UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL

GENERAL

E/CN.12/714
25 February 1965

ENGLISH
ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Eleventh session
Santo Domingo, Dominican Republic, May 1965

THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Analysis of the results and prospects for Latin America

The secretariat has the honour to submit to the eleventh session of the Commission the present document which was used as a basis for the discussions of the ECLA Trade Committee during its fourth session. It likewise submits for the consideration of the Commission the report of the Trade Committee session (E/CN.12/701), which was held at Santiago, Chile, from 9 to 13 November 1964.

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NOTE BY THE SECRETARIAT

At its tenth session, held in Santiago, Chile, from 12 to 14 February 1964, the Committee of the Whole of the Economic Commission for Latin America (ECLA) requested the secretariat, in resolution 241 (AC.57), to convene a meeting of the ECLA Trade Committee, after the United Nations Conference on Trade and Development (held in Geneva from 23 March to 16 June 1964). The resolution refers to the need for concerted action on the part of the Latin American countries in the field of foreign trade and development, particularly during the Geneva Conference, and subsequently, throughout the negotiations directed towards the establishment of a new order and new principles in international trade which will adequately safeguard the interests of the developing countries. Consequently the meeting of the Trade Committee will have the principle aim, in accordance with the ECLA resolution, of "evaluating the results achieved at Geneva and formulating specific recommendations to the Latin American Governments on the trade policy that should be pursued in the light of those results".

The United Nations Economic and Social Council, at its thirty-seventh session, adopted a resolution expressing its appreciation of the assistance given by the regional economic commissions and their secretariats in the preparations for the Conference on Trade and Development, and asks them to make a detailed study of the recommendations adopted by the Conference, and to continue their activities with a view to the implementation of those recommendations in the field of trade and development.

In compliance with these two resolutions the secretariat has invited the States members of ECLA to participate in the fourth session of the Trade Committee, to be held in Santiago, Chile, from 9 to 13 November 1964.

To facilitate the Committee's work, the secretariat has prepared the present document, which analyses the recommendations of the Geneva Conference and the opportunities that those recommendations provide for the Latin American countries to continue their concerted action to increase their share of world trade and accelerate their economic and social development.

I

GENERAL CONSIDERATIONS

1. Background data

An indispensable prerequisite for the reduction of the wide gap between the absolute levels of real income in Latin America and in the developing countries is the removal of the formidable obstacle constituted by the weakness of the Latin American external sector at the present time. Even a slight acceleration of the rate of growth - if it could be achieved in the circumstances in which Latin America's international trade is currently developing - would give rise to a considerable aggravation of the foreign exchange deficit. If the growth in question is to be made possible, Latin America's external trade must be expanded on the basis of a substantial increase in its traditional commodity exports, together with the development of exports of new lines of production, and the increase in its total foreign exchange income must be steady and lasting. In other words, Latin America must secure easier access to the importer markets, must diversify its exports and must seek means of mitigating the sharp fluctuations to which the volume of its external sales is subject, as well as counteracting the detrimental effects of the existing terms of trade.

This expansion of its foreign trade and the concomitant acceleration of its economic development imply, for Latin America, the investment of more substantial resources than its low level of internal savings and its scanty capacity to import can afford. Hence, external financing facilities to supplement internal resources and efforts should be made available on terms somewhat different from those which by now are becoming traditional in the world economy.

All this would mean, in the last analysis, a complete metamorphosis of the existing state of affairs, entailing radical changes in the structure and flows of world trade and the overhauling of the institutional system and machinery by which it is governed today.

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In face of the magnitude of this basic problem, which transcends the purely economic sphere and affects the region's social and political life, the Latin American countries unconditionally supported the proposal that a United Nations Conference on Trade and Development should be convened. The meetings held at Brasilia and Alta Gracia, prior to the Conference, enabled the Latin American Governments to establish a common platform. At Brasilia the government experts considered a document prepared by the ECLA secretariat (E/CN.12/693) and adopted a set of conclusions which the representatives of the Governments of nineteen Latin American countries, under the auspices of the Organization of American States (OAS), subsequently reviewed at Alta Gracia. It was the Charter of Alta Gracia, agreed upon on that occasion, which was to determine the attitude of Latin America at the Geneva Conference. By this means, not only the principles and objectives shared by the countries of the region but also the procedures for their joint action were established.

The platform thus concerted covered, in essence, the following points:

(a) The expansion of the developed countries' markets for the commodities produced by the developing countries, and the institution of effective methods of stabilizing and improving the prices of such products;

(b) More systematic international co-operation to give the developing countries' manufactured and semi-manufactured products easier access to the markets of the industrial countries -- through the elimination of quantitative restrictions, the reduction of tariffs and, in particular, the concession of preferences -, and, in addition, to improve the industrial production capacity of the developing countries;

(c) The establishment of systems of compensatory financing to offset the deterioration of the terms of trade, and the reconsideration of the scope and guiding principles of international financial co-operation, so that it may make a more effective and systematic contribution to the achievement and maintenance of satisfactory rates of development;

(d) Re-appraisal and improvement of the modus operandi of certain services of great importance for the developing countries' trade and balance of payments, in particular maritime transport;

/(e) Multilateral

(e) Multilateral co-operation to promote the expansion of trade among the developing countries themselves;

(f) Efficient utilization of the trade potential afforded by the centrally-planned economies;

(g) The establishment of institutional machinery at the world level for the discussion and promotion of specific lines of action designed to relieve or remove the trade problems of the developing countries.

The aim of the integrated body of objectives incorporated in the Latin American platform was to metamorphose the structure of world trade and the existing trade flows, so that the existing structure might cease to represent the main obstacle to the economic and social development of the developing countries. In view of the magnitude and supreme importance of the foreign trade problem, partial solutions were not enough; the difficulties arising would have to be tackled and gradually overcome as a single whole.

This principle implies several basic requisites. The situation of the developing countries will become less difficult if they can take full advantage of world markets for commodities in respect of which their competitive position is strong, and if the prices of these commodities are not brought down by factors inherent in the behaviour patterns of the said markets. At the same time, traditional exports must be associated with progressively increasing proportions of manufactured products, since, even on the assumption of a substantial improvement in sales prospects for primary commodities, the latter cannot possible expand at the same rate as import requirements. Concurrently, especially during the transitional period, financial assistance will be needed to permit the maintenance of a steady rate of development, irrespective of the fluctuations caused by a foreign trade situation which, to begin with, would leave a good deal to be desired. In addition, the geographical orbit of trade will have to be extended to include both the centrally-planned economies and the other developing countries; and, moreover, international trade conditions in respect of services and invisible items will have to be improved. Since the lines of action called for in all these fields are so

/closely inter-related,

closely inter-related, and entail continuing and long-term activities, institutional machinery is required to put them into effective operation.

The Latin American platform was consistent with the very nature of the United Nations Conference on Trade and Development, whose terms of reference were to include all topics relating to the developing countries' trade and capacity to import. Consideration had to be given to measures bearing on the most widely differing aspects of the trade problem, with the aim of generating a process of reconstruction whereby the negative factors would gradually be eliminated.

By virtue of its preparatory work, Latin America was in a position to take part in the Geneva Conference as a single region, with common principles and a collective determination to defend them and, as far as possible, secure their adoption. This experience can be regarded as a new and positive development in Latin American relations, which will enable the region to carry more weight within the international community.

The Latin American group worked in unbroken contact, at the level both of heads of delegations and of each of the committees set up at the Conference. This constant co-operation not only made it possible to follow up the proceedings and determine what would be the best strategy to pursue on each occasion, but also facilitated candid and straightforward discussion of certain questions on which opinions were divided. Thanks to the very fact that the Latin American countries shared a common platform and a common desire to promote the progress of the region, the discussion of controversial subjects invariably strengthened the unity of the group.

2. The Seventy-five

The African and Asian countries, on their part, had carried out preparatory work of great value, with the co-operation of the secretariats of the Regional Commissions concerned. The Declaration of Teheran summed up Asia's points of view, and that of Niamey the aspirations of Africa. For obvious reasons, the objectives established in these documents coincided with the main tenets of the Latin American platform, even though the countries concerned had not analysed the agenda in detail. The three regional documents in conjunction transmitted to the Geneva Conference

/the principles

the principles and expectations that had been manifested at the Conference of Developing Countries held at Cairo in 1962, in the Declaration of the Seventy-five, signed at New York in 1963, and in the studies prepared by the Preparatory Committee for the Conference.

The foregoing data, in addition to other factors, account for the process of unification of the developing countries of the world which culminated, at Geneva, in the co-ordination of the work of the Seventy-five. This united action was the outcome of more than ten years' joint study of world economic problems under the auspices of the United Nations and its specialized agencies, and of the conviction acquired by every developing region that the satisfactory and timely solution of problems common to them all depended essentially upon a concerted effort.

The Seventy-five, which as a group represented a major proportion of the population of the world, found their work facilitated by the sameness of the problems and platforms of the African, Asian and Latin American countries at the Geneva Conference. Although, in the course of the United Nations' activities, a similarity of views had long been observable, it was the first time that the Governments of the three developing regions had decided to take action as a single unit. Hence it is that the group formed by the Seventy-five is unanimously felt to have constituted one of the major symptoms of a change in international relations. The degree of solidarity achieved by countries among which contact had previously been formal and sporadic, or which, in certain respects, had followed different lines of economic action, reaffirmed the universal significance of the problem of economic development, and the widely-held conviction that only through concerted action would it be possible to promote economic, trade or financial reforms.

It is interesting to note that even in the case of specific problems, such as those deriving from the fact that certain developing economies maintain special links with particular industrial countries, the prevailing desire was to devise formulas that, without greatly affecting, for the time being, these preferential or discriminatory regimes, would make for their gradual absorption in the common solutions that were being sought. A case in point was the system of tariff

/preferences enjoyed

preferences enjoyed by the African countries associated with the European Economic Community through the Yaoundé Convention. The African and Asian countries that benefit by a system of preferences within the British Commonwealth were imbued with the same spirit. On this principle of mutual understanding, a formula was agreed upon in relation to preferential treatment for agricultural commodities, and was incorporated in one of the recommendations of the Conference.

Another of the moot points on which agreement was reached by the Seventy-five, at least during the Conference, was the question of the special treatment which the countries at a relatively less advanced stage of development hoped to obtain. Although a problem of such great international importance and unquestionable technical complexity could not be solved in the course of the Conference, stress must be laid on the unanimity of the determination shown to prevent it from jeopardizing the unity of the Seventy-five. In this connexion, the attitude adopted by the developing countries was highly constructive, and the problem will doubtless continue to receive the attention it merits. It was generally recognized that the impact of trade problems is more severe in the relatively less developed countries, where the influence of the external situation is proportionately greater because, in the first place, they are not in a position to combat it by means of their own internal economic forces, and, secondly, because they would be unable to take immediate advantage of certain general solutions (for example, a possible system of preferences). The extent to which this probable preferential treatment would affect the countries at a relatively less advanced stage of development should therefore be borne in mind, and the requisite studies should be expedited, since, in the future, satisfactory solutions will have to be found for problems which may present a wide range of practical difficulties.

3. Duologue between the developing and the developed countries

Broadly speaking, it must be acknowledged that all the countries taking part in the Conference were in agreement as to the necessity of reconsidering the ideas that have hitherto influenced the analysis of trade and development problems. In other words, it was felt, with varying

/degrees of

degrees of urgency, that the post-war system of concepts should be critically evaluated in the light of international experience over the last twenty years. No Government advocated the ratification of the economic, trade or financial policies currently in force, or the maintenance of the traditional behaviour patterns of the principal institutions connected with commerce and trade. The divergencies of opinion related to the ways in which these problems ought to be approached, to the right time for dealing with them and to the measure of international co-operation that should be recognized as needful. Almost at once, therefore, and quite understandably, two different general criteria emerged: one which, in broad outline, represented the position of the industrial countries (both market and centrally-planned economies); and another which interpreted the hopes and aspirations of the developing areas of the world as a whole. Among the industrial countries themselves, both in Group A[1/] (centrally-planned economies) and in Group B (market economies) differing criteria or shades of opinion were to be found with regard to the solutions suggested for the various problems discussed on the agenda. Thus, for example, the views expressed by Group A varied somewhat on the question of bilateralism or multilateralism in relation to the utilization of balances on trade operations with that sector. Among the countries in Group B, in their turn, there was a good deal of dissidence in relation to the analysis and solution of the problems concerning primary commodities and manufactured goods, and the measures whereby their access to markets should be facilitated.

1/ To facilitate inter-country agreements in the course of the Conference, particularly with regard to the nomination of candidates for election as Officers to the Conference or to sit on the various committees, as well as for appointment to the Trade and Development Board, the countries taking part were grouped as follows:

Group A Countries of Eastern Europe (except Yugoslavia);
Group B Countries of Western Europe, United States of America, and members of the British Commonwealth not included in other groups;
Group C African and Asian countries, and Yugoslavia;
Group D Latin American countries.

In the Final Act of the Conference these countries are listed in the annexes to recommendation A.V.1 on "Institutional arrangements methods and machinery to implement measures relating to the expansion on international trade".

/Since the

Since the industrial sector included both centrally-planned and market economies (Groups A and B), it was impossible for these countries to base their participation in the Geneva Conference on a common platform representing the view of the whole of the industrial sector, as a counterpart to the concerted position of the Seventy-five. What is more, the countries of Group B (market economies) were unlikely to be guided by the same criteria, since the differing situations that characterize their economies, their processes of expansion and, in some instances, their integration systems are well known. These variations within the industrial sector enabled the developing countries to form an exact picture both of the prospects and of the limitations implicit in the world economic situation.

The developing countries, by virtue of their majority vote, could have secured the final adoption of all the recommendations and declarations they wished, in accordance with the Charters of Alta Gracia, Teheran and Niamey. This attitude would have enabled them to acquaint international public opinion with an outline of their aims and desires. The Seventy-five, however, with the active participation of Latin America, decided to follow a less spectacular but more effective course: that of staging a duologue between the developing world, with its common platform, and the industrial countries, with their manifold points of view. Such a duologue was absolutely essential, since it would afford the developing countries the opportunity of discussing each agenda item frankly, straightforwardly and calmly with the industrial countries. Moreover, as was later transpired, this procedure made it easier for the industrial market economies themselves to devise compromises whereby their main differences of opinion could be compounded.

/For procedural

For procedural reasons and in order to place on record the aims of the developing nations, the original texts submitted by the Seventy-five, were adopted in the committees with the proviso that they be replaced by others at the final stage of the plenary meetings should the attempts to find a common ground prove successful.

The duologue between the industrial countries and the developing countries was thus fully within the spirit of the United Nations Charter in that it enlisted international co-operation in the solution of economic and social problems. Furthermore, the Geneva Conference was the most representative meeting of all these held in the last few decades, both from the standpoint of the number of countries that attended it and the scope of the topics dealt with. The search for compromise agreements therefore represented, in its turn, yet another element in the common effort to achieve international understanding. The participating countries were sensible of the fact that the Conference was one of the principal events of the Development Decade and that the objectives of the Decade could only be achieved in an atmosphere of goodwill.

4. Negotiations between the different groups of countries

The representatives of the Seventy-five held separate working meetings with those of the industrial countries dividing the latter into market economy and centrally-planned economy States. In each case, they examined the agenda items that were to be considered by the various committees. This provided an opportunity for an exchange of views on specific points, and thus by the close of the conference the Seventy-five knew what each industrial sector, given its respective characteristics and possibilities, was capable of doing.

/During the

During the meetings with the centrally-planned economies, the broad outlines of their economic development programmes were described and the percentages or figures by which they expected their future imports to increase were given. The representatives of Group A made it quite clear that, their economic structure being what it was, they could not enter into commitments of the kind being negotiated between the Seventy-five and the industrial countries of Group B. More specifically, they were not in a position for example, to discuss any question concerning easier access to markets nor, therefore, any system of preferences. On the other hand, they were prepared to place on record their intention to import from the developing countries on an increasing scale and to fix targets for such imports in their own economic plans. In their view, an increase in trade also presupposed a willingness on the part of the developing countries at least to place their trade relations with the centrally-planned economies on a normal footing. As regards a modus operandi, they advocated an extension of bilateral agreements involving at the same time a reciprocal understanding to purchase from their own area. While there was also some talk of the possibility of achieving certain forms of multilateral trade through the use of credit balances built up under bilateral agreements in other centrally-planned economy countries, statements in favour of multilateral trade were an exception.

With respect to financing, the centrally-planned economies again took the position that because of their different economic structure, as well as for other reasons, they would be unable to take part in this form of international co-operation. They contended that the industrial

/countries with

countries with a market economy were responsible before history for the economically backward state of the developing regions and therefore they alone should be called upon to provide the funds needed. A discussion took place on this point, but the countries of Group A could not be persuaded to change their mind.

During the Conference the centrally-planned economies expressed interest in increasing their volume of trade with the developing countries, despite this, they did not go so far as to decide to enter into really effective commitments. However, the door was left open for exploring ways and means of facilitating the eventual expansion of such trade - a task which might devolve upon the Trade and Development Board.

In the course of the conversations held with Group B - the industrial countries with a market economy - it became apparent that these countries were not at all of one mind as to how best to tackle the problems before the Conference. For instance, in relation to primary commodities, some countries felt that measures should be adopted to help the developing countries to sell their products more easily in the markets of the industrial countries, while others claimed that any measure, whether or not in the form of a tariff, would hardly be a guarantee of useful results. The latter believed that, as a first step, commodity markets should be organized on a world-wide scale and at more remunerative prices.

The industrial countries in favour of a set of measures designed to facilitate access to markets referred to the principles and targets laid down in the GATT Programme of Action and declared that they could put them into practice immediately. Those favouring the organization of the commodity markets expressed doubts as to the effectiveness of the Programme. This fundamental difference of opinion among the industrial market economy countries explains the wording chosen for the operative part of the heading to the recommendations.

A similar situation arose during the debate on manufactures and semi-manufactures, particularly in relation to the system of preferences. In keeping with its concept of free trade, the United States said that

/it was

it was unable to accept any such system and would therefore oppose any formula conducing to its establishment. Its point of view was endorsed by other industrial countries.

The United Kingdom espoused the cause of preferences and even hinted that it might abolish those it had granted to certain developing countries within the Commonwealth provided that a world-wide system of preferences were set up. The six States members of the European Economic Community supported a third position; while they accepted the idea of a system of preferences, they felt that such a system should not be comprehensive and advocated a selective (commodity-by-commodity and country-by-country) machinery for preferences.

Owing to the incompatibility of these views, the Conference was unable to agree on a wording which included specific decisions in the matter. Moreover, both the United Kingdom and the nations of the European Economic Community made it clear that they would not go ahead with their projects unless the United States, in view of its share of the volume of world trade, first agreed to the concept of a system of preferences. Accordingly the recommendation adopted left room for further discussion and established a machinery which, besides allowing the matter to be explored further, will prepare specific projects on different systems of preferences for a subsequent ruling by the Trade and Development Board.

The main difference of opinion on financial questions arose over a draft recommendation specifying the amount of assistance which might be rendered by the industrial countries to those in process of development. However, opinion was somewhat less divided on this point, and the financial recommendations could therefore be more precise. There was no disagreement among the industrial market economy countries with respect to new institutions and principles.

