



UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



Distr.  
GENERAL

E/L.1192  
3 November 1967  
ENGLISH  
ORIGINAL: SPANISH

Resumed forty-third session  
Agenda item 1

REPORT OF THE TRADE AND DEVELOPMENT BOARD

Statement made by Dr. Raul Prebisch, Secretary-General of the United Nations Conference on Trade and Development, at the 1508th meeting of the Economic and Social Council, held on 1 November 1967

I am most grateful to you for giving me the opportunity this morning to comment on the two reports before the Council: the annual report of the Trade and Development Board and the report by the Secretary-General of the United Nations on the proposed UNCTAD/GATT International Trade Centre.

I have no hesitation in stating that UNCTAD's annual report is one of the most constructive documents the Board has ever adopted; for at its fifth session the Board, after very careful analysis of the various items on the draft agenda for the second Conference on Trade and Development, unanimously adopted the agenda and, what is more important, reached a genuine consensus on a number of points which came to be called "points of crystallization" - points which, in the judgement of members of the Board, had matured to a stage at which they could provide a basis for concrete decisions at the forthcoming New Delhi Conference. At the conclusion of the debate Mr. Jolles, President of the Board, gave a very clear summary of these points of crystallization. To avoid repetition I shall refrain from going into the substance of these points; but I shall make a number of observations intended to bring out their significance. They clearly reflect the dominant concern of the Government's members of the Board to avoid spreading the efforts of the Conference over a very long list of problems, and to attempt from the outset, making use of the appropriate committees, to concentrate the attention of delegations on the points in question. For while

there was some justification at the first Conference on Trade and Development for dealing with a host of questions, the existence of the permanent institutional machinery which the first Conference itself established relieves us of the need to dedicate ourselves at the second Conference to the entire gamut of subjects which come within the province of our organization.

The first of the points of crystallization mentioned by the President of the Board concerns the access of commodities to the markets of the industrialized countries as an important element of commodity policy. I need hardly say that at the Kennedy Round of negotiations this problem was not given intensive study. Thus, quite a number of delegations expect the New Delhi Conference to provide an opportunity to approach it in a very realistic spirit, seeking solutions that will give commodity exports from the developing countries a larger share of the growing markets in the developed countries. Sugar is a case in point. We in the Secretariat believe - and the Sugar Council shares this view - that the problem of imbalance in the world sugar market, which is certainly a serious one, can be solved only if it is agreed to give countries producing cane-sugar a greater share of the growing market in the industrialized countries. This is a case which will provide the New Delhi Conference with a basis for seeking some means of generalizing this kind of policy, without prejudice to consideration of the fundamental problem of gradually eliminating the tariff and non-tariff restrictions with which international commodity trade is so heavily burdened.

The second point of crystallization relates to exports of manufactures and semi-manufactures from the developing countries. The fact that the countries which are members of the Organization for Economic Co-operation and Development have made considerable progress in their discussions on preference systems has obviously been very encouraging to the Board in its deliberations. This leads us to expect that the New Delhi Conference will at least succeed in approving the basic principles of a system of general, non-discriminatory preferences for all developing countries.

The Board also recognizes - and this is another point of crystallization - that the application by the industrialized countries of even the most enlightened and liberal policy will not suffice to achieve the goal of accelerating exports of manufactures and semi-manufactures from the developing countries unless the

latter take systematic action to promote their exports. This point has a bearing on the other document I mentioned which I shall deal with later.

With regard to financing, apart from the general problems relating to the volume and terms of transfers of financial resources to the developing countries and the problem of financing buffer stocks, the Board paid special attention to the problem of supplementary financing. Here, too, as in the case of preferences, the hope was expressed that on the basis of the study submitted by the World Bank, the New Delhi Conference would be able to reach an agreement in principle on a supplementary financing scheme. The UNCTAD Intergovernmental Group on Supplementary Financing is now meeting at Geneva in an effort to make further progress in the study of this problem. What has already been achieved is, of course, of great importance, and I hope that this meeting and another that may possibly be held in December will result in the formulation of a body of principles which, when put before the New Delhi Conference, will lead to an agreement and possibly to an estimate of the amounts that would have to be mobilized to put this idea into effect. Two days ago, at Geneva, in addressing the Intergovernmental Group at its first meeting, I said that our efforts must be directed towards finding a fundamental solution without being distracted by the fact that there is at this time a more immediate problem to be solved, namely the financing of the International Development Association. The delegations assembled here recognize the importance of this problem, and I too believe that first things must come first and that the problem of refinancing must be solved so that an attack can then be made on the problem of the resources needed for supplementary financing. As I see it, however, the essential thing is that agreement in principle should be reached at New Delhi on what this new supplementary financing agency is to be. I say "new agency" with the usual reservations, since the majority of delegations are inclined to feel - and I think they are quite right - that this agency should be set up as a branch of the World Bank and not as a completely independent body. Naturally, the problem of debt service faced by the developing countries has also had a prominent place in the discussions on financing.

