparation, without the comprehensive preliminary experiment constituted by the Free Trade Association and the Treaty on Central American Economic Integration? We do not think so. Latin America was an important element in establishing the unity of the developing countries at this Conference, and that was due to its previous experience of integration.

We must now translate into reality without delay, in our geographical area, the impetus given by the experience acquired at the Conference, not in order to isolate ourselves behind the barriers of a regional economic and trade association, but in order to play a useful part in a world-wide association.

As nationals of a country with its own specific character, we Uruguayans reaffirm that whatever we looked for here in Geneva, whatever growth we expected from the tree which we had planted, is bound up with the effort which we have to make for the good of our peoples. The other part depends, as we have said, on our own efforts and consists in

encouraging initiative, giving men greater opportunities, supporting them in their efforts and guaranteeing their rights; making greater demands on them in proportion to the needs of the nation; making more provision for their human requirements; ensuring that they obtain from the soil what the soil has to offer, that they extract from its creative capacity what it can give, in order to increase production for the benefit of men and their families, for the prosperity of their country, for the creation of a general climate

of satisfaction spreading from country to country regardless of peoples and races, ideologies and religions, so as to build the world of security and peace towards which we aspire and which we wish to leave as our legacy to future generations.

Such are the Uruguayan delegation's views regarding the results of the Conference—both those set forth in the texts and those engraved in our minds and hearts.

Our advice, our report as delegates, to the Government which we represent, will be to march forward.

**STATEMENT BY Mr. ARTHUR KARASZ,  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
at the thirty-second plenary meeting, held on 11 June 1964**

[Original text: English]

It is a particular honour for me to deliver this statement in the name of the International Bank for Reconstruction and Development.

A little over two months ago, the President of the World Bank made a statement from this same rostrum to the opening meeting of the Conference. Mr. Woods mentioned a series of most important measures the World Bank intends to take in order to contribute to the economic development of the developing world. Such new measures will, we hope, result in the expansion of the scope of our activities in the field of agriculture, industry and education.

The expansion of the horizons of Bank lending will be accompanied by the adoption of some greater flexibility in the terms of our financing and a considerable increase in assistance to our members in selecting and preparing projects.

One of the accomplishments of this Conference is that, in the course of its discussions, it identified and isolated a number of specific problems and programmes for further investigation. A number of such studies were discussed at the Committee on Financing the by now well-known Third Committee of the Conference and were entrusted to our services for preparation.

One of the studies will have to deal with a proposal on whether the cost of borrowing on the money market can or cannot be reduced. A very interesting proposal indeed. Another subject the Bank was entrusted to study is on problems arising from adverse movements in export proceeds of a nature or duration that cannot adequately be dealt with by short-term balance-of-payments support. If feasible, the new scheme would provide longer-term assistance to

developing countries which would help them to avoid disruption of their development programmes.

Several problems related to the flow of private capital will be the subject of special studies, and we shall also examine the use and terms of suppliers' credits, including rediscounting arrangements.

The magnitude of the external indebtedness of developing countries has been a special concern to all parties in this Conference. In this respect, I would like to be allowed to quote from the statement of the President of the World Bank:

“Where all parties concerned are willing to agree to appropriate disciplines in connexion with a debt adjustment, they will find the Bank ready to consider adapting its own financing to the necessities of the situation and to assist, when requested to do so, in working out the required new financial régime”.

These are some of the main subjects that will keep us busy in the months to come. The Board of the Bank's Executive Directors, who represent the entire membership of the World Bank, has been informed about this programme of co-operation the Bank is ready to carry out. It is agreed that the studies be cast either in the form of a report by the President or of a staff study, according to the case.

The problems raised in the Conference are numerous and do not all fall within the sphere of competence of the World Bank. We very much hope that the work we feel privileged to do will enable the World Bank Group to formulate, within our means and within the authorization of our charters, increasingly effective measures to expand trade and increase the pace of economic development. In short, that we shall be able to contribute to the success of this great gathering of developing and developed nations alike.

STATEMENT BY THE SECRETARY-GENERAL OF THE CONFERENCE,  
Mr. RAÚL PREBISCH  
at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: Spanish]

My first words will be for Mr. Kaissouni, to assure him that it has been a great privilege for me to be at his side at this Conference for the last twelve weeks, sharing periods of intense work and anxiety and also of satisfaction. I have been able to admire his great humane qualities, his poise, tact and the unflinching dignity with which he has carried out his difficult task. I must also thank him for honouring me with his friendship, which I cordially reciprocate.

I must also thank the distinguished representatives for their support and for generously expressing their confidence in me on many occasions during the Conference. I have conveyed these expressions to all who worked with me, to those who helped in developing the ideas contained in my report and to those who—in the many and varied duties which this vast task demanded—have made their devoted contribution to the success of the Conference.

And, in particular, I want to stress that, in addition to the staff from United Nations Headquarters who came here with me, I have had the untiring cooperation of the European Office of the United Nations and of the regional commissions, whose staff, with the constant support of their Executive Secretaries, have laboured unstintingly and earnestly at this Conference.

Time does not permit me to examine the results of this Conference as closely as I should have wished. I shall therefore confine myself to a few observations.

We met here to seek solutions affecting trade, and what has been achieved represents, in the main, very important solutions affecting finance. The latter fact is clear proof that it takes time for ideas to be assimilated and to mature. The fundamental achievements accomplished by this Conference in matters of finance have been developing for some time in the General Assemblies of the United Nations, in the Economic and Social Council and in the regional commissions.