The opening duologue between the industrial sector and the developing regions took place at meetings in which eleven representatives of the Seventy-five and eight of Group B participated. When the explanatory stage had been completed, a Special Committee, composed of four representatives of the market economy countries and four of the developing

/countries, was

countries, was appointed at the instance of the President of the Conference. General agreement was reached in the Committee on most of the agenda items. The secretariat of the Conference played a decisive role in this work of reconciliation.

The whole question of the new institutional machinery was discussed at other meetings than those of the Special Committee in order to ensure a more even distribution of the work. At the repeated suggestion of the representatives of the Governments conducting the negotiations, the Secretary-General of the Conference participated directly in the discussions on this topic. It might indeed be said that the attention of every country was focussed on this delicate and vital matter. Although some progress had undeniably been made in the other committees, the participating countries obviously sensed that whatever had been achieved was merely the first step in a long process in which the international community would revise its ideas and practices. To undertake a task of such magnitude, it was essential to have institutional machinery which besides sustaining the duologue between the industrial and the developing nations, would at the same time be capable of more effective action.

No one questioned the need for reshaping the structure of the international system of trade and development or for a new world-wide institution which would include, as far as possible, every country in the world. The new institution should at the same time be used to provide final-stage co-ordination of the various activities of other organizations and agencies concerned with the same problems since these have no contact with one another in their work and thus frequently engage in duplication.

The developing countries were anxious for an international trade organization to be formed as part of the United Nations family with sufficient authority to ensure fulfilment of its decisions, and with the rank of an organ of the General Assembly by virtue of Article 22 of the Charter. The Latin American group presented a draft recommendation on the same lines which subsequently became the joint recommendation

/of all

of all the developing countries. It provided for the Conference on Trade and Development to continue its activities as an organ of the General Assembly, in which each State would have a vote. Matters of substance would be decided by a two-thirds majority vote. In addition, a permanent and widely representative Executive Council would be set up, to act as a deliberative, executive and co-ordinating agency for matters falling within the competence of the Conference when the latter was not in session. As part of its authority and prerogatives the Council would supervise the application and fulfilment of its decisions. An independent secretariat would be formed, and the Secretary-General would be appointed by the General Assembly on the proposal of the Secretary-General of the United Nations.

It was not possible to establish such an organization for want of support from some of the industrial countries. Following extensive negotiations, a compromise was arrived at whereby the Conference acquired permanent standing, was empowered to meet at regular intervals and a widely representative Trade and Development Board of fifty-five members was set up. It was unanimously agreed that each State should have a vote, undoubtedly a vitally important decision in that it removed all misgivings about the risk of even discussing a precedent that might affect the existing international system. It was also agreed that the institutional arrangements should include a process of conciliation for settling possible disputes between the developed and the developing sectors. A decision will be taken on this process at the forthcoming General Assembly in the light of a report to be submitted by a special committee appointed by the United Nations Secretary-General.

5. Evaluation of agreements

A preliminary evaluation of the results of the Geneva Conference shows clearly that marked progress was achieved in establishing new principles of trade and development, now accepted as guidelines for the international community. It must also be recognized that, by and large the progress achieved was not matched by precise and specific decisions signifying the acceptance of commitments on the part of the industrial

/nations towards

nations towards the developing countries. In this respect little was accomplished and much remains to be done in the immediate future. It is through the new institutional machinery that attainment of the objectives specified at Geneva, on which no definite promise of action was obtained, can be attempted.

It should be pointed out that, on the basis of the recommendations adopted in Geneva, both the developed and developing countries unanimously agreed on certain objectives which they wished to have applied in the international community. These include wider access to the markets of the industrial countries for products from the developing countries, price stabilization - if possible at a higher level - and greater diversification of the exports of developing countries by means of international co-operation. It was also agreed that the developing countries should increase their trade with one another and with the centrally-planned economies. The discussions on external financing led to recognition of the fact that, for a satisfactory solution of trade and development problems, the volume and method of such financing should be governed by the needs emerging from the economic development process. Similarly, it was agreed that a new institutional machinery covering the whole world should be available as a means of dealing with the trade problems with which the developing countries are confronted.

The various aims approved at Geneva have been translated into new guidelines for future international action, and the shift in the approach to trade and development problems is a notable earnest of progress.

Nevertheless, for obvious reasons, approval was not obtained for certain recommendations entailing acceptance by the developed countries of specific obligations in connexion with the objectives which they had agreed to endorse. In many cases the industrial

/nations made

nations made it clear that they were resolved to act in accordance with the provisions laid down in the relevant recommendation. This may be considered as a formal undertaking, since everything indicates that they are prepared to spare no effort to fulfil the aims set forth in the relevant texts. Thus, on the question of providing primary commodities with broader access to the markets of industrial countries, the recommendation indicates various procedures, but the operative part leaves it to the individual discretion of the industrial countries to adopt the method it considers most in keeping with its trade policy or with its approach to the question as a whole. The same applies to the export of manufactures by the developing countries, in so far as procedures are suggested for reducing present restrictions or the possibility of a system of preferences is mentioned. From the wording of the relevant recommendation it is apparent that its implementation will depend on the decisions taken now or in the near future by the industrial countries with respect to the two courses of action mentioned, as they themselves announced at the Geneva Conference. The decisions on financing are more precise. The recommendations concerned expound important concepts on the need for adapting financial aid to the exigencies of development, for reviewing the terms on which the external debt is now serviced, for studying a system which could be applied in the future to provide compensation for losses incurred deriving from deterioration in the terms of trade, and even for modifying present practices in respect of suppliers' credits.

As regards institutional matters, it was decided to recommend that permanent machinery be set up through which the developing countries could make their wishes known and thus keep up a constructive discussion with the industrial countries. Although agreement was not forthcoming on the formation of an international trade organization, there is no doubt that the proposed machinery meets the views of the developing countries on institutional problems.

/Generally speaking,

Generally speaking, there was no reason to expect the industrial countries, whether of the market economy or the centrally-planned type, to accept forthwith the views of the developing countries, fair and reasonable though they may have been. Suffice it to consider the two big industrial sectors as a whole in order to appreciate the difficulty, since the marked difference in their respective economic systems is well known. However, when the specific position adopted by the market economy countries is examined, important differences can also be discerned, especially on questions of trade policy. A division of opinion was apparent during the discussion on primary commodities and manufactures, particularly with respect to measures designed to provide wider access to markets or to establish a system of preferences. The trade policy of the United States, the United Kingdom or the members of the European Economic Community, among others, is tied to traditions, practices and even important national interests which, in one way or another, are bound to affect their position. Consequently, future action on the part of the developing countries will have to be supplemented by a shift in the trade policy of the industrial States which, within the limits of what each of the countries concerned can do, would be conducive to more ready acceptance of specific commitments.

For the developing countries, the Geneva Conference marked the beginning of a task which will call for greater effort on their part if the desired goals are to be attained. The important thing was to initiate a review of international concepts and practices in the field of trade and development. This was successfully accomplished and an effort must now be made to secure swifter implementation of the following stages, particularly through the new institutional machinery that has been established, in order to achieve the far-reaching revision that is desired. Hence a definition of the new lines of

/action to

action to be taken by Latin America in the light of the results of the Geneva Conference is both necessary and desirable.

6. Internal measures

Effective international action to improve the trade situation of the developing countries will always be contingent upon the latters' own internal effort. Only on the basis of the steady intensification and proper systematization of their production effort will the developing countries be able to reap the direct and immediate benefits of the changes that are heralded in the realms both of trade and of financing. Unless they do their part, any concessions and assistance they may receive from the developed countries, like other forms of international co-operation, will be insufficient to bring about the metamorphosis required. The expansion of world markets for primary commodities, for example, can only be turned to full account if production is commensurate with the growth of demand; easier access to the markets for manufactured products, or the establishment of a system of preferences, will yield results provided that the developing countries achieve an economically competitive type of industrial production. External financial assistance will likewise be conditioned by the ability of the countries interested in obtaining it to show that the assistance they receive will enable them to increase their rate of growth and systematically solve their structural problems.

In this context, problems of far-reaching significance arise, which the developing countries in general, and those of Latin America in particular, should lose no time in tackling with a vigour that will ensure their solution in the immediate future. Briefly, a development policy with this end in view should be formulated and implemented with due regard to the prospect of a more open and dynamic external sector,

/It will

It will be worth while to glance rapidly at the internal measures that should be adopted by the developing countries in this connexion, since they form part of the lines of action emerging from the Geneva Conference.

(a) The new criteria with respect to international financing which carried the day in Geneva are based essentially on the desirability of launching co-ordinated development plans or economic policies, in order to promote the balanced, steady and intensive growth of national production and income. In the first place, on the basis of an organic conception of economic development the amount of financial aid required to ensure an adequate capacity to import can be properly estimated. External financial assistance will only be fully justified if the countries providing it do so in the conviction that it will really enable the recipient country to increase its production capacity. This implies a maximum internal savings effort and the effective attainment of production targets calculated to fill the gaps which make external assistance necessary.

(b) It is therefore essential that the developing countries should make the maximum effort, with the minimum of delay, to pivot their economic policy upon organic criteria. Such criteria or plans will make a systematic effort possible in which all the country's economic activities will take part, and which will progressively eliminate the structural problems that prevent or hamper development.

(c) The trade opportunities afforded by the expansion of markets which it is hoped will gradually be achieved, and by the stabilization and improvement of the prices of basic commodities, also call for special efforts on the part of the developing countries. In the first place, agricultural production must be organized in line with international demand. If the markets for traditional export commodities are expanded and at the same time are organized with a view to the stabilization and improvement of prices, it is indispensable for the developing countries to possess exportable surpluses which are adequate without being excessive, so that neither flooding of the market nor supply shortages occur.

It is a well-known fact that, generally speaking, existing world market conditions do not afford the developing countries the sales opportunities they really need. Nevertheless, some special situations

/have arisen

have arisen in which the developing countries have not taken measures to prevent a decrease in their exportable surpluses. Thus the paradox has come about that even in present market conditions international demand has not been utilized. Consequently, if the existing restrictions are reduced or abolished altogether, the gradual broadening of the market, must be accompanied by an increase in the exportable surpluses of the developing countries, which in practice may entail energetic internal measures.

Conversely, there is also the danger of maintaining an excessive supply. In the case of certain kinds of commodities, the signing of agreements between producer and consumer countries will not be enough; internal measures to control the volume of production will be indispensable. It should be borne in mind, moreover, that the stockpiling of surpluses by the producer countries not only represents a financial burden but also, in the course of time, has unfavourable repercussions on the satisfactory implementation of the international agreements concerned.

(d) It is necessary to ensure that the developing countries make efficient preparations to export a much larger volume of manufactured goods than hitherto. The easier access to world markets that may be secured, whether on the basis of a general reduction of restrictions or through a system of preferences, will not benefit the developing countries unless they substantially improve their existing production and marketing conditions and their administrative organization in this sphere.

The action needed here comprises the following three basic aspects:

(i) The industrialization policy of the developing countries should take into account the need to reduce costs in order to make their industrial products competitive on the world market. For most of the developing countries this implies that their present protectionist policy must be thoroughly overhauled, a process which in turn will involve more careful selection of the industries that deserve protection. Furthermore, if exports of manufactured goods are to be increased, industrial policy must be such that sufficient resources can be allocated to those branches

/of industry

of industry which offer greater comparative advantages and where, consequently, the prospects for the creation of export flows are more promising;

(ii) Furthermore, trade policy and administrative organization must be adapted to the new circumstances. Most of the developing countries do not possess an administrative organization fitted to promote, support and guide an intensive industrial export effort. The lacunae are particularly apparent in the fields of sales promotion, regular contacts with foreign markets and efficient organization of export machinery. At the level of regional co-operation, it would be well worth while to study the desirability of joint organization of some of these services for the promotion and operation of trade policy;

(iii) In addition, the export effort will entail the adoption of fiscal and monetary policies better designed to provide, in an atmosphere of stability, incentives and facilities for investment in export industries.

A factor of decisive importance for the solution of the foregoing problems is regional integration. Of the developing regions, Latin America is perhaps the most experienced in this respect. The new world market prospects which will gradually open up both for primary commodities and for manufactures, and the internal effort that each country will make to avail itself of these opportunities, are indicative of the increasing importance of Latin American integration. This process has been conceived as an instrument of development, inasmuch as the participants in an in integration movement can be ensured favourable conditions for tackling and solving their problems within the broader framework of the region as a whole. Moreover, integration provides a market which will partly compensate for the mass of difficulties created by the limitations and obstacles to world trade. When the latter expands, and the restrictions now in force are eliminated, the regional market will continue to facilitate internal economic development by permitting the restoration and consolidation of an efficient production system conducive to successful competition on world markets.

In other words, this process may prove an important factor in the encouragement of Latin American production and, particularly, in the

/acceleration of

acceleration of the region's industrial development, in accordance with a policy aiming at the continuous introduction of more efficient techniques, the improvement of productivity, a salutary reduction of costs and the gradual establishment of an "export mentality". The contemplation of these possibilities infallibly leads to the conviction that the sum of the individual countries' internal efforts must result in a major regional effort. Their materialization implies an expression of the Latin American countries' willingness to adjust their development conditions to the irrevocable fact of stiffer international competition, and of their readiness to make whatever sacrifices may be necessary for the attainment of that end.

II

COMMODITY TRADE

INTRODUCTION

Latin America's views on commodities, as expressed at Brasilia and Alta Gracia, were completely in harmony with those of the other developing countries at the Conference. Although the proposals put forward by the Seventy-five differed in formal structure from those presented in the Charter of Alta Gracia, they were virtually the same in essence and content.

In some instances, they went even beyond the Latin American position as, for example, in the case of international commodity agreements. In Geneva this subject was given far wider and more comprehensive consideration and the bases were laid for the conclusion of international arrangements more compatible with the interests of the developing countries. In other instances, however, as in the case of export subsidies, Latin America's wishes were not wholly met, since the recommendation adopted merely counselled caution in the use of such subsidies, while stating that there was no obligation to abolish them.

On the whole, the results obtained may, on balance, be considered favourable. Clear agreement was reached on a number of rules and principles on the basis of which international commodity trade should be governed and regulated. Time-limits were set for the application of most of them. Although more time is allowed than the developing countries would have wished, the time-limits are nevertheless more realistic. What is important is the knowledge that most of the arrangements should be fully in force within not more than five or six years. While it is true that conditional provisions were incorporated on the suggestion of the developed countries, it is equally true that some of them helped to make the commitments undertaken more specific and practical. Thus, for example, the commodities of interest to the export trade of developing countries, to which the measures,

/rules and

rules and principles adopted are to apply, will have to be specified. In other words, now that the framework for future trade relations between the developed and developing countries has been defined, the next step should be to negotiate and adopt the procedure to follow with respect to each particular commodity or group of commodities.

Another important development was the agreement reached with the African and Asian countries on preferences. Suffice it to recall that this was one of the most ticklish problems with which the Latin American countries were to be confronted at the Conference. Its solution served to strengthen the unity of the Seventy-five and to open up interesting prospects of future understanding in respect of trade between the different developing continents. The formula reached is not yet an operative instrument but provides the bases for one.

In these matters as well as in others much still remains to be done and to spell out before the commodity arrangements can enter fully into force. Each of the recommendations adopted is analysed below and attention is drawn to many points which the new institutional machinery and the existing organizations will have to study and solve. It would be as well, therefore, if the Latin American countries started forthwith to redefine their own position and to outline their specific needs in the light of such arrangements, with a view to taking a common stand within the said decision-making machinery and centres.

INTERNATIONAL COMMODITY ARRANGEMENTS AND REMOVAL OF OBSTACLES AND EXPANSION OF TRADE (Recommendation A.II.1)

The substantive part of this resolution is preceded by an introduction which includes some over-all considerations and general recommendation applicable to sections I and II of the resolution.

The considerations endorse the view of the developing countries that: (a) access to markets - of developed countries with both market and centrally-planned economies - is an essential element in efforts to increase the earnings of developing countries from exports of commodities, for which purpose recourse should be had to measures for

/the liberalization

the liberalization of such access to markets and (b) there is likewise need for a more rational organization of world trade in primary commodities, through medium-term structural arrangements.

They also point out that such measures and arrangements should take into account the particular features of each commodity, a sensible suggestion in view of the varying conditions under which the different commodities are produced and marketed. It is further recognized that other international bodies should continue the work they are doing in this field but should reorient it in the light of the agreements reached at the Conference.

The general recommendation (or blanket recommendation which established conditional clauses to cover the provisions of the following sections) consists of two clearly defined parts. The first stipulates that the provisions of I and II of this resolution should be considered as means of increasing the export earnings of the developing countries by general measures as well as by specific measures related to individual commodities. The second part recommends that practical steps should be taken by the Governments concerned to implement at the earliest possible date those of their provisions which are applicable in the light of the foregoing considerations, as solutions of the urgent problems of developing countries.

Although the second part of the general recommendation appears to weaken the commitment of the developed countries, it must be assumed that the integrity of their attitude is a guarantee that the developing countries may formally initiate talks and negotiations aimed at applying the provisions adopted in I and II.

1. International commodity arrangements

In the first paragraph on this subject, the Conference recognized that commodity arrangements served to secure over-all stabilization in primary commodity markets and stressed the special role they should perform in stimulating the economic development of the developing countries. In this respect, the Conference recommended that commodity arrangements should have as their objectives, principles and scope those described in this section and reviewed below.

/(a) Objectives

(a) Objectives and principles

The approval of the objectives and principles which should guide international commodity arrangements, as well as their scope and techniques, represents a considerable advance on what was set forth in this respect by the Havana Charter. In addition to the traditional measures designed mainly to eliminate or reduce short-term fluctuations in export commodity prices - which often failed to take into account the specific interests of the developing countries or helped to maintain abnormal situations which even went so far as to render the arrangements inoperative - have included essential elements to safeguard the interests of the less developed exporting countries and, in fact, to reorganize the markets.

Thus, for example, it was clearly established that a basic objective of international commodity arrangements is to stimulate a dynamic and steady growth in the real export earnings of developing countries, while taking into account the interests of consumers in importing countries.

Similarly, it was recognized that such arrangements should not only secure remunerative and stable prices for primary export commodities, but should also maintain the import purchasing power of the commodities exported. Thus, commodity arrangements would no longer be separate instruments, linked only to the specific commodity to which they relate, and would form part of the over-all structure of trade. It should be mentioned, however, that the developed countries strongly opposed this concept on the grounds that commodity prices should be governed solely by market characteristics and conditions in respect of each particular commodity. Before this clause can become operative, it will be necessary to study and establish the criteria and indices to serve as a basis for determining in each arrangement the basic parity between the prices of the commodity concerned and those of the products imported by developing countries.

/The remaining

The remaining principles are no less important. The arrangements, in addition to assuring satisfactory access to the markets of the developed countries and aiming to increase the consumption and imports of primary commodities, in all their various forms, should co-ordinate the production and marketing policies of the contracting countries for the purpose of ensuring a better and more economic adjustment between world consumption and production. Such a goal could be attained only if the developed countries refrained from taking measures which would encourage uneconomic production and so deprive developing countries of the opportunity to obtain a fair and reasonable share of their markets. Here, too, it would be incumbent upon the competent agencies to define the meaning of the words "fair and reasonable share".