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Another point of crystallization relates to measures for expanding trade among developing countries, including regional and sub-regional integration agreements and special agreements between groups of countries not only of the same region but also of different regions. While the board does not, of course, attempt to discuss matters which are the exclusive concern of the developing countries, it has sought to encourage these efforts and, in particular, to discuss what kind of technical, economic and financial co-operation the industrial countries could offer with a view to supporting such regional or sub-regional co-operation or integration agreements. Several reports have been prepared on this subject, one by the Secretariat, which was submitted some time ago, and one by a group of experts. It is to be hoped that the New Delhi Conference will be able to take constructive decisions in this matter, which, apart from its intrinsic importance, is significant also as the counterpart of the trade liberization measures which the larger industrialized countries could take with respect to the developing countries. It has often been asked, what are the developing countries going to do? The answer is that they are going to enter into reciprocal agreements so that the trade gap, which cannot be closed by trade between the developed and the developing countries alone, may in this way too be narrowed further and further until it disappears altogether.

Another of the points of crystallization relates to measures to expand trade relations with the socialist countries. Such measures, of course, concern not only the socialist and the developing countries but also the international economic community as a whole. I am increasingly convinced that while it is possible to expand relations between the socialist countries and the developing countries, the full potential of such relations and real progress in the matter of multilateral payments will be achieved only if the picture is rounded out by more active relations between the socialist countries and the developed market-economy countries.

The Board, after much discussion, decided to include in the agenda of the Conference the world food problem, which constitutes yet another of the points of crystallization. Why did this give rise to such lengthy discussion? Not because the fundamental importance of the problem was not recognized, but because

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of the reservations of a number of developing countries which felt that a solution to the food problem must be sought not only in terms of emergency measures, not only in terms of the transfer of food-stuffs from countries with a food surplus to the developing countries, but also in terms of measures which would enable the developing countries themselves to increase their food output and their trade in food-stuffs. These reservations thus tended to broaden the scope of the problem not only from the point of view just referred to but also from another point of view with which I shall now deal. The fact is that the problem of world food production cannot be viewed in isolation. It is an integral part of the whole complex of development problems, and it affects not only trade but other matters which are vital for the peripheral countries inasmuch as the technological revolution that will have to be introduced in those countries in order to increase their food production will eventually lead to a reduction in manpower in the agricultural sector. Here we have the experience of history to guide us, without reference to any particular economic or social system, and this time there is no reason why we should disregard it. If increased productivity in agriculture and the further growth of surplus population are not accompanied by an accelerated rate of industrialization in the developing countries, the very serious problem of lack of dynamism which is characteristic of developing economies will be aggravated at the very time when it will be imperative to find a satisfactory means of absorbing into the modern sector of the economy the increment in the economically active population which can no longer find employment in an agricultural sector in which technical progress is accelerating. This problem of having to absorb the economically active population into industry and other non-agricultural activities is bound to become much more serious and will be capable of solution only through greater industrialization of the developing countries of the world and a consequent increase in their exports of manufactures and semi-manufactures to the developed countries as a means of creating an outlet for the products of such industrialization. The problem of food production therefore cannot be considered in isolation, and I believe this is the spirit which prevailed in the Board.