An event of cardinal importance was the success that attended the resolution recognizing that it was necessary for the developed countries to devote 1 per cent of their net national income to financial assistance for the developing countries. It is also of cardinal importance that recognition has been achieved of the need for additional financing to offset adverse fluctuations in exports and their tendency to decline, caused by a number of factors, the most significant of which is, undoubtedly, the deterioration in the terms of trade.

If this deterioration should recur, I believe that after this resolution it will not be possible to view the course of events with indifference; measures to remedy the evil will have to be taken in one form or another.

Among the many resolutions approved, there is one the wide implications of which have not yet been fully perceived in the press reports of this Conference. I refer to the explicit acknowledgement that the importing capacity of the developing countries, whether considered in relation to their exports or in relation to capital investment and capital flows, is closely linked to the need for a higher growth rate and to the agreement by the developed, as well as the developing, countries to use every means in their power to achieve this strict correlation between the import requirements of the developing countries and the possibilities of payment which those requirements entail.

With regard to trade, the basic problems have been clearly stated and it is to be hoped that the same effort of persuasion which has already borne fruit during this Conference in the financial sphere will again produce positive results within the Board or future conferences, so that the fundamental aims we have been pursuing at this Conference may be achieved. If progress has been limited, it is certainly not because the basic problems before us were not understood. I believe that one of the great victories of this Conference has been the improvement in mutual comprehension among the groups of countries that have tried to find joint solutions. At the same time, however, it is obvious that public opinion in the advanced countries is not yet prepared to grasp the full significance of the demands with respect to trade made by the developing countries. There is one simple and easily understood fact which has not yet been grasped but needs to be understood without delay, namely, when the developing countries speak of the need to increase their exports of primary products and of finding new outlets for their exports of industrial products, they do so precisely because they want to import more from the developed countries. When mention is made of a possible trade deficit of \$20,000 million in 1970, it should also be mentioned that if measures for the improvement of trade are not taken in addition to measures of a financial nature, the exports of capital goods and other manufactures from the developed countries to the developing countries will be less by \$20,000 million than they might have been in more favourable circumstances.

This effort of persuasion must begin without delay: otherwise we shall make no progress at future conferences. The time at our disposal is not unlimited; in the developing countries, the pace of history has quickened, powerful forces of change are stirring and seeking an outlet. They first made themselves felt at Cairo and there is good reason why Mr. Kaissouni, the Chairman of that meeting, is now sitting here. These powerful forces of change are becoming apparent in many different fields. Most of all, they are being revealed in the developing countries' clear and admitted intention, expressed at this Conference, to seek their own interpretation of economic and social phenomena and reject the traditional approach of the larger countries which, using their own experience and not the experience of the rest of the world, have tried in vain to construct theories to account for the phenomena of a developing world. Another change is the increasingly critical view the developing countries are taking of the practices and institutions of the developed countries: they are being examined from every angle to see whether they can be adopted by the developing countries without subjecting them to a thorough reform and transformation.

These forces are leading to profound changes in another extremely important area. The developing world is undergoing changes of considerable magnitude. These countries cannot accelerate their growth rate without a far-reaching transformation of their economic and social structure and until this is complete, the huge task of transferring the production technology of the advanced countries to the developing countries cannot be carried out effectively; until it is complete, it will not be possible to attain the essential aim of all our endeavours at these conferences, that is, the raising of the standard of living of the masses and the transformation of the pattern of income distribution in the developing countries. But in order to do this, in order that these changes may come about with the minimum of human, political and social sacrifice, the developed countries need to have an enlightened policy of international co-operation in both trade and finance.

The task has hardly begun, the work of clearing the ground has barely started at this Conference. Unswerving determination and unremitting effort will be needed to achieve the aims the full attainment of which completely eluded this Conference.

**STATEMENT BY THE PRESIDENT OF THE CONFERENCE,  
H.E. Mr. ABDEL MONEIM KAISSOUNI \***  
at the thirty-sixth plenary meeting, held on 16 June 1964

[Original text: English]

In this final speech, I should like to express my sincere and heartfelt thanks for the great honour you have done me by electing me to this high post. I appreciate the confidence which you have placed in me, and the honour you have accorded me and my country by this election. I have appreciated every moment that I have worked with you. I also thank you for the kind words which have been expressed by the various delegations, whether in the plenary or in the opening meetings or during these last two or three days. Those kind words are a great encouragement to me to go on working in your service and in the service of the developing countries as a whole.

If I may, I should like to reciprocate those thanks and to express my thanks to you all for your untiring efforts which have really been the basis of the success of this Conference—and not only your efforts, but your readiness to understand the different points of view and to come to a conciliation, an understanding, or a reasonable negotiation, on many points of dispute.

In your name, I should like to repeat our thanks to the Heads of State and Prime Ministers who have kindly sent us messages of encouragement, and to express once again our deep appreciation of them.

May I also repeat the thanks of the Conference to His Excellency the President of the Swiss Confederation, who honoured us by his presence here on the first day of our Conference. I should also like to thank the Swiss Government, and the Canton of Geneva especially, for the hospitality which each one of us has experienced during his stay here over the last three months.