(b) Types of commodity arrangements

There was wide agreement that commodity arrangements should usually be on a commodity-by-commodity basis, to take account of the characteristics of the product concerned and the market arrangements for it. However, it was envisaged that agreements might cover groups of products with similar characteristics or linked by special circumstances. Although no mention was made of specific products that could be dealt with in this way, and while the need for further study of the feasibility and scope of such agreements was stressed, the First Committee agreed that for natural products threatened by competition from synthetics and substitutes, agreements would be more effective if they included the synthetics and substitutes concerned.[2/] It was agreed that if for various reasons it was not feasible to negotiate arrangements for a group of commodities, the possibility of negotiating simultaneously separate arrangements for different commodities could be considered.

2/ The items of interest for Latin America in relation to competition from synthetics include cotton, wool and other fibres, certain vegetable oils, wood and some ores and metals.

/The first

The first Committee attached considerable importance to the need to take action on a number of fronts simultaneously through other measures, since not all products lent themselves to inclusion in formal agreements. In this connexion there was specific reference to inter-governmental consultations within study groups.[3/]

(c) Scope of commodity arrangements

The recommendation adopted by the Conference recognizes the need to extend the scope of commodity arrangements in order to include provisions on production and consumption policies, and on access to the markets of the developed countries. This recommendation differed from what the developing countries were asking for on this point, since their proposal referred in addition to the need to bring policy on the commodities subject to agreements into line with the development programmes of the developing countries concerned, and to relate commercial sales of commodities with other sales made on special terms. The purpose of the last part of the proposal was to ensure some form of control, at least indirectly, over non-commercial sales, in order to avoid adverse effects on commercial exports, especially from developing countries.

In the final recommendation those provisions were replaced by two others which, while they did not fully meet the wishes of the developing countries, nevertheless represented a considerable advance in the conception of the role that commodity arrangements should play. Those recommendations envisage the inclusion in such arrangements of clauses on (i) realistic guarantees of access to markets that will ensure for the developing countries a fair and reasonable share of the markets and of market growth, and (ii) market promotion and

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3/ FAO maintains a number of different study groups on commodities, covering cereals, citrus fruits, coconuts, jute and similar fibres, etc. A discussion is now taking place in Quito on the possible establishment of a group on bananas. In addition there are a number of international committees, such as those dealing with cotton and rubber, and the International Wool Secretariat. It would be useful to examine the possibility and advisability of establishing new study groups covering such other products as beef, tobacco, oils and fats, dried and processed fruits, etc., which are of interest to the Latin American countries.

/improvement of

improvement of marketing conditions and distribution channels. In addition it was indicated that the techniques used in the arrangements should be sufficiently flexible to permit the inclusion of new member countries, or fuller participation by small trading countries where such an increased participation is essential to meet the requirements of economic development. This possibility is particularly important for the less developed countries that are potential exporters. Another reason for the proposed flexibility was to increase market opportunities for efficient producers among developing countries. However, this would involve the need to define the criteria to be adopted in establishing the level of efficiency.

As to the actual techniques, a very full list was drawn up that represents a considerable advance in relation to those used traditionally. Thus, for example, it was envisaged that agreements might include provisions on floor and ceiling prices and price ranges, systems of levies in the developed importing countries of which the proceeds would be paid over to the developing exporting countries through appropriate international funds, and funds to finance programmes for diversification of the production and trade of the developing countries. However, before such techniques were applied more detailed study was needed by the competent international agencies.

Although there would be no obligation to adopt such techniques in every agreement, since their appropriateness would depend on the characteristics of the product concerned, explicit reference to them in the text of the recommendation will strengthen the position of the developing countries at the negotiating stage and enable them to insist that the agreements include such of the provisions as they consider necessary to improve their relative position. Thus, for example, there would be no repetition of the situation that arose recently in respect of the cacao agreement, which could not be concluded because the developed countries would not agree to include clauses on price floors and price ranges.

/(d) Commission

(d) Commission on Commodity Arrangements and Policies

Recommendation A.II.1 lays down in detail the functions and work programmes of the Commission on Commodity Arrangements and Policies that is to form part of the new institutional machinery provided for in Recommendation A.V.1. The text approved by the Conference did not differ substantially from the proposal put forward by the developing countries.[4/]

The work programme agreed on for the Commission indicated that in the next two years it should promote the conclusion of further international commodity arrangements where adequate data are available and where there is a demand for such arrangements from countries having a significant share in the world trade of those particular commodities. Where adequate data are not available the Commission would arrange for expert studies.

Clearly the negotiation of further international commodity arrangements could not be based on unilateral decisions by the developing countries. However, it is important that those countries should study and define the arrangements they would be interested in promoting through the Commission. Latin America should study the situation of such agricultural products as cacao, cotton, tobacco, meat, wool and bananas, and such ores as tin, lead, zinc, etc. Similarly it would be useful to study the changes that could with advantage be introduced into the existing agreements on coffee, wheat and sugar. In this connexion the ECLA Trade Committee could support and strengthen action by FAO, OAS and other bodies to establish inter-governmental study and consultative groups on commodities.

4/ What might perhaps be regarded as the only important difference was the elimination from the Commission's terms of reference of the task of reviewing existing agreements and recommending appropriate changes in the light of the general aims agreed on.

/2. Removal

2. Removal of obstacles to trade

(a) Actions recommended to the developed market economy nations

(i) General provisions. At the request of the developing countries a number of general clauses were added, some of which help to make clearer the scope and applications of the provisions recommended, while others tend to mitigate the effect of those provisions by recognizing situations to be excepted from them.

The first such provision establishes that the recommendations made shall apply to products of particular interest to the developing countries, in accordance with lists to be prepared by appropriate international bodies. Although it is not specified what body is to draw up such lists, the work could be done by the Commission on Commodity Arrangements and Policies referred to above. Until the Commission is organized and begins to operate, the preparation of the lists could well be allocated to the United Nations Commission on International Commodity Trade in conjunction with FAO and its subsidiary organ, the Committee on Commodity Problems. The Governments of the Latin American countries should also begin to prepare national lists, which will in any case serve as the basis for drawing up consolidated lists for negotiation with the developed countries. The Trade Committee could also proceed with the preparation of provisional lists.

The second provision is a saving clause. It provides that pursuant to the provisions of international commodity agreements and in "other exceptional circumstances" individual developed countries may find it necessary to deviate from the recommendations adopted by the Conference, but that they should consult the developing countries substantially affected, where possible before taking action. The first of the grounds justifying an exception does not pose a serious problem, since the developing countries participating would have the opportunity of presenting their point of view during the negotiation of the agreements concerned, well in advance of any decision and without being in fear

/of any

of any surprise action. The second grounds are perhaps more objectionable since the term "other exceptional circumstances" is so wide as to be open to unilateral interpretation. As the prior consultation referred to is not compulsory, some frame of reference for such exceptional circumstances should be drawn up.

The third clause relates to target dates for the implementation of the recommendations approved and includes an express reference to the developing countries' desire that maximum progress be made by 31 December 1965. However, a more realistic deadline is adopted, that of the end of the United Nations Development Decade. This provision should meet the wishes of the developing countries, since it establishes a time-limit of about five years for making the changes requested, which are of a magnitude and significance that would make it impossible to carry them out in a little over a year.

(ii) Standstill. Apart from the general limitation relating to the identification of the products of interest to the developing countries, the recommendation is identical with the proposal put forward by those countries.

(iii) Tariff and internal fiscal charges. In their original proposal the developing countries asked for the total abolition, within a specific time-limit, of all tariffs and other customs charges on commodities. The recommendation adopted, on the other hand, is that the developed countries should "substantially reduce, and where possible eliminate" such charges. There is no doubt that it will be difficult to achieve abolition in all cases, since the developed countries can fulfil this provision by substantially reducing the charges. However, what is meant by "substantial" remains to be defined. As in previous instances, it seems essential to establish certain rules on the percentage reduction that each developed country should apply to existing charges for each of the products included in the list referred to above. This could be another task to be carried out within the next two years by the Commission on Commodity Arrangements and Policies.

/For tropical

For tropical products, however, total abolition of charges was accepted, but the time-limit was postponed until the end of the Development Decade. Although this postponement may represent a setback compared with what had been agreed to under GATT's Programme of Action, the acceptance of the provision by the developed market economy nations as a whole gives it a more worldwide character.

With respect to internal fiscal charges on primary products "wholly or mainly" produced in developing countries, it was agreed that they could be progressively reduced, but their total abolition was to be effected not by any specific time-limit (even a longer time-limit than that requested), but "as soon as possible". However, it is understood that in this case also the general provision referred to above applies, indicating the end of the Development Decade as the time-limit for fulfilling the provisions of this part of the recommendations.

In this connexion it should be noted that the reference to products "wholly or mainly" produced in the developing countries restricts the coverage to a small group of primary products (mainly tropical products), since many ores, fuels and temperate zone agricultural products are also produced on a considerable scale in the developed countries. Although this proviso was also included by the developing countries in their original proposal, it should be stressed that the abolition or reduction of internal fiscal charges would help to strengthen the domestic demand for many other commodities in addition to tropical products, which would mean an increase in imports of those products.

(iv) Quantitative restrictions. Under this provision the developed market economy nations undertake to eliminate, "in so far as possible", their quantitative restrictions on products of particular interest to developing countries within the Development Decade.

Despite the reservations introduced, this provision paves the way for a vigorous campaign to reduce existing quantitative restrictions, and in particular to ensure that when such restrictions are maintained they are not of a discriminatory nature.

/One step

One step that could be taken at once in this field would be to indicate the existing quantitative restrictions that the Latin American countries wish to see eliminated, together with a possible time-table for doing so, with due regard for the provision on transitional preferential arrangements referred to in sub-paragraph (vi) below.

(v) Domestic policies of the developed countries. The protectionist or subsidizing policies pursued by the developing countries were extensively discussed during the Conference. As this point is basic to the strategy followed by many developed countries in protecting their production of primary products (especially temperate zone agricultural products and certain ores), it naturally aroused the resistance of most of those countries.

The final text reflects some part of the concern felt by the developing countries, and embodies the intention of the developed countries not to take measures that stimulate uneconomic production in such a way as to deprive developing countries of the opportunity to obtain a fair and reasonable share of world markets and market growth. The provision also recommends that where existing levels of protection have adverse effects upon the exports of developing countries, their form should be modified or their aggregate reduced.

This text shows that despite the desire to prevent the situation from worsening in the future, the present structure is left intact. Consequently the countries affected by protectionist policies should submit facts to show that the present systems and levels of protection are restricting the markets for some of their exportable products.

This is undoubtedly one of the most difficult problems to solve, because of the domestic vested interests in the developed countries that are striving to maintain the status quo and prevent any changes that would be highly unwelcome, at least to certain groups. As regards the products covered by international agreements, the problem may be resolved by co-ordination of production policies.

(vi) Transitional

(vi) Transitional arrangements. The agreement on preferential arrangements represented the area of greatest unity for the Seventy-five. This was made possible by a formula that satisfied the two groups of developing countries - those that enjoy some form of discriminatory preferential treatment, and those that are not included in any such favourable arrangement, in particular Latin America - and thus overcame the main obstacle to the unity of the developing countries.

However, the compensatory measures provided for must be studied and agreed on, so that the proposed machinery can begin to operate as soon as possible. The work of considering and proposing suitable measures could probably be carried out by the Commission on Commodity Arrangements and Policies, or by the Trade and Development Board itself.

(b) Actions recommended to the developed centrally-planned economy countries

This part of the recommendation contains a number of provisions aimed at promoting imports of primary products and semi-manufactured goods by the developing centrally-planned economy countries from the developing countries. One provision suggests that the former, when fixing the quantitative targets in their long-term economic plans, should take duly into consideration the export needs of the developing countries.

If the economic growth rate in the centrally planned economies in recent years continue, and the above provision is fully satisfied, a more rapid growth of trade between the two groups of countries can be hoped for, although the probable amount if such an increase cannot be estimated in advance. The centrally-planned economy countries indicated their intention of increasing their purchases of commodities from the developing countries, but stated frankly that such increases would depend largely on the willingness of the developing countries to purchase goods from the socialist countries.[5/] In other words, the increase

5/ In this connexion it should be noted that the centrally planned economies consider their trade with the developing countries as an integral part of the world trade system. Consequently they believe that any expansion of their trade with the industrial market-economy countries will make it easier for them to attain high economic growth rates, and thus permit a corresponding increase in their trade with the developing countries.

/in trade

in trade between these two groups of countries should take place in the context of a traditional bilateralist framework. In this connexion, however, the centrally planned economies were recommended to develop multilateral, as well as bilateral, forms of trade, to permit a more flexible use of the export earnings of the developing countries. Consequently the Latin American countries, should explore this possibility further, since it would suit them better to reach agreements with groups of countries than with individual countries.

Another recommendation was that all customs duties on primary products both imported from and originating in the developing countries should be abolished not later than 31 December 1965. However, in view of the economic system prevailing in the centrally planned economies, the removal of tariff obstacles will not suffice in itself to ensure easier access to those markets, since imports into those countries are determined on the basis of the production and consumption provided for in the plans. Be that as it may, the abolition of tariff duties must in any case be regarded as a positive step towards the simplification of trade with the developing countries.

(c) Action recommended to all developed countries

The recommendation also contains general provisions on export subsidies, mixing regulations, and disposal of surpluses of primary products.

Export subsidies are recognized here as undesirable and harmful in their effect on the exports of the developing countries. However, unlike the proposal put forward by those countries, the text does not propose their abolition, but merely counsels prudence in their application. This point is closely linked to the question of the developed countries' policy of supporting domestic prices. If that policy is to be maintained, the developed countries must in practice continue to resort to subsidies in order to dispose of their products on the world market. The only path open to the developing countries is consultation, which may be requested by the countries concerned. Consequently it is up to those countries to take the initiative in presenting specific cases

/in which

in which their existing or potential export earnings are affected by such subsidies. It would be useful to study such cases as those of wheat and cotton, for example, where subsidies may be affecting exports from Latin American countries. It would also be useful to consider the situation regarding meat, oilseeds and other products that appear in the lists of surplus products that are being offered on special terms.[6/]

As regards the disposal of surpluses - both of agricultural products and ores - the developing countries' proposal was accepted that such disposal should be in accordance with internationally determined criteria. For agricultural products the FAO principles, subscribed to many years ago by the developed countries, could be applied, but no such rules exist for products of mineral origin, and they would probably have to be established by the Commission on International Commodity Trade.

PROMOTIONAL MEASURES
(Recommendation A.II.4)

This recommendation is to the effect that the new body established by the Conference should promote, within the United Nations family, arrangements for various activities relating to the marketing and processing of primary products, with a view to expanding markets and increasing the consumption of such products.

6/ After the Geneva Conference certain actions were taken by the developed countries that, far from improving the conditions for the disposal of the developing countries' primary products, tended to worsen them further. Thus, for example, in the United States an act was approved empowering the Executive to establish import quotas for beef and mutton. These quotas would become effective when imports of those meats exceeded a proportion of about 6.5 per cent of domestic production. In addition the Department of Agriculture and the American Meat Institute have begun a strong offensive to conquer meat markets in the EEC, and have included meat among the articles to be sold on special terms under Public Law N° 480. To all this must be added the reintroduction of the equalization tax on sugar imports and the difficulties raised by Congress in approving United States accession to the Coffee Agreement.

/One part

One part of this task, especially that relating to centres for trade information and market research, could be entrusted to the new body, and in particular to the Commission on Commodity Arrangements and policies referred to above. Another part would be the task of existing organizations, such as FAO, which would carry out studies on marketing methods and costs and related subjects. In any case the new Commission would organize and co-ordinate this type of study, which is of the greatest importance, particularly for agricultural products.7/

WORLD FOOD AID PROGRAMME
(Recommendation A.II.6)

This recommendation, which is based on a proposal by nineteen Latin American countries, points to the need to strengthen the present World Food Aid Programme of the United Nations and FAO by increased contributions in cash and in kind. The Programme is attempting to relieve food deficiencies in many developing areas until such time as results are achieved by the efforts to increase agricultural production and productivity in those areas. The recommendation also recognizes the wish expressed in the First Committee that increased contributions in cash should be devoted to the purchase of foods in the developing countries that have exportable surpluses.

However, it is made clear that present bilateral food disposal programmes can continue.

COMPETITION FROM SYNTHETICS AND SUBSTITUTES
(Recommendation A.II.7)

The problem of competition from synthetic products was one that received particular attention in the First Committee. It was recognized that this was a serious problem, affecting such agricultural products as fibres, rubber, certain vegetable oils and, to a lesser extent, wood and some metals and ores.

7/ In connexion with this recommendation it should be noted that the Inter-American Committee on the Alliance for Progress (CIAP) has established an ad hoc working group on the marketing of agricultural products, which is to encourage the preparation of specific projects to solve problems that arise in this field, and facilitate the disposal of those products on both domestic and world markets.

/The working

The working group responsible for this subject made a detailed study of the problem, and of the suggestions made by the developing countries. The conclusions reached may be regarded as generally satisfactory for those countries. Thus, for example, it is noted that the developing countries should take steps to raise the technical efficiency of the production of natural products so as to reduce costs, and should improve quality and grading practices, to facilitate the disposal of these products on the world market. However, it was recognized that such measures, though they might improve the competitive position of the natural products, might not lead to an actual increase in the export earnings of the developing countries. Consequently stress was laid on the need to intensify research on additional uses for the natural products, and to press vigorously for implementation of the provisions on the reduction and abolition of tariff and non-tariff barriers. This would facilitate access to world markets for natural and semi-processed products. In this connexion, it would be desirable for the Latin American countries that produce these items to co-ordinate their efforts in the field of research into new uses for these products, and to work together to arrive at agreements with the developed countries, and with public bodies, universities and private industry in those countries, to initiate or expand such research.

Similarly, it was considered necessary that in international agreements on such products, or in study groups or other arrangements, special attention should be given to measures to eliminate violent short-term price fluctuations, since they weaken the competitive position of natural products in relation to synthetics, whose prices are much more stable.

Stress was laid on the urgent need to co-ordinate policies and industrial investment plans in the developed countries, with a view to avoiding the creation of surplus productive capacity that might be difficult to convert to other uses and could lead to even further constriction of the markets for the natural products.

/The idea

The idea of compensation to the developing countries for any damage caused by the competition from synthetic products was not accepted. However, the developed countries were recommended to adopt financial measures to reduce the impact of synthetic products and facilitate structural adjustments in the developing countries. It was also recommended that the developed countries should avoid giving special encouragement to the production of synthetics that pose a threat to natural products, and where this is not possible, should consult with the developing countries affected, or with the appropriate international bodies, in order to consider forms of co-operation, including financial measures.

Lastly, it was recommended that a permanent sub-group should be established, within the new organ established by the Conference, to deal with the problems relating to synthetic products. The first task of the sub-group would include studies on the feasibility of agreements covering both the natural product and its synthetic substitutes, and the possible role of long-term contracts in stabilizing the market for particular natural products.

STUDY OF ORGANIZATION OF COMMODITY TRADE
(Recommendation A.II.8)

This recommendation was based on a proposal by the French-speaking African countries that was subsequently endorsed by the other developing countries.[8/] It calls for the establishment of an ad hoc working party of government experts to study the proposals and prepare "a programme of action for the international organization of commodity trade which will ensure that the developing countries will at all times be able to market their export products in increasing quantities and at remunerative prices, the 'purchasing power' of which should not decline". This working party, which is to be established at the first session of the Trade and Development Board, should meet in January 1965 and submit its report to the Commission on Commodity Arrangements and Policies.