A further important item on the agenda of the New Delhi Conference is the need to give special consideration to the case of the countries which are farthest behind in the process of development, in other words those which have come to be known as the least developed of the developing countries. It is imperative for this problem to be considered in connexion with the measures which must be taken to accelerate the growth rates of the peripheral countries, which, as you are well aware, have not risen even to the extent of the very modest targets set for the first Development Decade. There is every indication that those modest targets will not be achieved during the Development Decade and that much greater forces will have to be mobilized. This situation had made it more generally and more pressingly urgent to work, both in UNCTAD and here in the Council, towards the formulation of a genuine global strategy for economic development and international co-operation. This idea has been gaining ground, and it has also been recognized that such a strategy would require concerted action by the three groups of countries - the developed market-economy countries, the developed socialist countries and the developing countries. I was very gratified to note that a few days ago the Netherlands Minister for Aid for Developing Countries submitted some extremely interesting suggestions to the General Assembly concerning the need to work for the formulation of this global strategy. It is in this same sense that we should interpret the statement just made at Stockholm by Mr. George Woods, the distinguished President of the World Bank, who stressed the need to consider the problem of development in its various aspects, to study and analyse the experience of recent years and to make recommendations which might lead to the approval of a new, and a much more effective and fruitful, Development Decade.

This idea of a global strategy was also considered at the recent Ministerial Meeting of the developing countries which was held at Algiers. Before speaking about that Meeting, however, I should like to say a few words about the report of the Secretary-General of the United Nations on the proposed joint UNCTAD/GATT International Trade Centre.

You all know that the United Nations, principally through its Development Programme, has for some time been providing technical assistance to developing countries for the promotion of their exports. Since 1964, GATT, with great efficacy but on a small scale, has also been carrying out very important work along these

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lines and for this purpose established the International Trade Centre. What we are confronted with here, however, is a clear case of duplication and dispersal of effort. In an effort to solve this problem on a basis of reciprocal co-operation, Mr. Eric Wyndham White, Executive Secretary of GATT, and myself agreed on the necessity and desirability of combining the resources of the United Nations and GATT in a new centre which, taking the work of its predecessor as its point of departure, could offer the developing countries much broader, more effective and more systematic services. This is the proposal which was worked out, and it is one that will enable both UNCTAD and GATT to play a much more active role in the promotion of exports.

The Council will recall that at the Meeting of the Executive Secretaries of the Regional Economic Commissions, which was held, in January of this year, under the chairmanship of Mr. de Seynes and with the participation of the Executive Director of UNIDO and the Secretary-General of UNCTAD, it was decided that the efforts which various organs of the Secretariat were making in the field of export promotion should be combined so as to be able to offer the developing countries more effective aid. Not only is that programme continuing, but it will have much greater scope if the relevant services of UNCTAD and GATT are unified. I therefore hope that the General Assembly will give favourable consideration to this project.

To conclude, I should like to refer briefly to the Ministerial Meeting of the developing countries. The Government of Algeria invited me to attend this meeting in person, and I had no hesitation in accepting, any more that I have hesitated to accept another invitation to which I attach great importance, namely, the invitation recently extended to me to attend the Ministerial Meeting of the countries that are members of OECD, at which the problems to be considered at the New Delhi Conference will be discussed.

In my view, the Algiers meeting was highly significant for three reasons. First, the developing countries, following a policy laid down some time ago, succeeded, despite some manifestations which always inevitably occur, in avoiding the injection of political considerations into their deliberations, which were aimed at finding common denominators on the basis of which they could plan joint action. The developing countries found those common denominators at Algiers and will rely on them to give a constructive direction to the discussions at the Second Conference.

Secondly, this meeting was characterized by the absence of confrontations. It will be recalled that the fundamental characteristic of the first Conference on Trade and Development was the confrontation between the developed and the developing countries. It could not have been otherwise. It was the first Conference, and it was essential that positions and points of view, at times diametrically opposed, should be defined. The spirit prevailing at the Algiers meeting, on the other hand, was one of seeking and of formulating specific proposals to the developed countries, both market-economy and socialist, with a view to facilitating a dialogue that would lead to constructive decisions. Thirdly, the Algiers meeting was significant in that, just as at the Board's fifth session, an effort was made to establish points of crystallization which might serve as a basis for specific action at the New Delhi Conference. In my opinion, the essential significance of the Algiers meeting is to be found in these three characteristics, and I am grateful that I was given the opportunity to participate as an observer. In the light of the foregoing, I feel I may express the hope that the New Delhi Conference will be a conference of negotiation and of action. What I am referring to is not negotiation in the traditional sense of negotiating a trade agreement but in the sense of negotiating a policy which can be integrated, in a much broader field and within a much more general context, with the discussion on the formulation of a global strategy of international development and co-operation, a discussion which is too urgent to be indefinitely postponed.

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