Further, I should like to express our thanks to U Thant, who has for a long time supported the idea of this Conference. I feel sure that without his earnest and genuine support this Conference would not have

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\* The President of the Conference opened his speech with a statement concerning the arrangements made for the signature of the Final Act. He also announced the results of the voting for the election of members of the Trade and Development Board (see Vol. I, Report of the Conference, Annex C).



been held. This support was clearly indicated by his presence here on the first day of the Conference.

It is not only my duty but my great pleasure to thank our distinguished Secretary-General, Mr. Prebisch, for his great efforts towards the success of this Conference. Of course, we all know the great report which he drew up and which has been used by all of us as a basis for our studies. But perhaps not all of us know of the efforts which he made behind the scenes whenever there were difficulties facing the Conference. I know personally how much work he has done and how he was always ready to work, and to spare no efforts, for the success of this Conference. I have talked with him whenever there were crises, at midnight, at 1 o'clock and at 2 o'clock, and I have spoken to him at 6 or 7 a.m. He was always ready to discuss matters, to come to the assistance of this Conference and to co-operate to the utmost possible limit to find a solution of the difficulties with which we were confronted.

I feel that I must also thank Mr. Judd, the Secretary of this Conference, who has been working, in his own way, so patiently, diligently, modestly and humbly, and who has been behind all the administrative efforts, and many of the technical efforts, of this Conference. I am sure that we owe him a great debt of gratitude.

We also owe Mr. Mahnovsky a great debt for his services to this Conference; and I should like to take this opportunity to thank all the members of the Secretariat, the interpreters and the précis-writers, who have worked with us day and night to facilitate the administration and the work of this Conference.

Let me also express our deepest gratitude to the Chairmen of the five main Committees and the Drafting Committee, who have spared no effort in trying to persuade all the members of the main Committees and the Drafting Committee to arrive at a reasonable solution through agreement, as much as possible. We owe them a great debt of gratitude and I am certain that I speak for everyone in expressing all our appreciation to the Chairmen of those six Committees. We also owe a great deal to Mr. Georges Hakim. He has worked untiringly during these last few weeks to produce the Final Act and the Report of the Conference. While all the delegates will perhaps go home and take a long-deserved rest, he will still be working on some of the final parts of the Conference Report. Let me thank him most heartily for everything that he has done, and will continue to do, for this Conference.

I do not think I can dwell much longer on the aspects of this Conference. All the subjects have been clearly stated, demonstrated and discussed, whether in conference or committee or even here today. However, I should like to speak about one or two points only.

First, I should like to try to dispel some misunderstandings concerning the purpose of this Conference. Some people in certain circles have pictured this Conference as a confrontation between rich and poor, be-

tween the underprivileged and the highly-advanced countries. Some people have gone further and said that it was an opportunity for the poorer countries to grab as much as possible from the richer countries. Let me say that there is a genuine feeling among all of us that all countries—rich and poor, great and small—need each other. That need is mutual. We feel that as the developing countries need financial wealth and financial assistance from the advanced countries—as they need their machinery, factories and means of transport to help with their development problems—so do the developed and advanced countries also need the raw materials, tropical products, fuel, and many of the agricultural products of the developing countries.

We also know and feel that any development of the developing countries will automatically result in affording greater markets to the developed countries, just as much as the prosperity of the developed countries is a source of wealth and development for the developing countries. Thus the need is mutual and the prosperity is for the world as a whole. However, when they came to this Conference the developing countries had the feeling that they had a just cause to defend. They all studied most carefully the reports which were prepared by the United Nations Secretariat, by our eminent Secretary-General, and by various experts and economists throughout the world; and they were all convinced that there was a just cause to defend. That cause was mainly represented by the deterioration in the terms of trade, against their favour.

The prices of their primary products, which they were continually exporting, were falling, while the prices of machinery and factories which they were buying were rising all the time. Therefore there was a deterioration which was adding to their difficulties and increasing the burden which they had to face. The poverty from which they suffered coupled with this deterioration of the terms of trade—and all the consequential factors deriving from it such as the deficit in the balance of payments and the lack of monetary reserves—have produced certain characteristics in the economic factors dominating the special economies of the developing countries.

In the first place they are unable to respond to a fall in prices by a limitation of production. When the prices of their products fall, instead of limiting their production and avoiding a further fall in prices, they sometimes feel that they have to expand their production in order to recuperate or to make good the loss in the price of the unit; and that tends to aggravate rather than diminish the problems which they face. They are also unable to bear temporary balance-of-payments deficits because of their lack of reserves caused by poverty. They have a heavy legacy—a legacy of poverty, disease and ignorance—which they have inherited from the many generations preceding them. All that renders them particularly vulnerable and easily affected by economic fluctuations, although, perhaps paradoxically enough, their poverty

sometimes tends to render them immune to economic pressures.

We have tried to understand that problem and I think that one of the greatest merits of this Conference was that that problem has become universally understood and acknowledged. After acknowledging the problem, it was necessary for us to seek solutions. We have worked hard in co-operation with each other to try to find solutions. We have found some solutions and, as Mr. Prebisch and many of our colleagues have mentioned, we have been successful in certain financial fields where we hope there will be more work in elaborating the problems of supplementary financing, more definite provisions regarding financial assistance to developing countries. We have also succeeded in evolving agreements of understanding regarding primary commodities and manufactured goods exported by the developing countries to advanced markets. But most important of all is the continuing machinery we have created and which will provide the basis for continuing the discussion between the various countries of the world.