8/ In the final vote it was not unanimously adopted; there were 3 votes against and 15 abstentions.

/The working

The working party will consider the proposals and comments presented by Governments before 1 January 1965, the studies undertaken by the United Nations specialized agencies, and any relevant recommendations adopted by the Conference on Trade and Development.

Although it is not clearly laid down, it appears that this working party should be an integral part of the Commission on Commodity Arrangements and Policies, or should be very closely associated with it. Many of the points relating to international commodity agreements and other arrangements referred to in earlier paragraphs are intended to help improve the organization of international commodity markets.

France offered a few suggestions on this subject. A careful study of those ideas might perhaps throw new light on the forms that world organization of markets should take. In addition to ideas already included in the recommendation on agreements, the French proposal contains other suggestions that deserve further study.

One such suggestion is that certain developed countries might, as part of their food aid programmes, help to finance an increase in the trade in temperate zone products between the developing countries. This would open up new export opportunities for the developing countries that export those products. Other interesting suggestions relate to ways of raising price levels for vegetable oils and fats,[9] and bananas.[10]

9/ Broadly speaking the proposal is to reduce sales of oils and fats by the developed countries and maintain the price of butter at a high level, so that the price of margarine, and consequently of the oils used in its manufacture, will not be affected.

10/ The suggestion is that the Latin American producers of bananas should join in a single organization that could negotiate with the large firms that market bananas in order to obtain prices comparable to those received by other regions through protected markets.

/Although it

Although it is not certain that the short time-limits indicated can be met, the Latin American Governments could usefully transmit their ideas and comments on the subject to the working party. In this connexion the meeting of the ECLA Trade Committee provides a good opportunity to discuss these problems and bring together Latin America's conclusions in this field. These conclusions could subsequently be transmitted to the working party or to the Commission on Commodity Arrangements and Policies itself.

IMPLEMENTATION OF THE RECOMMENDATIONS AND CONSIDERATION OF PRINCIPLES AND GUIDELINES

(Recommendations A.II.2 and A.II.3)

The Conference adopted these two recommendations unanimously. The first affirms the importance and urgency of actions that need to be taken by Governments, individually and jointly, so as to conduct a concerted attack on international commodity problems. In the second the Conference recommends that the principles and general guidelines submitted to the First Committee be remitted to the Commission for Commodity Arrangements and Policies, or whatever corresponding body may be established following the Conference.

MINERALS AND FUELS

(Recommendation A.II.9)

The opposition of certain developed countries to the inclusion in recommendation A.II.1 of minerals and fuels, especially as regards the reduction or elimination of internal fiscal charges on these products, made it necessary for the developing producer and exporter countries, supported by all the other developing countries, to put forward this proposal as a separate draft recommendation.

Although the Conference adopted the recommendation by a simple majority, with 15 developed countries voting against it and 12 abstentions, the agreements reached among the developing countries will provide firmer ground for any action taken in this field by the

/producer and

producer and exporter countries. It should be noted that such action will be reinforced by the work being done by the Organization of Petroleum Exporting Countries (OPEC) to protect prices. In this connexion, the possibility should be studied of reaching agreements between producers of other items, such as that contemplated for iron by the Organization of Iron Producers and Exporters. These producer organizations' if they also looked after the interests of consumers through appropriate consultation procedures, could where necessary provide the groundwork for arriving at international agreements on the lines indicated in the section concerned.

POSSIBLE LINES OF ACTION

In the preceding analysis of the different recommendations adopted on primary commodities, implicit or explicit indications were given as to the steps which should next be taken in the discussions and negotiations with the developed countries on this category of product. It was clear that many of the broad concepts enunciated in the recommendations ought to be translated into facts and figures, in order to provide a sounder basis for negotiation. Hence, first priority should be given to the task of defining and clarifying these concepts and, at the same time, of organizing and launching the institutional machinery provided for by the Conference.

For purposes of summing up, the main lines along which the activities of the Governments and international organizations concerned with world commodity trade problems might be directed are set out below.

1. Trade liberalization

(a) The developing countries should prepare lists of primary export commodities of particular interest to their economies. The lists would then be consolidated by the Commission on Commodity Arrangements and Policies, in co-operation with FAO and the regional economic commissions.

/Finally a

Finally a discussion would be held with the developed countries on a general list of primary commodities which would benefit from the liberalization measures envisaged in part II of recommendation A.II.1. The list would be submitted to the Trade and Development Board for approval.

(b) The exceptional circumstances in which the developed countries could suspend or withhold application of the liberalization measures provided for should be defined and the appropriate consultative machinery created.

(c) The percentage reductions in customs charges on primary commodities which would be considered "substantial" within the meaning of the term as used in the recommendation, should be determined, as well as the method for effecting such reductions.

(d) The quantitative restrictions to be abolished should be defined and target dates for their abolition fixed.

(e) The developing countries should determine the extent to which they have been harmed by excessive protectionism on the part of the developed countries.

(f) Measures designed to grant compensatory benefits to the countries enjoying preferential treatment should be established.

(g) The developing countries should explore the possibility of concluding trade and payments agreements that would eventually place trade with the centrally-planned economies on a multilateral basis.

(h) Consultative machinery should be established to deal with cases in which export subsidies granted by the developed countries affect the export receipts of the developing countries.

(i) A financial formula should be devised to enable the developing countries to dispose of their primary commodity surpluses on an equal footing with the developed countries which have established special programmes in this respect.[11/]

(j) Criteria for the disposal of surplus mining products should be laid down.

11/ This applies particularly to temperate-zone agricultural commodities such as wheat, and to meat if large surpluses are produced. It would also be useful to study some kind of short-term mechanism which would allow seasonal surpluses to be absorbed.

/2. International

2. International arrangements

(a) Criteria for fixing the basic purchasing power of exports covered by international agreements should be established.

(b) A list should be made of the commodities likely to be the subject of new international agreements or other arrangements.[12/]

(c) Existing international agreements should be revised and adopted to the provisions of part I of recommendation A.II.1.

(d) The commodities on which study groups ought to be set up should be determined.

(e) A study should be made of the methods adopted and specific machinery for their application should be established.

(f) The possibility of concluding agreements by groups of products should be considered, with special reference to natural products threatened by synthetics and substitutes.

3. Other aspects

(a) The World Food Programme of the United Nations and FAO should be strengthened by means of increased contributions in cash and in kind. Formulas should be devised allowing the additional monetary contributions to be used to purchase commodities in developing countries with exportable surpluses.

(b) Studies conducive to the technical improvement of production and marketing of natural products affected by the competition of synthetics, and to the exploration of new uses, should be undertaken.

(c) A special permanent sub-group should be formed within the Trade and Development Board to deal with problems relating to synthetics.

(d) A special working group of government experts should be set up as a subsidiary of the Commission on Commodity Arrangements and Policies, to prepare a programme of action which would help to organize international commodity trade.

12/ Including agreements among producer countries, such as the cacao agreements recently signed by six countries (Brazil, Cameroon, Ghana, Ivory Coast, Nigeria and Togo) and the petroleum agreement concluded through OPEP.

III

TRADE IN MANUFACTURES AND SEMI-MANUFACTURES

INTRODUCTION

The wishes of the developing countries with respect to exports of manufactures and semi-manufactures are basically the same as those formulated at Brasilia and Alta Gracia and may be summed up as follows: the preferential abolition of tariff and non-tariff barriers, and the establishment of systems and adoption of measures for the promotion and diversification of their exports of manufactured products. In so far as the abolition of tariff barriers is concerned, the developing countries requested that the developed countries should (a) accord preferential treatment, not subject to reciprocity, to the manufactures and semi-manufactures of all the developing countries; (b) grant immediate access, free of customs duties, to the manufactured products of the developing countries; (c) gradually reduce, with a view to eliminating, customs duties on semi-manufactured products; (d) reduce the existing tariffs on manufactured products in earlier stages of processing; and (e) eliminate, immediately or by stages, the preferences previously accorded to developing countries.

As regards the abolition of non-tariff barriers, the developing countries requested that the developed countries would (a) eliminate all quantitative and non-tariff restrictions; (b) refrain from establishing new barriers; (c) lift all discriminatory measures; and (d) remove all trade restrictions deriving from trusts, cartels or patents.

Lastly, the developing countries advocated the following additional measures in connexion with the promotion and diversification of their exports of manufactured products; (a) the formulation of specific international technical assistance and financing programmes; (b) the channelling of such assistance through regional agencies; (c) the promotion by the developed countries of imports of manufactured products of export interest to developing countries; (d) the establishment of a system of periodic evaluation of the benefits deriving from preferences; and (e) the setting up of a specialized agency for industrial development.

/These wishes,

These wishes, which are closely interrelated, were embodied in draft recommendations presented to the Conference in the form of joint documents reflecting the views of all the developing countries.

During the discussions in committee all the developed countries were agreed, in principle, on the need for international co-operation aimed at speeding up the process of industrialization in the developing countries and at promoting their exports of manufactured products. Most of the developed countries agreed that procedures should be established which would help to diversify and increase the export trade of the developing countries. They also accepted the principle of granting manufactures from the developing countries freer and wider access to their markets through the reduction of tariff and non-tariff barriers.

Three of the proposed recommendations were adopted with virtually no opposition, and the remaining three with some of the developed countries voting against or abstaining. Of the latter, the most controversial proposal related to preferences, which was later replaced by two recommendations adopted without opposition in plenary.

In the light of the wishes formulated at Alta Gracia, combined with those expressed by the developing countries of other regions, the results of the Conference, in so far as manufactures are concerned, were fairly promising, but require further clarification and decisions. The results in regard to recognition of the principles upon which the aspirations of the developing countries are based, while not far-reaching, may be considered satisfactory for a first meeting of this kind and scope. Recognition of the need for international co-operation and the possibility of adopting a system of preferences in favour of manufactured products from developing countries represents an important step forward in view of the reluctance previously shown by most developed countries on the subject.

In the matter of specific obligations and commitments, progress was less marked. The developed countries with market economies, on which the developing countries placed their main hopes, were unable to enter into any commitment which would result in immediate abolition of external obstacles to the developing countries' export trade in

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manufactures and semi-manufactures. The main problem lay in the difficulties encountered by the developed countries in finding formulas that would allow them to overcome the discrepancies in their individual trade policies.

Attention should be drawn to the fact that the developed countries, in opposing the measures proposed but which failed of adoption, did not act as a single bloc. It is possible, therefore, that in the institutional machinery called upon to continue with the work of the Conference the discussion started at Geneva can progress to the point where specific formulas and measures, acceptable to all, will be found particularly in relation to the system of preferences.

CREATION OF A SYSTEM OF PREFERENCES AND CONDITIONS FOR ACCESS TO MARKETS
(Recommendations A.III.4 and A.III.5)

These two recommendations, which were adopted unanimously, may have considerable influence on the future treatment of imports of manufactured products from the developing countries. They combine two distinct strategies.

The first, indicated in recommendation A.III.5, is based on the creation of a system of preferences in favour of manufactures from the developing countries. Accordingly, it assumes that the developed countries will grant special tariff reductions outside the framework of bilateral negotiations, but activated by a general desire to concede special facilities not extended to the rest of the developed countries. The validity of the preferences would depend on the difference between the customs tariff in force for the rest of the world and that applied to the developing countries. This difference constitutes the whole basis of the system. The point at issue, therefore, is not merely access to markets, as it is in the case of primary commodities. Privileged treatment is a form of assistance to new-born industries designed to help them to export until they reach maturity. Otherwise, it would be very difficult, if not impossible, for developing countries to compete in world markets against the industry of developed countries, and they would be unable to create the substantial flow of exports they so urgently require.

/The second

The second strategy to improve export prospects is based on providing wider access to markets, as laid down in recommendation A.III.4. In this case, preferences would disappear, together with the prospect that the developing countries would benefit from special multilateral action in their favour, such as that implicit in the system of preferences, which in essence is a form of special protection for their new industries. Nor would there be any reason to create special machinery designed to secure favourable terms for exports from developing countries. These would then depend upon a possible expansion of the market achieved through negotiations aimed chiefly at meeting the wishes of the industrialized countries.

Naturally, the former alternative seems preferable for the developing countries, since it envisages practical international action on their behalf. The achievement of a system of preferences should, therefore, continue to be the key objective in the negotiations undertaken by the Latin American countries. Although recommendation A.III.5 did not actually include a specific commitment regarding preferences, it provided for the necessary machinery to negotiate on this point. Success will still depend on the powers of persuasion of the developing countries and of those industrial nations which agreed in Geneva that a system of preferences of some sort was desirable.

While the task of persuasion and negotiation in favour of preferences is carried on, something could be done about the action suggested in recommendation A.III.4 - access to markets. The developing countries should take the fullest possible advantage of the opportunities which the recommendation may create. In this connexion, however, the following considerations must be taken into account:

(a) The recommendation consists largely in reaffirming the commitments which the developed countries have assumed over the past few years, within the framework of GATT, with respect to expansion of the developing countries' export trade. They have promised in essence, not to raise existing barriers to effect the maximum reductions in customs duties on manufactures of export interest to developing countries, and to abolish quantitative restrictions. There was also general acceptance of the principle that developed countries should not expect reciprocity from developing countries in respect of concessions granted.

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It is to be hoped that a commitment such as that assumed at Geneva will provide sufficient backing for the developing countries' demand that quantitative restrictions be abolished and that tariffs not be raised any further. It will also be possible to negotiate a substantial reduction in tariffs. It should be noted that, under the GATT machinery, the abolition of restrictions and the reduction of tariffs would have to be carried out by all the industrialized countries members of GAT; thus, they would not be preferential in nature. Moreover, as previously stated, negotiations for the reduction and abolition of restrictions would primarily take into account the export potential and reciprocal concessions offered by other industrialized countries.

(b) Were they to be placed within the institutional framework of GATT, the commitments deriving from the recommendation would depend essentially upon the tempo and characteristics of the next stages of multilateral negotiation between the major countries. They would depend specifically on the results of the Kennedy Round. However, the Kennedy Round has been beset by procedural difficulties in connexion with both the concept of linear reduction and agricultural commodities. These difficulties might prevent any effective progress from being achieved in the near future, and thus nothing would be done about the reductions which, in theory, should be extended, without reciprocity, to the developing countries.

(c) If the developed countries swiftly reduce the tariffs they apply to one another, the margin available for the granting of preferences will shrink in proportion. Hence the developed countries should put into effect a system of preferences as soon as possible, before the gradual elimination of tariffs between them dashes the hopes of the developing countries. Equally pressing is the need, for the developing countries to redouble their efforts to secure the establishment of preferences and to reap the benefits of a system which might well constitute a highly important factor of industrial development.

/AGREEMENTS ON

AGREEMENTS ON CO-OPERATION AMONG INDUSTRIAL SECTORS
(Recommendation A.III.2)

Although recommendation A.III.2 does not embody all the hopes and aims expressed at Alta Gracia, it is in harmony with the concepts of international industrial co-operation as set forth in the documents presented at the Conference.[13/] Such co-operation undoubtedly holds out broad prospects to the developing countries, given the specially favourable financing, technical assistance, equipment, credit and market conditions it will create for the proposed industries. This recommendation can therefore be regarded as a practical result of the Conference.

The prospects which at first sight are opened up by agreements of the type proposed seem to be unsupported by sufficient data - or at any rate they were not presented at the Conference - on the results already obtained through this form of co-operation. It would therefore be advisable to obtain fuller information about the background, the principal examples and practical results of the agreements currently in force. It would also be useful to ascertain the types of industries that are normally selected, those deriving most benefit from such agreements, the general conditions regulating trade between the contracting parties, and whether or not all developing countries - whatever their geographical, economic or political orbit - can accede to the agreements on an equal footing.

In accordance with the terms of the recommendation - paragraph 2, relating to the parties to agreements, and paragraph 11, concerning the method of negotiating agreements - the interested parties can only be countries with centrally planned economies (one country or more), on the one hand, and developing countries (in the same proportion), on the other. Since they lack training, information and technical knowledge, the latter would be at a distinct disadvantage with respect to the former. It would be as well to strengthen the negotiating powers of the developing

13/ See, in particular, Towards a new trade policy for development, Report by the Secretary General of the United Nations Conference on Trade and Development (United Nations Publication, Sales N° 64.II.B.4).

/countries by

countries by means of assistance in the form of advice from a suitable international agency, either agency which is to carry on with the work of the Conference or one of the Regional Economic Commissions, depending upon the location of the developing countries concerned.

MEASURES RECOMMENDED TO THE DEVELOPED COUNTRIES WITH CENTRALLY-PLANNED ECONOMIES
(Recommendation A.III.7)

This recommendation sets forth some of the commitments which the countries with centrally-planned economies might undertake, provided always that the requirements or conditions laid down in the recommendation are met.

The text begins by stating that the countries in question will, within the framework of their long-term plans, take appropriate measures to bring about the diversification and significant growth of their imports of manufactures and semi-manufactures from the developing countries. As the countries with centrally-planned economies fix their import programmes on the basis of plans for five years or longer, the actual results of such an undertaking will not be easy to assess. It will be incumbent upon each of the developed nations concerned to determine in advance the amount of manufactures or semi-manufactures that they propose to import during the period in question. In view of this, the recommendation, as it stands, merely represents an undertaking on their part to take the expansion of trade into account in their long-term economic plans.

On the other hand, the recommendation is clear with respect to the reduction or abolition of customs duties on goods imported from the developing countries. The practical results of this measure are unlikely to be very striking, since the trade structure of the countries with centrally-planned economies has precluded the tariff instrument from becoming an important factor in their trade policy. The recommendation further states that all decisions regarding imports from developing countries will be taken in such conditions as will result in the growth

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of the said imports. The developing countries, for their part, undertake to accord to the countries with centrally-planned economies the same trade conditions as those they normally grant to the developed countries with market economies.

With respect to long-term trade agreements, the countries with centrally-planned economies contend that such agreements should be of a bilateral nature and involve an undertaking to conduct trade on a reciprocal basis. This again leads to the problem of barter. The relevant paragraph of the recommendation can be linked with paragraph 9, which introduces the concept of trade compensation in more precise terms, although in the inverse sense of matching an expansion of imports by the countries with centrally-planned economies from the developing countries with an increase in imports by the latter from the former.

Paragraphs 5 and 6 are positive in that they express the intention of the countries with centrally-planned economies to use the funds they may receive in repayment of credits granted by them to the developing countries for the purchase of manufactures and semi-manufactures from those countries. This undertaking includes the products of industries built with the credits provided by the countries with centrally-planned economies. It is also stated that the countries in question are prepared to co-operate with the developing countries in the manufacture of new products, especially through the conclusion of long-term agreements or contracts, and through the provision of the necessary technical assistance.

Paragraph 7 shows some progress on the question of multilateral trade among the countries with centrally-planned economies. The possibility of effecting such trade is made conditional upon the economic advantages it can offer for the interested parties. The same condition is laid down with respect to the gradual transfer of credit balances between countries with centrally-planned economies, provided that the partners concerned are in agreement as to its desirability.

/The final

The final paragraph of the recommendation deals with a question which has aroused considerable concern among the developing countries. It declares that the countries with centrally-planned economies undertake not to re-export goods purchased in developing countries without the consent of the parties concerned.