That was one point I wished to make. The other point I feel I must make also relates to the unity of the seventy-five. This is another misunderstanding which I should like to dispel before we close this Conference. Some people in certain quarters have depicted the unity of the seventy-five developing countries as a means to stampede resolutions through the Conference, as a means to use the numerical majority of the developing countries to force through resolutions irrespective of the economic interests of other countries. I would say from close contact with the seventy-five, and as the results of our Conference indicate very clearly, that the solidarity among the seventy-five, instead of being used to destroy the Conference and to destroy unity between different groups as well as understanding between different groups, has helped, in the first place, to narrow the differences of views between the developing countries themselves and then, as they succeeded in evolving gradually one unified view on each subject representing the aspirations of the developing countries, it became a basis for negotiations with the developed countries. There was not at any time a desire to force this basis of negotiation. Even when the seventy-five, together with other countries, voted in the Committees for the resolutions which they had originally proposed—and they voted there because of the necessity of timing, the necessity to set the administrative machine working without interruption in order to arrive at the end of the Conference without having to face chaos—they immediately opened the doors for future negotiation in order to arrive, between the time of the Committees and the time of the plenary meeting, at a solution which would be agreeable to all parties.

In the Conciliation Committee at which I had the honour to preside after the voting in the Committees, and where I had the privilege and happy experience of meeting many delegations, especially those of Pakistan, India, Chile and Ceylon, and where I had from the other side representatives of the United States, United Kingdom, France and Belgium, I sensed all the time on both sides a genuine desire to reach a reasonable agreement. We had difficult times in the Conciliation Committee, but with this general desire backing our efforts it was possible, after several days' work, to reach a reasonable agreement. When Mr. Heath and Mr. Brasseur came to Geneva, they brought their prestige and their good offices to bear on the constructive efforts to reach final agreement. When a solution was in sight I had the pleasure of discussing the matter with Mr. Patolichev of the Soviet Union and other Ministers from socialist countries. I should like to assure you that I found that they also had a genuine desire to help and to support the efforts undertaken to find a constructive solution. I should like to thank Messrs. Heath, Brasseur and Patolichev as well as all the other Ministers from the developed countries who have co-operated with us in this effort. Of course, the Ministers from developing countries co-operated all the time, and it was thanks to them that we were able to find solutions.

The genuine desire among all groups to collaborate and the readiness to understand and appreciate the points of view expressed by the other side augurs well for the future, and I feel confident that in the continuing machinery the same spirit will prevail and will help, first, in removing many misunderstandings, doubts and suspicions which have caused much delay in the conclusion of an agreement, perhaps on occasion more delay in the conclusion of an agreement than the really fundamental differences which were at stake. Secondly, I hope that the same spirit will also ensure the co-operation between all countries of the world for a better economic order. As our friend from Afghanistan said, I put my faith in human understanding and international solidarity.

Now while I am about to dispose of the great responsibilities of the post of President, with which you have so kindly honoured and entrusted me, I should like once again to thank you all for your kind co-operation and to express my best wishes to you and to your countries. The memory of our gathering will always live with me, and I am looking forward to seeing you again and again to witness how our efforts in this Conference have borne fruit and to continue our joint endeavour to achieve further progress for our people and for mankind.

I declare closed the proceedings of the First United Nations Conference on Trade and Development.

Report to the Secretary-General  
of the United Nations  
by the Secretary-General of the Conference



## THE SIGNIFICANCE OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

A world economic conference such as that just held in Geneva cannot be judged solely by the immediate, concrete measures that have emerged therefrom. It has a much vaster significance, and its results must be viewed in a historical perspective.

Seen in that perspective, there are three basic aspects of the Conference which should be underlined. First, there was recognition, expressed or implied, of the need for great changes in international economic co-operation policy, and of the direction in which the changes should go. Secondly, the Conference called for the establishment on a broad basis of an international machinery as an integral part of the United Nations qualified to apply that policy to trade and to its relations with development, so as to contribute to the acceleration of economic growth in all countries and particularly in the developing countries. And thirdly, the Conference saw the spontaneous emergence and articulation of forms of common action among the developing countries, designed to give them more effective influence in the formulation and application of such policy.

We shall try to interpret the meaning of this Conference in terms of each of these three closely inter-related aspects.

### I

So far as the first aspect is concerned, the Conference has made a contribution of considerable importance. Ideas which only a short time ago were still controversial have been accepted without much difficulty as basic underpinnings of the new policy. They are ideas which have been gradually taking shape in international bodies, in the developing countries and in those circles of the industrial countries that have brought their close attention to bear on these problems. In this process, the ideas have been evolving and maturing until they finally crystallized at this Conference. If the report on them which the Secretariat submitted to the Conference had any merit, it lay in the fact that these ideas were there assembled and presented with a sense of unity and convergence of purpose after useful consultations and discussions held in a large number of developed and developing countries before the final draft was prepared.

The recognition of those ideas has been reflected in a series of resolutions that will serve to guide the new

trade and development body and the corresponding action of Governments.

The basic problem requiring solution is the persistent tendency towards external imbalance inherent in the process of development of the developing nations. There is room for discussion about the possible future magnitude of this imbalance, but not about its existence. For it is no longer questioned that, whereas the acceleration of development requires a sharp increase in imports of capital goods and other products in the developing countries, their exports of primary commodities rise slowly in comparison.

This gap between import needs and export possibilities must be bridged without fail, if development is to be speeded up. Otherwise it will be very difficult, if not impossible, for many developing countries to achieve the targets set for the Development Decade.

That is the idea behind an important resolution on growth and aid approved by the Conference which reflects the consensus of opinion not only of the developing countries but also of the developed countries, and must thus guide the action of both.

In this resolution, after recognizing the wide concern expressed regarding the inadequacy of the minimum growth target of 5 per cent per annum fixed by the General Assembly of the United Nations for the Development Decade, the Conference recommends that "the import capacity resulting from the combined total of export proceeds, invisible earnings and capital inflow available to the developing countries taking into account the evolution of prices should rise sufficiently", and further recommends that "the measures taken by the developing countries themselves should be adequate to enable these higher rates of growth to be achieved. All countries, developed and developing, should undertake, individually and in co-operation, such measures as may be necessary to ensure this, and provision may be made for a periodic review of the measures so taken and the experience gained".

How is this objective of increasing the capacity to import to be achieved in order to close the trade gap? What measures did the Conference recommend Governments to take in order to achieve this end?

The Conference adopted a large number of resolutions on this subject, some supported mainly by the developing countries, as an expression of their needs and aspirations, and others having the agreement

of all or most of the developed countries. Without minimizing the significance of the first-named resolutions, we shall give special attention to the basic content of the last-named, since it is they that must lead to concrete action in the immediate future.

These resolutions concerned primary commodities, industrial products and the financing of development.

As far as primary commodities are concerned, the Conference firmly stated the need to extend the range of commodity agreements in order to "secure remunerative, equitable and stable prices" and "assure satisfactory access to the markets of the developed countries", and stressed other aspects such as the competition from synthetics. In other words, the idea which prevailed was that this problem should be dealt with as a whole, and to that end the Conference envisaged the establishment within the new trade and development machinery of a competent organ—the committee on commodities—to recommend the programme of action on these matters.

One cannot ignore, however, the great difficulties which, in the developed countries, stand in the way of a policy designed to provide greater access for certain primary commodities to their markets through the gradual reduction and elimination of obstacles to imports and of internal taxes which discourage consumption. A very tenacious and patient campaign of action will have to be developed in order to make progress in this field.

These facts, and the forces that contribute to the slow growth of international demand for primary commodities, resulted in the emphasis being placed on the need to stimulate the growth of the developing countries' industrial exports. The relevant resolution states that the Conference "recognizes the urgent need for the diversification and expansion of the export trade of developing countries in manufactures and semi-manufactures as a means of accelerating their economic development and raising their standards of living as contemplated in the objectives of the United Nations Development Decade", and recognizes further "the need for increased access on the largest possible measure to markets for manufactured and semi-manufactured products of interest to developing countries, so as to enable these countries to increase and diversify their exports of these products on a stable and lasting basis".

Regarding access to markets, there was full recognition of the need to eliminate quantitative restrictions and discriminatory tariffs, which make it difficult for the developing countries to process the primary commodities they export. There was also recognition of the need to include industrial products of special importance for the developing countries in the "Kennedy round" negotiations.

All this is important, but not sufficient in itself to solve the problem of the trade gap, according to the view repeatedly expressed by the developing countries. It is understandable, therefore, that they should have

made an intensive effort to get agreement on a preferential policy in favour of their industrial exports.

The progress made in this area was very significant. It began with the United Kingdom's statement that it was prepared to extend to all developing countries the preferential treatment it grants to the Commonwealth countries. The countries of the European Economic Community (EEC) and Denmark also indicated their willingness to grant preferences.

This acceptance in principle of the idea of a preferential system was accompanied, however, by a number of important differences regarding the way in which such a policy should be applied. A committee of experts is therefore to undertake the examination of the problem and to propose practical solutions to the trade and development machinery which the Conference recommended the United Nations General Assembly to establish.

The Committee of Experts will also have to consider the objections put forward to the preference policy. It is to be hoped that further clarification of this matter will help to persuade other important countries to associate themselves in the not too distant future with a preference policy, which necessarily requires their support if it is to be fully effective.

Apart from the importance of this policy in itself, its application to all the developing countries without discrimination, and without prejudice to special measures taken in recognition of differences in degrees of development, would mean the dismantling of regional systems of preferences—a point of constant interest to the United States in the context of its multilateral conception of world trade.

Thus, so far as industrial exports are concerned, the first step was taken at this Conference in recognizing the urgent necessity of stimulating such exports; but it will be necessary to continue with great persistence to seek the best way of translating this recognition promptly into concrete and effective action.

Perhaps one of the greatest obstacles arises out of certain apprehensions on the part of the developed countries regarding the disturbances that may be created by industrial imports from the developing countries. There is also, sometimes, opposition on respectable doctrinal grounds.

Much could be done to allay these apprehensions if emphasis were placed on the reciprocal advantages of this new form of trade.

It has been calculated, indeed, that round about 1970 the developing countries, in order to achieve that minimum growth rate of 5 per cent fixed for the United Nations Development Decade, will have to be importing some \$20,000 million worth more of capital goods and other products than they will be able to export if present trends continue. Part of this gap will be filled, no doubt, by financial resources obtained from abroad, but the rest will have to be covered mainly by an increase in industrial exports. If this does not happen, the developed countries will lose the opportunity of

making considerable part of those additional sales to the developing countries.