To judge by the documents presented at the Geneva Conference and subsequent data, trade between the developing countries and the countries with centrally-planned economies, which has hitherto been negligible, is showing signs of increasing. Hence, the purchasing power of the countries with centrally-planned economies must be viewed as offering possibilities for the future, provided that a number of practical obstacles are overcome. These obstacles derive mainly from the insistence of the countries in question on operating through bilateral agreements which, at least in so far as trade with the developing countries is concerned, has continually led to the practice of barter. This has greatly reduced the possibilities of benefiting from the potential market and have prevented the developing countries from acquiring sufficient experience of trade with the centrally-planned economies.

INDUSTRIES WITH AN EXPORT POTENTIAL IN THE DEVELOPING COUNTRIES
(Recommendation A.III.3)

The draft recommendation submitted by the delegation of India grouped together the measures proposed under three main heads, namely: (a) measures for developing industries with an export potential; (b) aids, incentives and other measures for strengthening the competitive possibilities of the products manufactured by those industries; (c) subsidies to be granted, whenever necessary, to enable the products of developing countries to compete in international markets with those of the developed countries. The developing countries contended that the subsidies would constitute a vital stimulus for their manufactures, enabling them to compete on an equal footing with similar products from the developed countries should the adoption of a system of general preferences and other aids and incentives in favour of the products of export industries prove inadequate.

/The Committee

The Committee was unable to come to an agreement and transmitted the draft recommendation as a whole to the Conference, which, as explained, deleted the paragraph relating to subsidies pending the completion of the relevant studies, in order to remove any obstacles that might prevent the adoption of the recommendation.

In its present form, the recommendation is simply an appeal to the developing countries to choose the best policy for establishing and developing an export industry.

While acceptance of the recommendation does not compel the developed countries to enter into specific commitments, its immediate implementation would do much to convince them that the developing countries are really bent upon achieving industrialization as quickly as possible and increasing their exports of manufactures. To the extent that they possibly can, the developing countries should carry out forthwith the measures provided for in the recommendation. In so doing, they will enhance the possibility of success in their negotiations with the developed countries aimed at abolishing external obstacles and adopting a system of general preferences in favour of their manufactures.

MEASURES RECOMMENDED TO THE DEVELOPED COUNTRIES WITH A MARKET ECONOMY

(Recommendation A.III.6)

Among the obstacles and difficulties faced by the developing countries in marketing their manufactures (processed and semi-processed), the documents submitted to the Conference mention the following: lack of information on internal trade practices in the developed importing countries; domestic restrictions on trade imposed in the markets of the importing countries; controls deriving from the use of patents and licences; the zonal distribution of markets by the big commercial firms of the industrialized countries; the dearth of information in the developed countries with respect to industrial development and investment possibilities in the exporting countries; and the want of trade co-operation between

/the developed

the developed and the developing countries. Recommendation A.III.6, which is worded very precisely, suggests appropriate measures for removing the obstacles and difficulties, measures which seem to be in keeping with the ends pursued. However, as this recommendation, like the others, is expressed in conditional terms, the measures proposed are optional and depend on the goodwill of the developed countries. Moreover no indication whatsoever is given with respect to the application of the measures suggested, which has apparently been left to the discretion of the individual developed countries. In any case, the developing countries may well be confronted with a confused situation deriving from a plethora of different measures that each developed country is liable to take and which may not have the effect of facilitating the sale in its own home market of manufactures from the developing countries. If the recommendation is to further the ends pursued, an agency must be appointed to promote the application of the measures concerned and to decide on the specific steps to be taken by the developed countries on the basis of more or less uniform criteria.

The application of these measures would merely require of the developed countries internal adjustments which would in no way disrupt their domestic trade. This was clearly understood by some of the developed countries. They indicated, during the Committee debates, that they had, on their own initiative, taken steps aimed at securing the objectives set forth in the recommendation.

It should be remembered, however, that the application of the recommendation by the group of developed countries cannot do much to stimulate the export trade in manufactures from the developing countries so long as such trade continues to be impeded by tariff and non-tariff barriers. The provisions of the present recommendation envisage supplementary measures, which cannot become fully effective until all such barriers are abolished.

/POSSIBLE LINES

POSSIBLE LINES OF ACTION

With due regard to the considerations set forth above, the following are some of the major areas in which the group of Latin American countries can take practical action.

1. System of preferences and access to markets

The developing countries should continue to make every effort to secure the establishment of a system of preferences embodying the general features of the draft recommendation submitted in Geneva by the Seventy-five.

They will first be able to do so in the special group of governmental experts to be appointed by the Secretary-General of the United Nations. The Latin American countries should continue to look into the possibilities and problems involved in the establishment of a preferential system, so that they can take an active part in the discussion of the special committee's report and subsequently turn to the best possible account such positive conclusions as the Conference may adopt.

Once the report of the group of experts and the studies on the developing countries are made available through the institutional machinery set up by the Conference, specific procedures can be decided on for negotiating the establishment of the system.

Until such time as the system becomes operative, the developing countries should spare no effort to ensure that any reductions negotiated in GATT are actually applied to tariffs and other trade barriers on those products which are in a better competitive position. For instance the developing countries might, as one of their cardinal aims, immediately tackle the problem of inducing the developed countries to abolish customs duties on all semi-manufactures. It is in relation to such products, in fact, that the developing countries amply endowed with raw materials could most rapidly achieve competitive status, provided that they were assured of open world market free of restrictions of any kind on their production.

/Attention should

Attention should also be drawn to another aspect of the question of access to markets, which is referred to in the final sentence of paragraph 10 of recommendation A.III.4: "The benefits of the negotiations should not be limited to countries which are members of the international organization under whose aegis the negotiations take place". As several of the Latin American countries are not members of GATT, it is advisable that, acting either on their own account or through their respective regional organizations, they should secure a formal declaration in that respect.

Similarly, it is vital that representations be made to the principal negotiating countries in the Kennedy Round to ensure that other products of special interest to the developing countries are included in the lists of reductions and that these are as substantial as possible. The preparation of the lists, a statement of the grounds justifying the reductions and the representations to the negotiating countries should be the first action taken by the Latin American countries.

2. Sectoral agreements on co-operation

As regards the sectoral co-operation suggested by recommendation A.III.7, the lines of action to be pursued by the Latin American countries - apart from those suggested by the countries with centrally-planned economies - might be those indicated in the recommendation, which are taken to be the following: (a) a searching examination of the operation of existing complementarity agreements, of the general conditions governing them and of the factual results obtained by the countries that have taken advantage of them; (b) a study of the kind of industry that is most likely to obtain benefits from agreements of the kind described; (c) transmission of the resulting information and findings of the studies on developing countries; and (d) special assistance for developing countries anxious to enter into sectoral complementarity agreements. These studies and services could be undertaken and provided by the regional economic commissions under the aegis of the organization that will continue the work of the Conference.

/3. Measures

3. Measures recommended to developed countries with centrally-planned economies

In relation to these measures, the text of the recommendation may be considered as indicating certain lines for future action, namely: (a) that the countries with centrally-planned economies should really include in their long-term development programmes an increasing volume of imports of manufactures from the developing countries; (b) that these countries should take into account the trade difficulties besetting the developing countries because of continuing support for the type of trade relations that are based on bilateral agreements and thus, by their very nature, lead to barter: (c) the advisability of obtaining proper technical assistance so that the developing countries can enter into long-term agreements with the centrally-planned economies. Co-operation of this kind through appropriate machinery would enable the developing countries to make greater use of the possibilities of trade expansion offered by the countries with centrally-planned economies.

4. Industries with an export potential

In relation to the recommendation on this question, the following lines of action are suggested: (a) an analysis, by countries, of industrial planning in the Latin American countries that are already industrialized; (b) a study of the possibilities of establishing new industries potentially capable of exporting to the less developed Latin American countries.

It should also be borne in mind that the problem of subsidies for the manufactured products of the developing countries has not been solved. Further discussions on the question should therefore be held in the organization that is to carry on the work of the Conference until a solution is found that is also acceptable to the developed countries, a number of which are heavily subsidizing the production and marketing of some of their primary commodities.

/5. Measures

5. Measures recommended to the developed countries with a market economy

In order to facilitate and expidite the implementation of the recommendation concerning measures that should be adopted by the developed market economy countries, the following lines of action are proposed: that the developing countries prepare an outline of appropriate measures of an administrative, fiscal, juridical, financial and other nature that might be adopted by the developed countries for the purpose of eliminating the obstacles and difficulties encountered by their manufactures in the domestic markets of the developed countries. The outlines in question would be submitted to the developed countries and the organization that is to continue the work of the Conference for discussion and subsequent adoption. They can always de adapted to the particular conditions and legislation obtaining in the developed countries which are to apply them.

IV

FINANCING OF TRADE AND DEVELOPMENT

INTRODUCTION

1. The aims of Latin America

The wishes and aims underlying Latin America's participation in the Conference were based on the Charter of Alta Gracia, and the following were the principal points to which they related: (a) external financial assistance should be sufficient to permit the systematic implementation of development programmes likely to generate a substantial increase in income; (b) the terms on which such external aid was granted (including the length of amortization periods) should be adapted to the various developing countries' repayment capacity, and, similarly, the current external debt services of the countries in question should be reviewed and rescheduled; (c) some equitable system should be established to compensate for the deterioration of the terms of trade, on the basis of resources supplied by the developed countries, and existing methods of offsetting short-term fluctuations in the balance of payments should be improved; (d) the conditions at present governing the private financing of international trade operations should be revised, particularly in the case of suppliers' credit, with the aim of bringing them into line with the needs and interest of development, and systems of financing developing countries' exports should be instituted; (e) the problems deriving from the lack of international liquidity should be studied with due regard to the peculiar difficulties of the developing countries, and the international financing agencies should modify their policies with a view to offering such countries more favourable credit terms and longer time-limits for repayment, besides facilitating their access to international capital markets.

/2. Results

2. Results achieved

In Geneva, this platform was amplified by the incorporation of other important points, relating especially to precise criteria for tying external aid to development, evaluating the needs it should cover, defining the specific form that the developed countries' contribution to development financing should take, etc.

At the proposal of all the developing countries, the Conference adopted a body of recommendations which dealt coherently and comprehensively with the essential issues of trade and development financing.

Some of the recommendations put forward did not gain the support of the industrialized countries. Others, again, were unanimously adopted; they represent general declarations and principles of great value in relation to the systematic channelling of external aid, or concrete advances. Cases in point were those that bore on the financing of structural balance-of-payments disequilibria and the improvement of the system of credits to compensate short-term fluctuations in export earnings. Thus, the results achieved in the field of financing must be regarded, on the whole, as a great stride forward in the process of determining international responsibility for the provision of aid on a scale and on terms consonant with the dynamic requirements of the developing regions of the world.

In the aggregate, the recommendations do in fact imply recognition of the international community's share in the responsibility for the financing of development, and the consequent need to organize such financing - whatever its source, public or private, bilateral or multilateral - on a co-ordinated basis. On the side of the developing countries, this responsibility means that they must do their very utmost to mobilize their internal resources for the implementation of systematic development plans designed to secure satisfactory rates of economic growth; while on the developed countries' side, it signifies the provision of adequate aid for whatever plans may be put into execution, on terms and for periods compatible with the repayment capacity of the recipient countries.

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One of the great achievements of the Conference consists in its having defined, in constructive and organic terms, the principles that should be observed in international financial co-operation. Although the recommendations adopted do not imply the assumption of specific commitments on the part of the developed countries, they give the developing countries an incentive to begin applying the standards established in order that their economies may comply with the conditions agreed upon; and the principles laid down can be invoked in any negotiations that these same countries may conduct henceforward in order to obtain more systematic and adequate international aid.

The conclusions of the Conference will undoubtedly serve as a basis for whatever steps the developing countries decide to take on their own account with a view to the acquisition of enough resources to initiate or maintain the execution of development plans; to the consolidation and rescheduling of their external debt; to the establishment of intra-regional financing mechanisms and the improvement of those already in existence; to the provision of more attractive terms for direct investment, and so forth. At the level of negotiations with the capital exporting countries and with the international credit agencies, the results of the Conference likewise open up significant possibilities of introducing new types of compensatory financing to offset long-term disequilibria in the balance of payments; of improving the present systems of credits to compensate short-term fluctuations; of expanding the existing sources of multilateral financing and establishing new ones; of securing better terms in respect of suppliers' credits; of ensuring that the modifications of the international monetary system under study take into account the developing countries' liquidity problems, and so on.

All these questions call for perseverance, energy and above all solidarity in the active pursuit of the lines of policy adopted by the developing countries as a whole, which must never fail to find expression at international gatherings, including those at a regional level. In this last connexion, Latin America can act through the existing instruments of

/multilateral co-operation

multilateral co-operation: the Inter-American Committee on the Alliance for Progress (ICAP), the Inter-American Development Bank (IDB), the Latin American Free-Trade Association (ALALC) and the Central American Common Market, whose respective terms of reference afford various ways of applying the recommendations of the Conference.

RECOMMENDATIONS ADOPTED

In order to facilitate their evaluation, the recommendations adopted in connexion with financing may be classified in three major groups:

(1) Those which could be put into practice in the immediate future, either because they establish conditions for the financial aid to be offered by the developed countries which these latter have already accepted, or because they request international agencies to carry out studies, on the way in which certain financing mechanisms or procedures should operate;

(2) Those that merely lay down general principles which relate to specific aspects of international financing, but which are unlikely to be applicable over the short term, mainly because they have not received sufficient support;

(3) Those whose primary object is the creation of new financing institutions.

The recommendations in the first of these groups are the most important, both because they were widely accepted at the Conference and because they cover vital topics, represent the consolidation of ideas favourable to development, or have some prospect of practical application in the immediate future. The significance of the other two groups is more limited, although some of the recommendations they include may gain in feasibility and importance as the result of further study.

1. Recommendations lending themselves to action in the immediate future

This group comprises recommendations of two different types: (a) those that seek to adapt the scope and procedures of external financing to the requirements of trade and development; (b) those aimed at the creation of new sources of financing or the expansion of those already existing.

/(a) Adaptation

(a) Adaptation of the scope and procedures of external financial assistance to the requirements of trade and development

The recommendations grouped under this head represent a methodical attempt to define the role of international financial aid in relation to a central idea, namely, that the aid in question should be provided on terms such that the internal efforts of the developing countries can be systematically complemented, the gaps in their capacity to import filled and their rates of development thus raised to satisfactory levels. This function of aid in relation to plans and to development needs emerges in the relevant recommendations as an essential characteristic, and signifies a commitment on the part of the developed countries to seek the most effective ways and means of fulfilling it.

This group of recommendations also includes provisions relating to the terms on which financial aid should be made available in accordance with the developing countries' capacity to repay; to the necessity of revising and rescheduling the latters' current debt services; and, in addition, to the need to overhaul existing suppliers' credit systems. All these recommendations are closely linked to the central idea that the aim of external aid should be to permit, on a continuing, flexible and adequate basis, the maintenance of an internal effort which will be conducive to high rates of development.

The establishment of this principle at the world level is of very great importance for the developing countries, which will be able to secure systematic backing for their integrated development efforts.

The following are the subjects of the recommendations included in this sub-group: Guidelines for international financial co-operation (A.IV.1); Growth and aid (A.IV.2); Problem of debt service in developing countries (A.IV.5); Regional Development (A.IV.10); Suppliers' credits (A.IV.14); Financing of marketing of primary products (A.IV.16) and International monetary problems (A.IV.19 and A.IV.20).

/GUIDELINES FOR

GUIDELINES FOR INTERNATIONAL FINANCIAL CO-OPERATION
(Recommendation A.IV.1)

This recommendation sets forth the group of principles and standards which, in the opinion of both the developed and the developing countries, should be applied in relation to the external financing of economic development. It embodies the principle that external aid should be directed towards the implementation of sectoral, regional, national and multinational development plans, and defines the responsibilities incumbent upon the developing countries themselves - in the sense that they must maximize and organize their internal effort - as well as the characteristics of the aid that the industrialized countries should provide.

In conformity with these characteristics and objectives, external aid should be continuing and flexible, so that it can be adapted to the necessity of safeguarding development plans both against the risk of a shortage of funds in the course of their execution and against such contingencies as a sudden fall in the prices of export commodities. The most important conclusion to be drawn from this recommendation is that the purpose of aid is to enable the developing country, on the basis of a combination of its own efforts with external resources, to achieve a rate of development such that little by little it will be able to stand entirely on its own feet.

This recommendation therefore enshrines the principle that aid must be of an over-all and permanent character, not sporadic or tied to specific projects.

GROWTH AND AID
(Recommendation A.IV.2)

This recommendation is complementary to the foregoing in so far as some of the procedures for its application are listed, and an attempt is made to quantify the financial assistance which the developing economies should be able to obtain from the developed countries. Its significance is therefore as vital as that of recommendation A.IV.1. An important feature is its methodical definition of the capacity to import which the international community should enable the developing countries to achieve,

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and which should be sufficient for higher rates of development to be attained on the basis of the combined total of export proceeds, invisible earnings and capital inflow, including external aid.

According to the principles laid down, the task of assessing the magnitude of the aid required should be undertaken by the competent international bodies. They should examine the economic situation, the plans and the available internal resources existing in individual countries in order to decide what rate of development they may reasonably be expected to attain and what international measures should be adopted. It would fall to these agencies to indicate to the international community - in much the same way as the Inter-American Committee on the Alliance for Progress is beginning to do - the amount of financial aid needed to support development plans, as well as any other measures that may seem appropriate.

DEBT SERVICE IN DEVELOPING COUNTRIES
(Recommendation A.IV.5)

If the developing countries are to launch and keep afloat plans whose ultimate objective is an increase in the rate of growth, the first essential prerequisite, in many instances, is a revision of the financial burden represented by the servicing of the external debt. Excessive concentration of this latter within short periods may alone prove a serious stumbling-block to the satisfaction of import requirements for the development envisaged.

This recommendation establishes a procedure for studying the external debt situation in developing countries that so request, as well as for securing agreement, if necessary, on the rescheduling or consolidation of liabilities. Furthermore, as the International Development Association (IDA) is empowered to grant credits for longer periods than other financing institutions, the recommendation suggests that the funds of this agency should be augmented.

The most important feature of this recommendation is the developed countries' tacit acceptance of the idea that the debts of the developing

/countries can

countries can and should be reviewed and consolidated when the burden is clearly excessive. As a result, countries that are in a difficult situation in this respect can undertake appropriate negotiations on the basis of the principle established here.

REGIONAL DEVELOPMENT
(Recommendation A.IV.10)

This recommendation urges that a proportion of financial assistance be provided to developing countries, where possible and appropriate, through or in association with regional bodies such as the Inter-American Development Bank and the African Development Bank. It also suggests that the United Nations Secretariat be asked to study the problems of regional development, in consultation with other international agencies, and report to the General Assembly of the United Nations at its twentieth session. This recommendation endorses the efforts of regional agencies to obtain increased resources with which to further the deserving cause of multilateral action on the part of the developing countries at the regional level.

SUPPLIERS' CREDITS
(Recommendation A.IV.14)

The subject covered by this recommendation is a matter of increasing concern in Latin American circles. Suppliers' credit is in practice becoming, especially in recent times, a source of problems for the developing countries, whether because of the additional pressure on the balance of payments that it may imply, because it encourages imports of goods that are not the most appropriate or necessary for development purposes, or because it may mean that items of potential export interest to the developing countries are faced with unduly severe competition. The recommendation merely requests the International Bank for Reconstruction and Development (IBRD) to carry out a study covering the three aspects mentioned above. This study should be regarded only as a first step towards the establishment of more favourable conditions in respect of the international financing of foreign trade operations.