It would also help to allay these apprehensions if a very simple fact were more generally known—namely, that if by 1970 the developing countries' exports of manufactures<sup>1</sup> reached the figure—a very considerable one for them—of \$10,000 million, or half the trade gap, this would represent only an insignificant proportion—between 4 and 5 per cent—of the increase in the consumption of manufactures by the developed countries between 1961 and 1970.

There is still very far to go, therefore, in the field of trade. Though certain ideas have gained greater acceptance at the Conference in this and other areas, we shall have to wait some time for them to bear fruit, after a systematic effort of persuasion. The fact that time is needed for this process is shown by the very important resolutions adopted by the Conference on the matter of development financing. In this area, the Conference approved measures which the developing countries have been trying to get accepted for some time. They concern the quantity of foreign finance for development, supplementary financing and the system of financing.

Regarding the first, the developed private-enterprise countries accepted the recommendation that each of them should "endeavour to supply . . . financial resources to the developing countries of a minimum net amount approaching as nearly as possible to 1 per cent" of its national income. The General Assembly of the United Nations had earlier recommended this figure of 1 per cent as a target, without specifying whether it was to be net or not.

According to the recommendation made at Geneva, these transfers should now be net, that is to say, after deduction of amortization payments, and of repatriation and disinvestment of private external capital. This could thus lead to a real and considerable increase in the financial resources available to the developing countries.

Such transfers amounted to barely 0.3 per cent of the total income of the developed countries in 1950, rising to 0.7 per cent in 1962. But if one deducts the loss of income suffered by the developing countries during the same period because of the deterioration in their terms of trade, the net value of the aid obtained from foreign sources in 1962 falls back again to the original 1950 figure of 0.3 per cent.

This explains the earnestness with which the developing countries sought approval of compensatory financing measures to offset the consequences of the deterioration in their terms of trade, in addition to the short-term compensatory measures which the International Monetary Fund has begun to apply.

Some very promising progress was made on this second aspect. Thus the Conference adopted, with the developing countries and the developed private-

enterprise countries voting in favour, a proposal on supplementary financing originally submitted by Sweden and the United Kingdom. This recognizes the need for additional financing when a developing country finds that its exports fall short of reasonable expectations. In other words, if a country's development plan is based on a certain reasonable projection of its export earnings and this is not achieved in practice, it may call upon supplementary financing, subject to consideration of the case and of its attendant circumstances. In addition to explicit recognition of export prices, the relevant circumstances include import prices.

In order to arrive at concrete proposals, it is recommended that the International Bank should study the feasibility of this scheme, and among other things there is a suggestion for the establishment of a supplementary financing fund to be administered by the International Development Association.

The developing countries, which welcomed this proposal, succeeded in having included in the text a recommendation for the study and further discussion of more far-reaching financial measures, including non-reimbursable transfers, for dealing with the deterioration in the terms of trade, an undertaking which could go much further than the study the Bank was invited to make.

The third group of financial measures concerns the principles and methods of development financing. The relevant resolution was submitted by a group of developing countries together with the United States, and endorsed certain methods of financing which had frequently been found unacceptable to countries providing assistance.

Among other things, it was recognized that external financing should be linked to development plans and should have continuity in relation to those plans. It was admitted that it should also cover part of internal financing, where that was essential. It was recognized that financial resources obtained from external sources should be made available, except where there were balance-of-payments difficulties, to finance purchases of capital goods and other products in other countries, whether developed or not, or in the country actually receiving the resources. It was also recommended that the over-all repayment capacity of borrowers should be taken into account in establishing repayment terms and interest rates for external loans.

Another recommendation provided that developing countries may request competent international bodies to revue, in co-operation with creditor countries concerned, their external indebtedness with a view to securing agreement, where appropriate and necessary, on the re-scheduling or consolidation of debts, with appropriate grace and amortization periods and a reasonable rate of interest. In dealing with problems of external balance and trade policies of developing countries, questions of shipping were also considered. In this connexion, the Conference provided for the first time a forum for the discussion between developing

<sup>1</sup> In 1961 the developing countries exported just over \$2,000 million worth of manufactures.



nations and the major shipping nations of issues relating to maritime transport. The need for appropriate consultation machinery was recognized and it was, *inter alia*, recommended that inter-governmental procedures be established within the United Nations system, including the new institutional machinery for trade and development. There was also wide agreement on the desirability of port improvements in developing countries and the development of national merchant fleets based on sound economic criteria was welcomed.

Some progress was also registered at the Conference with respect to quantitative targets.

It should be noted here that the fixing of 1 per cent of the developed countries' national income as the desirable figure for the amount of their financial resources to be transferred to the developing countries, apart from its importance in itself, represents a partial recognition of the need to establish quantitative targets in policies for international co-operation. It is to be hoped that new studies by the Secretariat of the United Nations will facilitate the adoption of quantitative targets related to the size of the trade gap.

In point of fact, quantitative financial targets should be established preferably on the basis of an estimate of the international financial resources that each country requires in order to supplement its own investment resources and in relation to a specific rate of economic growth. This external supplementing of internal resources will make it possible to cover part of the trade gap. The rest will have to be covered by exports and will likewise entail quantitative targets.