/FINANCING OF

FINANCING OF MARKETING OF PRIMARY PRODUCTS
(Recommendation A.IV.16)

Recommendation A.IV.16 likewise does no more than suggest a study on the financing of external marketing of primary commodities, to be carried out by the organ that may be set up as a result of the Conference. Although the gravity of the situation is clearly understood - since an unduly large proportion of the final price of some of the products exported by the developing countries goes into the middlemen's pockets - it does not seem possible to press for more concrete measures until the nature of the problem has been defined by an international agency.

INTERNATIONAL MONETARY PROBLEMS
(Recommendations A.IV.19 and 20)

In recommendation A.IV.19 the Secretary-General of the Conference is asked to take steps, in consultation with the appropriate international institutions, to convene a group of experts to consider international monetary problems relating to trade and development, with special reference to the objectives and decisions of the Conference and devoting particular attention to the needs of the developing countries in their trade with one another and with the rest of the world.

In the same context, recommendation A.IV.20 suggests that international financing and monetary agencies should explore ways and means of increasing the number of nationals of the developing countries on their senior staff.

Both recommendations deal with a topic of supreme importance, namely, the need for the international monetary problems that particularly affect the developing countries - especially the question of international liquidity - to be studied in a framework that really embraces the world as a whole, and with special regard to the problems of the developing countries. Hitherto the latter have not had the opportunity to take an adequate part in the study of such topics. It should be noted that recommendation A.IV.19 met with strong resistance on the part of the developed countries, most of which voted against it.

/(b) New

(b) New financial resources or expansion of those already existing

In addition to the establishment of more ambitious objectives and a wider range for external aid, it was necessary that another outcome of the Conference on Trade and Development should be a more specific definition of the sources of funds and the procedures that might be followed in order to expand them. In this connexion, the most important of the recommendations adopted at Geneva relate to the long-standing desire of the developing countries to secure recognition of the adverse effects produced on their development by the deterioration of their terms of trade, and to see some system of financial compensation established as a countermeasure.

The recommendations alluded to above relate to long-term compensation and to aid designed to offset short-term fluctuations. They represent a considerable advance, which is all the more significant in view of the fact that the compensation of the deterioration of the terms of trade was one of the subjects on which the most serious opposition was encountered.

SUPPLEMENTARY FINANCIAL MEASURES
(Recommendation A.IV.18)

This recommendation distinguishes between two forms of possible action to deal with the problem of adverse movements in the export proceeds of developing countries. The first would consist of a study to be carried out by the International Bank for Reconstruction and Development (IBRD), more limited in scope than that requested by the developing countries.

During this first stage the Bank will study a scheme, to be financed by the developed countries, to assist the developing countries when the credits that can be made available under the scheme put into effect by the International Monetary Fund (IMF) are not sufficient to solve the balance-of-payments problems created by adverse movements in export earnings. The scheme proposed by the recommendation would be a method of supplementing the IMF procedure, and share the principle feature of that procedure, since the assistance is in the form of reimbursable credits, and not of the compensatory payments that the developing countries would have preferred. At a second stage, however, the recommendation envisages the possibility of establishing a fund to provide developing countries with assistance,

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in a non-reimbursable basis, to compensate for shortfalls in export earnings and adverse movements in the terms of trade.

The first stage envisaged by the recommendation is unquestionably rather far, in formal terms, from what was sought at Alta Gracia, which was in terms of a true compensation that the developed countries would pay the developing countries for the funds lost by the latter through the deterioration of the terms of trade. In this connexion, only the second stage contemplated in the recommendation has any resemblance to those aspirations. However, the value of the first part of the recommendation should not be under-estimated, since it in fact represents a considerable advance.

For the first time it has been recognized, as the premise of the study to be undertaken by the Bank, that a scheme is needed to deal basically with the problem of the loss of earnings resulting from the state of the markets for the products exported by the developing countries. Recognition has now been given to the concept of loss through deterioration in the terms of trade, and not only through price declines.[14/] The right to draw on the proposed fund would be based on a decline of export proceeds below estimated levels accepted by the institution established.

The fact that the premises proposed for the IBRD study represent such a notable advance in this field should not in any way reduce interest in achieving even greater progress through the body that is to continue the work of the Conference, in conditions laid down by this recommendation. It is to be hoped, moreover, that the Bank study will confirm the validity of the expectations of the developing countries.

COMPENSATORY CREDIT SYSTEM OF THE INTERNATIONAL MONETARY FUND
(Recommendation A.IV.17)

This recommendation reflects the aspirations of the Charter of Alta Gracia, and should be regarded as closely related to recommendation A.IV.18. The aim of the recommendation is to expand and improve the bases on which the IMF short-term system now operates. Thus the Fund is asked to increase the amount it allocates to the compensatory credits established in

14/ Recommendation A.IV.18, note 3 to part A.

/February 1963,

February 1963, from 25 per cent of a member country's quota to 50 per cent; to consider these credits outside the structure of the gold and successive credit tranches; to give greater weight to the actual experience of the three preceding years; and to consider refinancing of compensatory financing obligations when there is a persistent shortfall in export receipts beyond the control of the affected country.

SCHEMES FOR INCREASING CAPITAL FLOWS TO DEVELOPING COUNTRIES THROUGH AN INTEREST EQUALIZATION FUND
(Recommendations A.IV.11 and A.IV.15)

Recommendation A.IV.11 proposes that the IBRD should, if possible by September 1964, submit to the United Nations a study on the proposal by Israel to obtain from the financial markets of the world a substantial sum, at an interest rate of 1 per cent, to be made available for development financing. The difference between this interest rate and that required in world financial markets would be covered by an interest equalization fund financed by contributions from the industrial countries. Those countries would jointly guarantee the issues. It is estimated that this method would make it possible to finance some 2,000 million dollars a year, for a ten-year period, by means of a total contribution to supplement interest payments of only 80 million dollars. The significance of the mobilization of funds of this magnitude is obvious from a mere comparison of the amount with the total volume of credits available from multilateral sources.

Recommendation A.IV.15, which was proposed by Senegal, envisages the establishment of a fund based on the same principles as that described above, for the purpose of reducing the rate of interest on development loans granted to certain countries, by proportions to be determined on the basis of the importance of the projects concerned and the balance-of-payments situation of the recipient country. The determination of the loans in respect of which the interest would be subsidized poses serious technical problems, and would have no selective effect in guiding development financing along certain lines, since the financial arrangements would always be based on a fait accompli.

/2. Recommendations

2. Recommendations relating to general principles of financing

The recommendations in this group are less likely to lead to immediate practical measures than those in the preceding group, either because of the opposition and reservations attending their adoption, or because of the nature of the subject matter.

PROMOTION OF PRIVATE FOREIGN INVESTMENT
(Recommendation A.IV.12)

This recommendation aims at establishing criteria whose application might encourage foreign investment in the developing countries. Some of its provisions are directed to capital-exporting countries and international financial institutions, and others to developing countries interested in receiving such investment. In addition the IBRD is requested to expedite studies on investment insurance, settlement of private international investment disputes, and other questions relating to such investment. Most of the Latin American countries refrained from supporting the recommendation because they believed that some of its terms were incompatible with their own legislation on the treatment of foreign capital.

At subsequent meetings the Latin American stand on this question continued to be in line with that adopted in Geneva. Thus, for example, the IBRD, at its last meeting, in Tokyo, approved the establishment of an arbitration and conciliation centre, without submitting the results of its studies and consultations to the United Nations as requested in paragraph 8 of recommendation A.IV.12. The Latin American countries, and other developing countries, voted against the Bank's resolution, reaffirming their belief that the interests of foreign investors were sufficiently protected by the national legislation concerned.

NEEDS OF THE PUBLIC SECTOR
(Recommendation A.IV.13)

In this resolution the Governments of developed countries and international institutions are asked to take account of the needs of the public sector in developing countries, not to discriminate against public sector enterprises, and to give technical and financial assistance to the public

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sector on an equal basis to that granted to the private sector, in view of the importance of the public sector in the economies of the developing countries. To some extent this recommendation supplements recommendation A.IV.12, relating mainly to direct investments, which in most cases are in the private sector.

TERMS OF FINANCING
(Recommendation A.IV.4)

Many of the points dealt with in this recommendation (renegotiation of external loans, technical assistance, a maximum interest rate, co-ordination of financial aid to development through international agencies, etc.) are covered in other recommendations that won wider support. Recommendation A.IV.4, on the other hand, was opposed by all the capital-exporting countries, and all the centrally-planned economy countries abstained from voting.

AIMS OF INTERNATIONAL FINANCIAL AND TECHNICAL CO-OPERATION
(Recommendation A.IV.3)

The recommendations made here are that when funds are lent to developing countries by developed countries, (a) the interest rate on State loans should not normally exceed 3 per cent annually, and (b) that funds received in repayment of loans should be used to the extent possible for the purchase of goods produced in the borrower countries, particularly in undertakings financed by such loans.

One of the principle capital-exporting countries voted against the recommendation, and there were many abstentions. The voting showed that most of the developed countries were against the provision limiting interest rates.

NON-FINANCIAL CREDIT ARRANGEMENTS FOR THE DELIVERY OF CAPITAL GOODS
(Recommendation A.IV.6)

This recommendation was adopted by a narrow margin, with most of the Latin American countries abstaining. One objection raised was that the system might conflict with such aims as the liberalization of trade and the multilateral payment system.

/3. Recommendations

3. Recommendations relating to the strengthening or establishment of financial agencies

All the recommendations in this group were opposed by the developed countries, which considered that they would not lead to any increase in the funds available for development financing and would involve an undesirable dispersion of the few available experts in the administration of such programmes.

UNITED NATIONS CAPITAL DEVELOPMENT FUND
(Recommendation A.IV.7)

This recommendation is to the effect that the United Nations Capital Development Fund, established in December 1960 under General Assembly resolution 1521 (XV), should start its operations at an early date, on the basis of voluntary contributions. It should be noted that despite the interval that has elapsed since the Fund was established, thus far its aims have not been realized because of lack of funds.

GRADUAL TRANSFORMATION OF THE UNITED NATIONS SPECIAL FUND
(Recommendation A.IV.8)

This recommendation is an alternative to A.IV.7, since it relates to the establishment of a Capital Development Fund through a gradual transformation of the Special Fund to cover financing not only of pre-investment, but also of pilot projects.

REGIONAL DEVELOPMENT FUND
(Recommendation A.IV.9)

This recommendation is to the effect that a study should be made of the feasibility of establishing a fund to finance long-term regional or sub-regional development projects. It was adopted with many abstentions and negative votes.

POSSIBLE LINES OF ACTION

In view of the important body of recommendations relating to development financing, the Latin American countries can hope for practical results in the fairly near future, especially from those in the first group. The recommendations make it clear that if concerted and continuing action is

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taken from now on, there will be great opportunities for ensuring that external financial assistance is furnished in a more effective and, above all, a more organized and systematic way. This would be accompanied by an expansion of the resources available.

In this connexion, Latin America might consider the following lines of action:

Since the purpose of financial assistance, as conceived by the Conference, is to facilitate the execution of development plans or, in general, of national economic policies capable of bringing about intensive and balanced growth in the main sectors of the economy, it is vital that the Latin American countries should pursue their efforts to formulate and implement such plans and policies. In fact, some headway has already been made through the Alliance for Progress. National development plans and policies will provide the frame of reference and the figures on the basis of which sufficient and appropriate assistance from the developed countries can be negotiated.

Assuming that the development plans or policies of the Latin American countries comply with the conditions laid down in recommendation A.IV.1, the economic situation, development policies and programmes of these countries will have to be examined at the regional level and an analysis made, in each case, of the net demand for external assistance for development purposes.

Furthermore, a study should be made, again at the regional level, of specific public and private financing possibilities in relation to two important requirements for economic development: the need to supplement domestic savings by external resources in order to reach the internal investment targets established, and the urgency of closing the present gap between exports and imports of goods and services. In this connexion, work of vital importance is being done by the Inter-American Committee of the Alliance for Progress.

An attempt should be made to formulate criteria as a basis for the establishment of generally applicable conditions for the consolidation and rescheduling of the external debt. This would entail a broad

/indication of

indication of the amount of the debt that would be renegotiable and on which immediate representations might be made to international financing institutions or official bilateral credit agencies, including export credit organizations. In view of the need to finance economic development programmes, the developing countries that so desire could use such conditions as a frame of reference for conducting negotiations with their creditors.

With respect to the expansion of the resources available for assisting the developing countries, this might be accomplished in a number of ways:

(a) In the first place, the organization that is to continue the work of the Conference might carry out studies on the amount of assistance actually provided by the developed countries, in order to obtain some idea of the extent to which the aim of 1 per cent of the national income specified in recommendation A.IV.2 is being realized.

(b) The developing countries should, in their turn, make arrangements with their representatives in the Bank for the transfer of new funds to the International Development Association, as suggested in recommendation A.IV.5. This increase in the funds of the Association is particularly important as funds have to be obtained for the supplementary financing envisaged in recommendation A.IV.1. It should be pointed out that progress was made in this respect at the last meeting of the Bank in Tokyo.

(c) Similarly, the findings of the study entrusted to the Bank on the Interest Equalization Fund should be awaited with interest.

In order to strengthen the financial bases for multilateral action in the region, the Latin American countries should give their unwavering support to the efforts and arrangements being made by their regional institutions, particularly the Inter-American Development Bank, to ensure that a larger proportion of the funds contributed by the developed countries are channelled through these institutions.

With respect to a system of long-term compensation, the conclusion of the study entrusted to IBRD must be awaited. Nevertheless, to ensure, above all, that the system to be established will live up to the expectations of the developing countries, these should constantly check the extent

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to which their economic and social development plans are being affected by the deterioration in the terms of trade, and hold joint discussions on the most practical method of solving the problem. They would thus be equipped to make a thorough assessment of the merits of any international proposal that may be put forward. The ground would also thereby be prepared for the studies that might subsequently be undertaken by the organization called upon to continue the work of the Conference.

It is vital for the representatives of the developing countries to the International Monetary Fund to negotiate with that organization the expansion of the short-term compensatory credit system, on the lines envisaged in recommendation A.IV.17.

Another study to be awaited with particular interest is to be made by the IBRD and deals with suppliers' credits and their effect on various aspects of trade and development. Even before the results of this study are made available, the Latin American countries could decide on measures to establish and strengthen regional systems of export credit insurance and financing, including an extension of the scheme now being used by the Inter-American Development Bank. In addition, the Latin American countries themselves should continue to examine the particular application of suppliers' credits in their respective economies and at the regional level, in order to take appropriate national and regional measures to reduce possible shortcomings.

As regards financing for the marketing of their export commodities, the Latin American might provide background material for the study to be undertaken by the organization which is to continue the work of the Conference by considering specific problems relating to commodities of particular concern to each country and suggesting concrete solutions.

With respect to international monetary problems, it is essential that the Latin American countries and the competent international organizations should, as soon as possible, prepare a systematic statement on their points of view with regard to the impact of the international monetary situation on their trade and development problems and on the solutions that would best serve their national and regional interest, so as to place their views before the group of experts proposed by the Conference in recommendation A.IV.19.

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TRADE IN INVISIBLES

The problems relating to trade in invisibles that were discussed at the United Nations Conference on Trade and Development can be grouped under the three main headings of maritime transport, tourism and insurance. Of the comments that follow on these three groups, those relating to maritime transport are undoubtedly more important and deserving of attention.

MARITIME TRANSPORT
(Recommendations A.IV.21 and A.IV.22)

1. Aspirations of the Latin American countries

The aspirations of the Latin American countries in the field of maritime transport, as formulated at Brasilia and Alta Gracia, can be summarized as follows:

(a) That a system should be established for compulsory prior consultation to ensure that Governments will have an effective voice in the decisions of shipping conferences and shipping companies regarding shipping rates and conditions, and that the rates established by shipping conferences should be made public.

(b) That the developed countries should recognize the importance for the diversified growth of the developing countries of the expansion of their own national or regional merchant marines; and that there should be recognition of the right of the developing countries to adopt, with a view to such expansion, measures to encourage the transport of a higher proportion than at present of their own foreign trade, (by reserving to their own fleets a share of the transport of their cargoes, or by any other form of assistance) without such measures being regarded as discriminatory.

(c) That the principle of preference in favour of the developing countries on a non-reciprocal basis should be established, in particular as regards transport.

/(d) That

(d) That regular and frequent shipping services should be established between developing countries, and between those countries and their potential markets, to encourage the trade of the developing countries.

(e) That the developed countries should not include in their aid programmes clauses that conflict with the protection by the developing countries of their own merchant fleets.

2. Other background information

At the Conference other background information on the subject was presented, in the form of two special studies prepared by the Economist Intelligence Unit of London, and the secretariat of the Economic Commission for Asia and the Far East (ECAFE). The conclusions of the first study (on which the Director of the ECLA Transport Programme collaborated) were to a great extent included in the draft recommendation submitted by the developing countries.

The ECAFE study gave an account of the recent activities and recommendations of the ECAFE Trade Committee in the field of maritime transport, a question that the ECAFE countries regard as of the utmost importance and urgency. The basic points that emerge from the report are:

(a) The need to establish an adequate and effective consultative system (at government and trade levels) for the study and negotiation of matters relating to shipping charges.

(b) In pursuance of the Trade Committee's recommendation certain countries in the ECAFE area, including India, have established or intend to establish, either at the government level or in co-operation with commercial organizations, shipping-rate study units, in order to assist shippers' associations in their negotiations with shipping conferences.

(c) The improvement of port operation is of the highest importance as a factor in reducing maritime transport costs.

/(d) The

(d) The Governments of the are should intensify their efforts to develop their merchant marines, in order to increase their share of the transport of their cargoes, improve their balance of payments and have available an effective instrument for bringing about a more favourable rate policy on the part of the shipping conferences.[15/]

(e) Freight rates for manufactured products are often much higher than for raw materials, which encourages exports of such materials by developing countries in the place of exports of industrial or manufactured goods.

3. Positions taken by the developing and developed countries

The Third Committee, which was responsible for studying transport problems, established a special working group for this purpose. The discussions of the working group were centred on two draft recommendations that summed up the positions taken by the developing and developed countries, respectively.

The draft recommendation put forward by the developing countries contained the following main provisions:

(a) International consultative machinery at an inter-governmental level should be established under the United Nations, to study, investigate and co-ordinate all questions of shipping and freight rates; this machinery should be supplemented by consultative arrangements at the national and regional level, responsible in particular for negotiating with the shipping lines; and the developing countries should have the right to take an active part in the decisions on shipping and freight rates.

(b) Both the developing and developed countries should take steps to ensure that shipping conference rates are made public, that there is advance notice of increases in freight rates, that the system of dual rates and deferred rebates should be regulated, that procedures should be introduced to deal with shipper's complaints, that the

15/ The merchant marines of the Asian countries, with the exception of Japan, represent less than one per cent of the merchant marines of the world.

/developing country

developing country shipping lines should be able to participate in shipping conferences on an equal footing, and that shipping conferences should be effectively represented in major ports of developing countries.