It should be noted in this connexion that several socialist countries have fixed such targets for their imports from the developing countries, both in aggregate form and for schedules of important items. These targets are of an indicative nature—that is, they represent a statement of intentions the fulfilment of which will depend on the export opportunities of the socialist countries.

## II

As we have seen in the preceding pages, although in the financial field the Conference arrived at specific recommendations which had been worked towards for some time, in matters of trade it has also cleared the way for the concrete action that is inevitably required.

This is one of the fundamental purposes of the trade and development machinery which it is proposed that the General Assembly should establish within the United Nations framework. The scope and significance of this machinery were explained in the report presented by the Secretariat to the Conference on Trade and Development. Suffice it to say, here, that the recommendation approved unanimously by the Governments participating in the Conference goes much further than the compromise formula recom-

mended in that report. The idea of a periodic conference and a permanent trade and development board has been accepted and they are given the status of organs of the General Assembly, an aspect which was not defined in the report. All this is without prejudice to the co-ordinating functions of the United Nations Economic and Social Council. The resolution approved by the Conference also recommends that three special committees be established immediately to help the Board and Conference in their work—namely, a committee on commodities, a committee on manufactures and a committee on invisibles and financing. In the Secretariat's report, this was left to be decided in the light of future experience. The fact that the Conference opted, from the beginning, for the establishment of these committees is to be interpreted as an expression of the desire of Governments to give the new machinery greater immediate effectiveness.

There was much discussion at the Conference concerning the proposal of an important group of developed countries that a special system of voting should be adopted for certain important recommendations by the Conference and the Board.

It was proposed that such resolutions should be considered adopted if they had the support of a two-thirds majority of members in the case of the Conference and of a simple majority of members in the case of the Board, including in both cases the majority of those of the twelve principal trading countries taking part which were present and voting.

The opposition which this proposal encountered among the developing countries led, by way of extensive negotiations, to a compromise solution, which paved the way for unanimous approval of the recommendation on this subject, as has already been said.

This compromise consists principally in arrangements for the establishment of conciliation machinery designed to secure agreement between the parties before a vote is taken in the case of recommendations "of a specific nature for action substantially affecting the economic or financial interests of particular countries". The Secretary-General of the United Nations is requested to appoint a special committee to submit recommendations on such conciliation machinery to the General Assembly at its nineteenth session.

The adoption of a procedure of this nature may mean an important improvement in the method of work at United Nations meetings on economic and financial matters. In this connexion, it is necessary to keep in mind the distinction that has been made between two main categories of resolutions. It will be recalled that the first consists of those relating to all the matters on which the developing countries wish to express their points of view or their aspirations. The second includes those just mentioned in which recommendations are made to Governments regarding action "substantially affecting" their economic or financial interests.

The conciliation machinery relates to the second and not to the first category of resolutions. In the first category, the vote of the majority in the United Nations, both at general and at regional meetings, has been of much importance. In this way there has been achieved a clearer awareness of the nature of the problems of economic and social development and the direction in which their solutions are to be sought. This has occurred, for example, with regard to the developing nations' need to industrialize and to plan their economic development. If the aspirations of the developing countries had not found expression through a majority vote, the progress of these and other ideas towards full recognition would have encountered considerable obstacles.

For the second category of resolutions, it is desirable to exhaust all the possibilities of securing agreement among the parties concerned before the vote, so that the recommendations adopted by the Board or the Conference may be followed by concrete action on the part of Governments. There is obviously no immediate practical purpose in adopting recommendations by a simple majority of the developing countries but without the favourable votes of the developed countries, when the execution of those recommendations depends on their acceptance by the latter. Hence the importance of the conciliation machinery as a means of promoting such agreement.

If agreement is not reached within a reasonable time, or the agreement is only partial, it may be possible to adopt a resolution in which the parties concerned express their respective viewpoints and make such statements as they consider relevant, noting, at the same time, the points on which progress towards agreement has been made. The recommendation adopted at Geneva on preferences for the manufactures of the developing countries is an interesting example of this type of resolution. Resolutions such as these could do more to pave the way for future agreements than the adoption of resolutions which lack the support of the developed countries. Obviously, no country can legally be obliged to comply with resolutions which affect its interests and on which it has cast a negative vote or abstained. Recognition of this fact has already resulted, in other important fields of the United Nations work, in the establishment by gentleman's agreement of practical procedures in order to arrive at an agreement which does not, of course, exclude the possibility of ultimately exercising the right to vote if disagreement persists.

A careful appraisal shows that the Geneva Conference has clearly demonstrated that both the developing and the developed countries have made a very persistent effort to arrive at compromise agreements on certain important matters. If in some cases the contrary impression has been given, it may be due to the fact that the various committees of the Conference often had to vote on resolutions before arriving at a compromise agreement, in order to finish their work more or less on time, in view of the

unextendable deadline for the close of the Conference. But immediately afterwards conciliatory negotiations were started in order to arrive at such compromise agreements before the final vote in plenary. The latter were generally conducted on an unofficial or confidential basis, sometimes outside the conference building. It was therefore not easy for certain observers and information media to realize that this process was taking place; and this explains why in some cases they were left only with the impression of the vote taken in the committees, without realizing what great efforts at negotiation and conciliation were made by the participating delegations during the Conference.