(c) Promotional rates should be introduced to encourage exports from developing countries and regional trade among those countries, and to improve and expand shipping services, with a view, in particular, to the opening of new markets for developing countries.

(d) High priority should be given to improving port facilities and inland transport, and for this purpose the developing countries need financial help and adequate technical assistance.

(e) It is recognized as desirable that developing countries should establish their own merchant marines, since they not only assist export promotion, but also add to the invisible earnings of developing countries; to this end, the developed countries can help the developing countries through increased facilities for private financing or through international financial institutions, which should make suitable financial arrangements for those developing countries that wish to expand their merchant fleets. Regional companies and regional operating arrangements should be worked out jointly by groups of developing countries, where practicable. Protective measures adopted by developing countries concerning their merchant marines on a preferential basis should be accepted as non-discriminatory. The developed countries should not include in their aid programmes clauses or conditions that hamper the developing countries in protecting their merchant fleets.

(f) An inter-governmental committee on shipping transport and ocean freight rates should be established, under the Conference on Trade and Development.

The draft submitted by Sweden, which was supported by the developed maritime nations, differed fundamentally (except as regards port and harbour problems) from that of the developing countries. The basic points in the developed countries' draft were:

/(a) Shipping

(a) Shipping can best help the trade of developing countries by providing efficient transport at the lowest possible cost. Free competition between shipowners is the way to ensure this, and therefore no measures should be taken that impede this freedom, since any such interference means higher costs or poorer service.

(b) However, the liner conferences should join with shippers' or traders' associations in developing countries to establish or strengthen consultation and negotiation machinery, on a national or regional basis, for discussing and remedying the complaints and grievances that may arise in the field of conference rates and practices, since the proper functioning of the conference system requires close co-operation between shippers and the conferences.

(c) The development of merchant marines in developing countries should be welcomed, provided that they are based on sound economic criteria, since participation in international shipping should be the privilege of no single country or group of countries. However, it is not advisable to establish or develop fleets that must be supported by artificial means. Moreover, the currency gain expected from substitution of national carriers for those of other flags seems to have been greatly exaggerated.[16/]

(d) All countries should give priority to improvement of port operation and of connected inland transport facilities, and international loans and aid, and technical assistance, should continue to be directed towards these purposes in the developing countries.

The divergencies between the two groups of countries were too great to permit arriving at an understanding. Consequently, in accepting the common measure of understanding subsequently adopted as the recommendation of the Conference, the supporters of both draft recommendations announced that they maintained their views as expressed in their drafts and reserved their respective rights. In particular, it proved impossible to arrive at an agreement on the inter-governmental body that it was agreed should be established to deal with questions of shipping and ocean freight rates, and the problem was solved by confining the recommendation to a simple statement of principle.

16/ According to the Swedish draft, the net gain on the balance of payments would be only 20 to 25 per cent of the gross freight income in the case of cargo liners. The representatives of the developing countries questioned these data, and cited cases where net gains had amounted to 40 or 50 per cent of gross freight income.

/4. Recommendations

4. Recommendations adopted

After this arduous process of negotiation, the Conference adopted the following two recommendations without dissent:

(a) Shipping questions (recommendation A.IV.21) and

(b) Common measure of understanding on shipping questions (recommendation A.IV.22).

The first of these recommendations, which is of institutional scope, is in line with paragraph 23 of A.V.1 (also unanimously adopted), inasmuch as it provides for the establishment of a committee on invisibles as a subsidiary organ of the Trade and Development Board. Lastly, the Conference adopted, by 92 votes to 7, with 17 abstentions, the twelfth special principle laid down in recommendation A.I.1, which is also concerned with shipping and other aspects of trade in invisibles. General comments on these last two recommendations will be found in other sections of the present document.

5. General evaluation of the results of the Conference with respect to shipping

As the Chairman of the Working Party declared, on submitting his report to Committee III, the discussions of the group in question were of historic importance. For the first time, the developed and the developing countries had had an opportunity of comparing their points of view on shipping questions within the United Nations system.

In the recommendation of institutional scope, the carrier countries acquiesced in the desirability of inter-governmental procedures, including if necessary, the establishment of a committee "to promote understanding and co-operation in the field of shipping" and to study the economic aspects of maritime transport. The recommendation, however, leaves open the alternative possibilities of instituting such procedures and, if called for, such a committee either "as part of the institucional system that might be set up under the United Nations Conference on Trade and Development" or "under the United Nations system". Several leading carrier countries were of the opinion that there was no need for the addition of a new institutional structure, that the time was not yet ripe for its creation or that the matter fell within the province of the

/Inter-Governmental Maritime

Inter-Governmental Maritime Consultative Organization (IMCO), as a specialized agency of the United Nations. The developing countries considered that IMCO was not in a position to undertake the activities deriving from the Conference in relation to the economic aspect of shipping.[17/]

The inconclusive nature of the proceedings of the Conference with regard to the institutional machinery needed in the field of shipping can also be deduced from the provisions of paragraph 23 of recommendation A.V.1, on institutional arrangements and methods to implement measures relating to the expansion of international trade. These provisions envisage the establishment by the Trade and Development Board of "a committee on invisibles and financing related to trade".

They also stipulate that "the Board shall give special consideration to the appropriate institutional means for dealing with problems of shipping", taking into account recommendations A.IV.21 and A.IV.22. The terms of reference of this committee and of any subsidiary organ set up by the Board in relation to shipping "shall be adopted after consultation with

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17/ During the discussions of the working group the question of a possible reorganization of IMCO seems to have arisen, but the pertinent report makes no express reference to this point.

At the present time IMCO comprises 57 States members. These included, in mid-1963, eight Latin American countries (Argentina, Brazil, Dominican Republic, Ecuador, Haiti, Honduras, Mexico and Panama); of the 77 developing countries, 27 were members of the organization, including the eight just mentioned. Among the States members are the Soviet Union and 3 other countries of Eastern Europe. In addition to the Assembly, constituted by all the States members, IMCO has a Council formed by 16 representatives, whose terms of reference are very wide, and whose members at the date referred to represented Argentina, Australia, Belgium, Canada, Federal Republic of Germany, France, Greece, India, Italy, Japan, Netherlands, Norway, Sweden, Union of Soviet Socialist Republics, United Kingdom, and the United States of America. On 10 September last, an extraordinary session of the Assembly of IMCO was inaugurated in London, for the purpose of considering, inter alia, the question of a reform of the membership of the Council. No information is as yet available on the decisions adopted at this session.

/the appropriate

the appropriate organs of the United Nations and shall take fully into account the desirability of avoiding duplication and overlapping of responsibilities".

Although the developing countries did not achieve specific and immediate results in this field, the compromise unanimously agreed upon in recommendation A.IV.22 may constitute a satisfactory point of departure.

In this recommendation (dealing with a common measure of understanding on shipping questions), all the countries agreed that the liner conference system is necessary in order to secure stable rates and regular services. In accepting these basic principles, the ship-owning countries recognized that the conferences did not always function satisfactorily, and that as a first step towards improving this state of affairs, a well-organized system for consultation between the conferences and the bodies representing carriers or shippers should be established on a national and regional basis. The fundamental cleavage of opinion derived from the objections raised by the developing countries, which contended that consultation machinery of this kind would be of a purely private and commercial character, that it afforded no opportunity for the direct participation of Governments and that international machinery of an inter-governmental character should be set up both under the United Nations system and within the regions concerned.

The ship-owning countries agreed that under the consultation arrangements contemplated in the bases laid down for a common measure of understanding, a series of problems might be discussed which have been the object of many of the Latin American countries' principal aspirations and complaints.[18/] The efficacy of the action that can be taken by the

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18/ Pursuant to recommendation A.IV.22, the following questions could be raised under the consultation arrangements: publication by conferences of their tariffs and regulations; reasonable advance notice of increases in freight rates; regulation of dual rate and deferred rebate terms; adequacy of shipping services on the various routes; measures to improve and promote exports, from developing countries and in intra-regional trade; and rationalization of routes and freights in accordance with development requirements.

/Latin American

Latin American countries will therefore largely depend upon the measures adopted to encourage the establishment of shippers' councils or to strengthen them where they already exist. Alike for future shipping studies and for action under the consultation system, great importance also attaches to the draft recommendation prepared by the developing countries, which broadly defined their objectives and wishes, both at the world and at the regional levels.

The carrier countries were unwilling to accept, in relation to shipping and the development of merchant marines, the principle of preferential treatment on a basis of non-reciprocity upheld by the developing countries. They therefore continued to oppose all preferential or discriminatory measures, particularly the practice of flag discrimination and the allocation of shipping quotas.

If it is true that investment in merchant marines must first and foremost be justifiable from the economic standpoint, it is no less certain that the formation and enlargement of such fleets constitutes a factor making for economic development and structural diversification, while at the same time it may contribute to the improvement of the balance-of-payments position. Accordingly, measures might be devised to provide employment for incipient merchant fleets.

There was a consensus of opinion as to the importance of port facilities and of the rationalization of port operations as a factor tending to reduce shipping costs. With this end in view, according to recommendation A.IV.22, international financing and aid, as well as technical assistance, should be made available on favourable terms and conditions.

TOURISM
(Recommendation A.IV.24)

1. Aspirations of the Latin American countries

At the Meeting of the Special Committee on Latin American Co-ordination held at Alta Gracia the following conclusion was adopted:

"Tourism should be directed towards the developing countries through the adoption of measures such as: raising the existing levels of foreign currency assigned for journeys abroad in the developed countries; simplification of travel formalities; and the establishment of technical assistance

/programmes for

programmes for tourism and financial assistance to improve the tourist equipment of the developing countries. This action should give special stimulus to the co-ordinated efforts to promote tourism on a regional scale so far lacking in the aforesaid countries".

2. Discussion of problems relating to tourism

During the lengthy discussions held on the subject of problems relating to tourism, the representatives of the developing countries laid particular stress on the need for increased international technical and financial assistance for the promotion of tourism in their countries. The participants from the developed countries, in their turn, underlined the fact that tourism was, moreover, a suitable field for foreign private investment. An interesting aspect of the discussion was the emphasis with which it was urged that tourism should not be regarded as a marginal sector of the economy, or as cut off from the rest.

The development of tourism calls for substantial investment in a large number of material facilities, as well as in promotion and publicity services and campaigns. In many instances, the expenditure involved is more than the developing countries can afford, and in addition its yield is not usually immediate, since it may take several years for the effective results of such investment and the growth of an appreciable volume of tourism to make themselves felt in economic terms. Some representatives referred to the possibility of regional arrangements or agreements between developing countries for the establishment of information and promotion services in respect of tourism, as well as to the possibility of the developed countries' co-operating in this respect. Five draft recommendations were presented in the course of the discussions, which laid varying degrees of stress on the different aspects of the problem, but to a large extent were mutually complementary. On the basis of these proposals, a consolidated draft was prepared and adopted by Committee III.

/3. The

3. The recommendation adopted

The recommendation, adopted without dissent by the Conference, represents a synthesis of the discussion and of the various drafts, and embodies all the wishes and aims of the Latin American countries. In it Governments are urged to take all necesary measures for the implementation of the recommendations of the United Nations Conference on International Travel and Tourism (Rome, 1963). The Conference recommends in particular that the developed countries adopt a series of measures to promote the expansion of tourism in the developing countries and to remove obstacles in its way. The developing countries are also invited to take steps which will effectively further the same end. In addition, the recommendation alludes to a series of measures that could be adopted by international financing organizations to promote the flow of tourism into the developing countries.[19]

INSURANCE AND REINSURANCE
(Recommendation A.IV.23)

1. Aspirations of the Latin American countries

The aims and wishes formulated in this context by the Latin American countries at Alta Gracia may be summed up as follows:

(a) The developing countries, which should have an increasing share in the international transactions resulting from insurance and reinsurance, in the interests of their balance of payments, may adopt measures not subject to reciprocity, which should not on that account be regarded as discriminatory;

(b) In their programmes of assistance to developing countries the developed countries should not include clauses at variance with the need of the former to protect their insurance and reinsurance activities;

(c) The developing countries may set up regional reinsurance agencies;

(d) Standard clauses should be used internationally in transport insurance policies;

(e) Similarly, insurance and reinsurance statistics in general should be standarized and exchanged.

19/ International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, United Nations Special Fund, Technical Assistance Board, etc.

/2. Positions

2. Positions of the developed and of the developing countries

A large number of representatives of both the developing and the developed countries took part in the discussion concerning insurance and reinsurance problems. The delegations of the developing countries stressed the significant implications of insurance expenditure in relation to their balance of payments, and urged the desirability of forming or expanding their own domestic insurance and reinsurance markets, as well as of increasing their capacity to retain insurance funds. They saw in such measures a factor favourable to economic development, especially in so far as they would contribute to the mobilization of domestic savings and their channelling into productive investment.

Surpluses retained nationally by the developing countries should be pooled and redistributed on a regional basis among the developing countries themselves, before being returned to traditional insurance markets. Measures adopted to this end were not to be regarded as discriminatory. The essentially international character of insurance and reinsurance would be strengthened rather than weakened by the attainment of the developing countries' objectives. The delegations of twelve developing countries, among which were Argentina, Brazil, Chile, Costa Rica and Peru, presented a draft recommendation which comprised the following measures: (a) provision of technical assistance and services by the developed countries; (b) investment of technical reserves and guarantee deposits in the developing countries; (c) establishment of regional reinsurance institutions; (d) examination by the competent international organizations of the possibility of adopting standard clauses for freight transport insurance and uniform criteria for the compilation of insurance and reinsurance statistics.

The representatives of the developed countries observed that a purely national or unduly autonomous insurance policy would encounter technical and financial difficulties, because the risks would not be adequately distributed or redistributed. They laid a great deal of emphasis on the international character of insurance and reinsurance markets and expressed the view that protectionist and discriminatory measures might work against efficiency. The fact that in the developing countries life insurance was

/still at

still at an early stage of development was also felt to limit reinvestment possibilities. It was further pointed out that the lack of uniformity in insurance clauses and statistics reflected varying economic conditions and governmental regulations throughout the world.

3. Recommendation adopted

At the proposal of the twelve countries referred to above and of two developed countries (France and the United Kingdom), an amended draft recommendation was finally adopted by a majority of 100 votes to 1 (United States), with 12 abstentions. It incorporates certain points on which the developing and developed countries were in agreement, but no claim can be made that it solves all aspects of insurance problems.

Most of the objectives pursued by the Latin American countries are embodied in the recommendation. With regard to the strengthening of the national and regional insurance and reinsurance markets of the developing countries and the increase of their retention capacity, the recommendation suggests that the developed countries should give their support "to all reasonable measures which are directed" to the fulfilment of these aims. On the basis of adequate conditions of security and liquidity, technical reserves and guarantee deposits should be invested in the country where the premium income arises. It is also recommended that developed countries should not prescribe conditions limiting the rights of the developing countries to require that insurance be placed in the national market, and that competent international organizations should examine the possibility of adopting standard transport insurance clauses and uniform criteria for the compilation of statistics.[20]

20/ It was suggested in the course of the discussion that such studies might be carried out in co-operation with the International Association of Insurance Law.

/POSSIBLE LINES

POSSIBLE LINES OF ACTION

1. Shipping and freight

It seems of the utmost urgency that the Trade and Development Board, as a permanent organ of the Conference, should establish the committee on shipping and freight envisaged in recommendation A.IV.21. In accordance with recommendation A.V.1, "the Board shall establish such subsidiary organs as may be necessary to the effective discharge of its functions", in particular "a committee on invisibles and financing related to trade". It adds, however, that "the Board shall give special consideration to the appropriate institutional means for dealing with problems of shipping" and shall take into account the recommendations A.IV.21 and A.IV.22. The former deals with the institutional system, and the latter formulates a "common measure of understanding on shipping questions". In view of the widely heterogeneous aspects of trade in invisibles and the specific characteristics of shipping, the best course would appear to be for the Board to establish a special subsidiary body on shipping, apart from the committee which would take care of the remaining aspects of invisibles and financing related to trade. Another possibility would be to set up a sub-committee on shipping within the committee on invisibles and financing related to trade. The developed countries held the view that shipping questions fell within the competence of IMCO. However, the opinion expressed by the developing countries, to the effect that IMCO would not be in a position to engage in the activities called for by the Conference in the economic sphere of shipping and freight, must be emphasized.

As regards the possible terms of reference of the committee on shipping and freight which might be set up by the Trade and Development Board, it seems reasonable to assume that the common measure of understanding on shipping questions could be based on the recommendation of the Conference. It would therefore cover the broad range of topics listed in sub-paragraphs (a) to (g) of paragraph 1 of recommendation A.IV.22, as well as the question of port facilities and the development of merchant

/marines in

marines in developing countries, referred to in paragraphs 2 and 3 of the same recommendation. In addition, consideration should be given to questions related to the consultation machinery proposed in paragraph 1. The progress made in this field and the new measures that need to be adopted could also be the subject of periodical review. At the request of Governments, the ECLA secretariat could offer extensive co-operation, together with the other regional commissions, in the studies undertaken by the Trade and Development Board on the subjects referred to above.

In view of the many complex tasks inherent in the establishment of machinery for consultation between lines conferences and shippers proposed in recommendation A.IV.22, the Latin American Governments should proceed at once to review the problems to which the establishment of such machinery and accompanying measures might give rise in their own countries. In that respect, it would be advisable, as a first step, to prepare an inventory of the agencies which could form part of the shippers' councils referred to in the common measure of understanding. The ECLA secretariat could also assemble the pertinent data on the experience of other countries, and make it available to the Latin American Governments together with a report suggesting possible formulas for the organization of a system of consultation in Latin America.

The problem has already been studied by the Economic Commission for Asia and the Far East (ECAFE), whose Trade Committee has recommended the Governments to establish "freight study units" within the ministries or other competent bodies, or in co-operation with trade organizations and shippers. ECAFE further decided that an ad hoc committee should meet to undertake the necessary studies, to suggest feasible programmes and to recommend the institutional machinery needed for the realization of regional aims in relation to shipping.

/In the

In the light of this experience, the Latin American Governments could establish departments or units within the competent governmental agencies, and in co-operation with trade organizations and shippers, for the systematic study of all questions relating to freight and its incidence in foreign trade and its development. Consideration could be given to the establishment of an ad hoc committee on the same lines as that set up by ECAFE. This committee could be convened in the second half of 1965, once the preliminary studies which might be undertaken by the ECLA secretariat were sufficiently advanced and once the committee on shipping and freight of the Trade and Development Board had been established.

In conformity with recommendation A.IV.22, greater efforts should be made to improve port facilities; "to this end international financing and aid and technical assistance should be made available on favourable terms and conditions". In this respect, special attention could be given in development plans and programmes to the improvement and rationalization of port facilities and operation, and to the preparation of specific investment projects for the reconditioning and modernization of ports, with a view to submitting the relevant projects to international credit institutions.

A particularly important step would be to put into practice without delay a resolution on ports adopted at the Meeting at Punta del Este. By virtue of the fact that this problem was common to all the Latin American countries and could be dealt with at the level of a multi-national project, the secretariats of ECLA and OAS were requested: (a) to prepare jointly "a technical study on the ports in Latin America, with a pertinent evaluation of necessary investments", and (b) "to appoint... a special working group for this purpose, and request the collaboration of interested countries, and the Government of the United States, in order to obtain from them technical and financial assistance to prepare the program". Since the Meeting at Punta del Este, the secretariats of ECLA and OAS have collaborated closely in a number of preparatory studies concerned with the implementation of the project. Under present conditions, it seems a matter of priority to make some headway with the project, for

/which purpose

which purpose the necessary financial assistance should be obtained either from the Government of the United States, the Inter- American Development Bank or the Inter-American Committee on the Alliance for Progress.