Thus, on the basis of these negotiations, compromise agreements were reached among the various groups of countries on important resolutions, which replaced others that had been approved previously in the Committees, on exports of commodities and industrial products. In the case of the equally important resolutions on financial matters, there was no great difference between the final vote in plenary and the vote in committee, since the latter had been preceded by negotiations during which compromise agreements were reached.

The most notable manifestation of the spirit of conciliation, however, was in connexion with the new trade and development machinery. This matter became the key item in all negotiations, since a large part of the other compromise resolutions envisaged future or complementary action within the new institutional machinery. For the reasons already mentioned, the joint draft resolution submitted by the developing countries was voted on first in committee. The resolution was approved by 83 votes in favour, 20 against (including the big free-enterprise industrial countries) and 3 abstentions. Nevertheless, the spokesmen for the different groups of countries indicated that they did not regard this vote as closing the door to an agreement. There was therefore an immediate resumption of laborious negotiations, which lasted until the end of the Conference and resulted in unanimous approval of the compromise resolution referred to earlier.

### III

The conciliatory attitude of the developing countries at Geneva expresses very well the feeling which led them to combine at the Conference and form what came to be known as the "group of seventy-five".<sup>2</sup> It is necessary to understand the significance of this group correctly, avoiding superficial or trivial interpretations which might obstruct a realization of its true importance.

<sup>2</sup> The group got its name from the fact that seventy-five countries signed the declaration annexed to the resolution of the United Nations General Assembly in which it was decided to convene the Conference on Trade and Development. When the Conference at Geneva closed, seventy-seven developing countries signed a new declaration, which was included in the Final Act of the Conference at their request.

Before the Conference opened, fears were current in some circles that a meeting of a hundred and twenty countries, many of which were just beginning their independent political careers, would be simply chaotic. The Tower of Babel was an image much resorted to, and it was predicted that there would be a multiplicity of incoherent resolutions adopted in disordered fashion because of the immaturity and impatience of many developing countries.

Nothing of the kind happened. From the very beginning of the Conference, the developing countries endeavoured to find common denominators which would enable them to co-ordinate their policies.<sup>3</sup> It was not difficult to discover them, despite the well-known differences in degrees of development, since all developing countries have common problems at the international level which make it necessary to find solutions by common agreement. This is certainly not to say that they have no individual problems or that their interests never differ. On the contrary, such problems and differences do exist; and one of the most positive results of the first contacts between the developing countries, at the beginning of the Conference, was precisely the conviction that these individual problems and differences must be set aside in order that attention might be concentrated on common problems. This co-ordination of effort, moreover, helped to keep the discussions on an economic plane and to avoid political problems, which would have introduced elements foreign to the aims of the Conference and seriously disturbed its proceedings.

Furthermore, in acting in this way, the developing countries were being very realistic. This assertion may be thought surprising, since the claims of the developing countries have been described as exaggerated. The magnitude of the problems to be solved makes action of similar scope necessary; and it would be lamentably unrealistic to disregard this and to suppose that such problems could be solved with a few superficial readjustments.

The question of whether or not a demand is exaggerated cannot be determined in isolation; it can be decided only in relation to the dimensions of the obstacles confronting the developing countries. Thus it is necessary to consider both aspects of the problem in order to judge how far the solutions at which the developing countries aim are realistic. Indeed, the

New York, 9 July 1964.

promotion of measures commensurate with these needs should be one of the main tasks of the new institutional machinery.

There is a certain—very understandable—tendency on the part of the industrial countries to look at the developing countries' problems from their own viewpoint and not from that of the developing countries. The resistance which the process of peripheral industrialization at first encountered, the reluctance to recognize the deterioration in the terms of trade, the apprehensions customarily expressed regarding the role of the public sector in the developing countries—such are a few examples, among many, of attitudes which have been changing.

The developing countries have to arrive at their own interpretation of the phenomena of their economic and social development and to work out their own solutions, taking advantage, of course, of all the experience of the developed countries in so far as it is applicable. In the end, the fundamental responsibility and the main task of accelerating their economic and social development are for the developing countries themselves, and this they confirmed at the Conference.

This is another of the points of coincidence which accentuated the necessity of co-ordinating the forces of the developing countries at Geneva. The fundamental solution to their problems cannot come from outside, nor can any image be projected which is not that of the developing countries themselves.

This was not, then, a temporary or chance association of countries seeking in this way to achieve transient objectives. It would be a great error to think that it was. This is an enormous force which is rising up and trying to articulate itself. It is arising at a point in history at which men, whatever the social system under which they live, are learning to control, consciously and deliberately, the course of their economic and social development. This is being demonstrated by the most advanced countries. They have achieved in the last fifty years what a century ago was a Utopia. On the attitude of these more advanced countries now depends, in large part, how this new force can exert its influence—what degree of sacrifice will be required in this effort to achieve, in the course of the next fifty years, the new Utopia of this century, which is the elimination of that poverty and its accompanying evils still prevailing among three-quarters of mankind.

(Signed) RAÚL PREBISCH  
Secretary-General of the Conference

<sup>3</sup> It may be noted in this connexion that, prior to the Conference and in preparation for it, the countries of Africa, Asia and Latin America held various meetings, including some organized by the United Nations regional economic commissions concerned. At

these regional meetings, the member Governments asked the secretariat of the regional economic commission involved to give its technical advice, at Geneva, to the participating delegations.

# TRADE AND DEVELOPMENT

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