In 1963 and 1964 the Advisory Committee on Transport of the Latin American Free-Trade Association (ALALC) has been engaged in the study of a draft general agreement on maritime, river and inland-waterway transport, under the terms of the Montevideo Treaty. This draft agreement, which relates to intra-area maritime shipping traffic and has been drawn up in conformity with a resolution of the Second Conference of the Contracting Parties to ALALC (Mexico, 1962), is at present under consideration by the member States. An analysis of it would be out of place here, but mention should be made of the fact that it has been the object of certain reservations by the representatives of some States members of the Advisory Committee on Transport.

The ECLA secretariat is studying the question in the light of the discussions and results of the Conference on Trade and Development. The Governments of the States members of ALALC, in taking up the draft again, could, if necessary, introduce additional clauses embodying the pertinent provisions of recommendation A.IV.22 and of the draft which the developing countries submitted to the Conference.

The study of shipping and freight problems on a continuing basis might be vitally important in ensuring the smooth, successful operation of the consultation machinery provided for, at a national and regional level, in recommendation A.IV.22. The ECLA secretariat could, on request, orient and co-ordinate the studies carried out by the "freight study units" previously recommended.

The ECLA secretariat could intensify its studies on shipping and freight, in close co-ordination, or in conjunction with the secretariats of the United Nations Conference on Trade and Development, the other United Nations regional commissions and ALALC, the ALALC Advisory Committee on Transport, as well as competent governmental bodies, shippers' councils and liner conferences which would form part of the proposed consultation

/machinery. To

machinery. To that end, ways and means would have to be sought to provide the necessary funds and personnel.

2. Tourism

The Inter-American Travel Congress which is to meet at Bogota during March and April 1965 should study effective national and regional measures for attaining the objectives set forth in the recommendation on tourism adopted by the Conference. It would also be important for the Congress, in conjunction with national and regional tourist organizations, to prepare specific projects for submission to the financial institutions mentioned in the recommendation.

The subsidiary organs of the Trade and Development Board contemplated in recommendation A.V.1 include "a committee on invisibles and financing related to trade". This committee could also examine effective measures for promoting travel to the developing countries.

3. Insurance and reinsurance

In view of the recommendations of the Conference on matters of insurance, the Latin American Governments should agree:

(a) That the committee on invisibles and financing related to trade, whose establishment as a subsidiary organ of the Trade and Development Board is provided for in recommendation A.V.1, explore the possibility of applying as soon as possible effective measures for fulfilling the aims of recommendation A.IV.23, particularly those tending to strengthen national and regional insurance and reinsurance markets in the developing countries;

(b) That the ECLA secretariat, with the collaboration of an expert consultant on questions of insurance, should undertake a study aimed at formulating specific and practical conclusions and recommendations conducive to the application in Latin America of the recommendations made by the Conference in so far as they express the wishes of the Latin American countries in matters of insurance and reinsurance.

VI

INSTITUTIONAL ARRANGEMENTS

INTRODUCTION

1. Latin America's position and the conclusions of the Alta Gracia meeting

Latin America's draft recommendation on a new institutional structure recommended the establishment of an international trade organization within the United Nations system to deal with the problems of international trade, with special reference to the needs of development This new organization was to be universal in character, i.e., to include all countries and economic systems, and its main characteristics would be the following:

(a) It should have sufficient authority to ensure compliance with its own decisions;

(b) It should be capable of providing, on a continuing basis, the central stimulus for all work relating to international trade and financing considered as instruments of economic development;

(c) It should be an organ of the General Assembly of the United Nations, in conformity with Article 22 of the United Nations Charter;

(d) The Conference should be kept in being until such time as it is replaced by the new organization, and to that end should report on its activities to the General Assembly through the Economic and Social Council and should hold regular sessions every two years;

(e) The principal functions of the Conference should be: to establish principles and policies relating to international trade with special reference to the needs of development; to establish the means of action and propose the necessary instruments for putting the said principles and policies into effect; to carry out a critical evaluation and promote the

/review and

review and co-ordination of the activities of the international bodies and institutions concerned with international trade and development; and to promote the co-ordination of international commercial and financial policies in keeping with development needs;

(f) The Conference would have an Executive Council, established as an organ of the United Nations General Assembly, which would hold at least two sessions a year and be composed of thirty-four Member States. It would be similar in composition to the present General Committee of the Geneva Conference;

(g) The principal functions of the Executive Council would be to carry out the decisions of the Conference and ensure the continuity of its work, to prepare the regular sessions of the Conference, to entrust to the secretariat the preparation of the reports and documentation required, to supervise the implementation of the decisions taken by the Conference, and to approve and submit to the Conference a report on its work;

(h) Four subsidiary committees would function under the authority of the Executive Council:

(1) A committee to deal with relations between developed and developing countries;

(2) A committee to deal with relations between State-trading and market economy countries;

(3) A committee to deal with relations between developing countries;

(4) A committee to undertake whatever work is necessary for the establishment of the international trade organization, and to advise the Executive Council on the critical evaluation, review and co-ordination of the international trade activities of the other international bodies.

(i) The Conference would have a secretariat, headed by a Director-General, who would be responsible to the Secretary-General of the United Nations.

/The draft

The draft of the Latin American group of nineteen countries was based on the findings of the meeting at Alta Gracia and faithfully adhered to its main features, although some points were made more comprehensive and others more precise. For example, the draft was more emphatic than the Alta Gracia version as regards the establishment of a new international trade organization. Reference to the fact that GATT would continue to be the body concerned with promoting international trade was deleted; the functions of the Conference and of its Executive Council were more clearly defined than at Alta Gracia; and fuller details were given regarding the Council's constitution and the functions of the secretariat.

2. Other drafts submitted

The Latin American group's preliminary draft was circulated at the same time as three others: one, presented by the countries with centrally-planned economies, a second by several African and Asian countries (Burma, Ghana, Indonesia, Nigeria and Syria), and a third by some of the developed market economy countries. The African-Asian draft was couched in very similar terms to the Latin American proposal, which made agreement on a joint draft-recommendation from all the developing countries a relatively simple matter.

The other two draft recommendations - submitted by the countries with centrally planned economies and by some developed countries with market economies, respectively - were, on turn, revised by their sponsors and modified versions were presented which tended to accept some of the views of the developing countries. Thus a process of rapprochement between the different positions resulted in the unanimous adoption by the Conference of a single draft recommendation.

3. The joint draft submitted by the developing countries

The joint draft submitted by the developing countries, as put to the vote and adopted by Committee IV, covered all the essential points of the Latin American draft. It maintained the decision to set up a new organization, universal in character, with sufficient authority to ensure

/compliance with

compliance with its own decisions and of those of the United Nations which relate to international trade and development, and be capable of providing on a continuing basis, the central impetus for all work relating to trade and development. The United Nations Conference on Trade and Development would continue in operation as an organ of the General Assembly, one of its functions being "to review, evaluate and co-ordinate the activities of other institutions operating in the field of trade and development, with a view to their progressive adaptation to or integration with the comprehensive organization". Each State represented at the Conference would have one vote, and decisions on matters of substance would be taken by a two-thirds majority. An Executive Council would be established as a standing executive organ of the Conference. It would consist of fifty-two members selected on the basis of their geographical representation and the importance of the different countries in the field of trade. The Council would be assigned important and widely varying functions: when the Conference was not in session, the Council would function as an initiating, deliberating, executing and co-ordinating body on such subject matters as fell within the competence of the Conference; supervise the implementation of Conference decisions; request the secretariat to prepare reports; likewise, request reports from all inter-governmental or international agencies connected with trade and development (including GATT, FAO, IBRD, IMF and the ILO); and maintain close links with the regional economic commissions.

Furthermore, the Council was to study, on a priority basis, matters relating to the establishment of a comprehensive trade organization. It would normally report to the Conference, but in the years when the Conference was not in Session it would send its reports to the General Assembly, with copies to the Economic and Social Council.

Each member of the Council would have one vote, and decisions would be taken by a simple majority.

/It would

It would have a permanent secretariat, which would be concerned exclusively with the work of the Conference, the Council and its subsidiary bodies. The Secretariat would be headed by a Secretary-General, appointed by the General Assembly on the recommendation of the Secretary-General of the United Nations.

4. The position of the developed countries on the joint draft recommendation

The vote on the joint draft in Committee IV confirmed the fact that opinion was still divided on a number of basic points relating to the institutional machinery. Despite the large majority with which the Committee's draft was adopted, the leading developed countries in the field of international trade which voted against the draft represented a powerful force without whose co-operation the work of the new organization could hardly be really effective.

The following were the main points on which opinion differed:

(a) The developed market-economy countries insisted that it was unnecessary to set up new international trade organization. They wanted the Conference, itself with its subsidiary organs, to assume the permanent function of promoting the new conditions governing international trade;

(b) As regards the status of the Conference within the juridical framework of the United Nations, the developed countries proposed that it should be directly responsible to the Economic and Social Council, which would convene it under the terms of Article 62 of the United Nations Charter, or in accordance with Chapters IX and X of the Charter;

(c) The developed market-economy countries did not wish to grant the Conference functions as broad as those deemed necessary by the developing countries;

(d) They wanted the members of the permanent organ of the Conference to be confirmed by the Economic and Social Council, and insisted that the twelve principal trading countries be assured of a permanent seat. Moreover, they preferred that the permanent organ should consist of not more than forty members, instead of the fifty-two proposed by the developing countries;

/(e) The

(e) The system of voting proved to be the crucial issue as between the developed and the developing countries. The former contended that a simple numerical majority was not enough to take decisions on world trade, and requested that a system of qualified voting be adopted. The developing countries, for their part, considered that the General Assembly's system of voting, under which each State had a single vote, should be observed. From their point of view it was essential to make sure that a veto would not be able to prevent the consideration and adoption of decisions aimed at solving their trade problems;

(f) The developed countries envisaged the establishment of only one specialized body, the committee on commodities, whereas the developing countries advocated that two others be set up as well: a committee on manufactures and a committee on invisibles and financing related to trade;

(g) Opinions were also divided on the relations that should be maintained between the new mechanism and existing trade organizations.

THE RECOMMENDATION ADOPTED
(Recommendation A.V.1)

1. General statement

As soon as Committee IV had adopted the draft jointly prepared by the developing countries, yet more intensive efforts were made to secure a rapprochement between their position and that of the developed countries with market economies. The formula finally arrived at by common accord reconciled the divergencies of opinion as follows:

(a) The preamble to the recommendation considerably modified the idea expressed in the developing countries' draft to the effect that the international organizations existing at present are not equipped to tackle all the problems of trade and development, and that new institutional arrangements are therefore needed in the field of world trade. The principle that an institutional system complementary to existing arrangements should be established to continue the work initiated by the Conference and to implement its recommendations, conclusions and decisions was, however, maintained;

/(b) All

(b) All specific decisions concerning the creation of a new trade organization within the United Nations system were eliminated. The scheme adopted will, for the time being, be based exclusively on the periodic sessions of the Conference and on the establishment of a permanent organ of the Conference to be known as the Trade and Development Board. The Conference will be convened at intervals of not more than three years;

(c) The Conference will be recognized as an organ of the General Assembly. Presumably it will be established under the terms of Article 22 of the Charter, although the recommednation does not expressly say so;

(d) With regard to the functions of the Conference, the developing countries managed to get them defined as covering - more specifically than was stated in the draft prepared by the developed countries - the search for practical ways and means of applying principles and policies to solve the problems of the developing countries. In this connexion, the developed countries' draft mentioned only the formulation of principles and policies and the continuing review of international machinery; in that of the developing countries, it was proposed that the Conference should be generally responsible, under the authority of the General Assembly, for the promotion of international trade and development, and that to this end it should formulate policies, establish media of action and make proposals for the instruments required to put the said principles and policies into effect.

According to the recommendation adopted, the functions of the Conference will be, inter alia, "to promote international trade ... with a view to accelerating economic development", "to formulate principles and policies" and "to make proposals for putting the said principles and policies into effect and to take such other steps within its competence as may be relevant to this end".

The final recommendation is closer to the developing countries' draft as far as the co-ordination of the various existing agencies is concerned. Although the text alludes only to agencies within the United Nations system, the terms of reference assigned to the Conference in the

/definitive version

definite version empower it to "facilitate the co-ordination" of their activities, whereas all that was advocated in the draft submitted by the developed countries was the continuing review of international arrangements.

Another function assigned to the Conference is that of initiating action for the negotiation and adoption of multilateral legal instruments in the field of trade, although with due regard to the existing organs of negotiation;

(e) The Trade and Development Board is to have fifty-five members, in accordance with the wish of the developing countries. There is plenty of margin for the principal trading countries' permanent inclusion on the Board, since eighteen seats are reserved for the developed countries with market economies. However, no formal commitment is established to the effect that the twelve countries of most importance in world trade shall be entitled to permanent seats.

The wishes of the developing countries were also respected inasmuch as each State is to have one vote and decisions will be taken by a simple majority of the representatives present and voting. Provision is made, however, for a process of conciliation, for which the procedural details will be discussed at the next session of the General Assembly, on the basis of the relevant study carried out by a Special Committee.[21] This conciliation process is to take place before the Board casts its votes, the purpose being to provide an adequate basis for the subsequent adoption of recommendations involving decisions that may affect the economic or financial interests of particular countries.

Any country may submit to the Special Committee proposals relating to the substantive part of the recommendation, provided they do not imply any departure from the principle that each country has one vote;

21/ On 22 September the Secretary-General of the United Nations announced that he had appointed a Special Committee comprised of twelve members acting in a private capacity and not as representatives of their Governments. The members were nationals of Australia, France, India, Mexico, Pakistan, Poland, Senegal, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom, United States and Uruguay. The Committee began its work on 28 September and concluded its activities on 23 October.

/(f) The

(f) The functions of the Board include that of taking appropriate action, "within its competence", for the implementation of the recomendations of the Conference;

(g) The draft prepared by the developing countries made the permanent organ responsible for requesting from inter-governmental or international bodies reports on matters within their province relating to trade and development, and empowered it to make recommendations to such bodies. This faculty was not included in the developed countries' draft. In the recommendation finally adopted it is confined to making "as required, arrangements to obtain reports from and establish links with inter-governmental bodies whose activities are relevant to its functions";

(h) The clause in the developing countries' draft which assigned to the permanent organ the function of carrying out in advance all the preparatory work for the establishment of a new world trade and development organization was suppressed in the final recommendation. However, the Conference is still responsible for reviewing "in the light of experience the effectiveness and further evolution of institutional arrangements with a view to recommending such changes and improvements as might be necessary". To this end it will study, inter alia, "matters relating to the establishment of a comprehensive organization, based on the entire membership of the United Nations system of organizations, to deal with trade and with trade in relation with development";

(i) With regard to the specialized subsidiary committees, the recommendation takes up the proposal of the developing countries in that it expressly provides for the creation of a committee on commodities, another on manufactures and a third on invisibles and financing related to trade, without precluding the establishment of any others that may prove necessary. Both the developed and the developing countries' drafts suggested the institution of a committee on commodities to "carry out the functions which are now performed by the Commission on International Commodity Trade and the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA)," a specification which is maintained in the resolution finally adopted;

/(j) In

(j) In essence, the draft prepared by the developing countries was included textually in the final recommendation as far as the secretariat of the Conference and its organs are concerned. The only difference consists in the suppression of the list of the secretariat's functions.

2. Evaluation of the recommendation

The basic aspiration of the developing countries in the institutional field was to have at their disposal a permanent agency through which their general and specific trade and development problems could be ventilated on a co-ordinated basis and at the world level. According to the proposals of the developing countries, moreover, this agency should have a measure of executive powers enabling it to ensure the effective, even if gradual, implementation of its decisions and recommendations.

In the course of the lengthy and difficult negotiations on this point conducted at Geneva the developed countries explained their reasons for objecting to too radical a change in the juridical scope and formal characteristics of the institutions concerned with trade problems. The Seventy-five realized that at this stage it would be expedient to draw in their horns and be content with less spectacular advances.

The progress represented by the final recommendation must be considered satisfactory on the whole. A definite decision was taken to establish new juridical machinery calculated to play an important part in the process of remodelling the structure of trade on lines more favourable to the developing countries.

The recommendation in fact guarantees the permanence of a comprehensive institution capable of formulating policies in respect of the trade problems of the developing countries, and following up their execution. This institution - the Conference - will have a similarly permanent organ to give continuity to its activities. The developing countries will be able to avail themselves of the right to vote within this organization, although for practical reasons an attempt will be made to bridge the gap between divergent positions through a conciliation

/procedure, when

procedure, when the action proposed may substantially affect the economic or financial interests of one or more countries. The Conference and its permanent organ will be fully empowered to seek ways and means of making a new international trade policy viable and effective. They will have at their disposal a specialized secretariat which will operate autonomously but in close contact with the organs of the United Nations, on a basis of systematic co-operation with the regional economic commissions and co-ordination with the other United Nations agencies that have to do with trade questions. As a starting-point for its activities, the new institutional structure will be able to use the body of recommendations adopted at the Geneva Conference.

From the standpoint of the ends pursued, it seems obvious that the institutional machinery agreed upon at Geneva constitutes a juridical instrument at least as effective as an autonomous agency would have been, if it had been accorded the same faculties and terms of reference as the Conference. The difference seems to be mainly one of form, since possible lacunae can be filled by means of reforms that are not peculiar to an autonomous agency, and that might well be incorporated in the institutional structure set up at Geneva through decisions of its own.

Again, paragraph 31 of the recommendation provides that one of the tasks of the Conference and of the Board will be to study all matters relating to the establishment of a comprehensive organization. This means that the developing countries will be able to follow up the operations of the recently-formed institutional structure with a view to renewing, should they deem it necessary, their advocacy of a new autonomous organization.

The possibility of making operational decisions or specific policies legally binding on all members will depend upon whether the positions of the developing and the developed countries are successfully conciliated.

The recommendation makes no clear pronouncement on the role that the General Agreement on Tariffs and Trade (GATT) will continue to play in the future or the co-ordination patterns that may be introduced in

/relation to

relation to this agency. Generally speaking, the initial efforts of the developing countries were directed towards securing the incorporation of GATT in the new institutional structure of which it would form part and by whose highest authorities it would be given guidelines for its action; or, at least, the establishment of systematic co-ordination procedures which would ensure that tariff reductions and the other activities of GATT were carried out with due regard to the opinions of the world trade agency and the special needs of the developing countries.

Under the terms of paragraph 18 of the recommendation, the Trade and Development Board "shall, as required, make arrangements to obtain reports from and establish links with inter-governmental bodies whose activities are relevant to its functions"; furthermore, "in order to avoid duplication it shall avail itself, whenever possible, of the relevant reports made to the Economic and Social Council and other United Nations bodies". This means, in practice, that GATT may remain outside the new structure, in which case relations between GATT and the Conference would be established only on the basis of ad hoc agreements.

How much GATT can do to promote the interests of the developing countries will continue to depend upon the decisions of its members, whether these are expressed through the programmes or plans prepared by GATT itself or through the agreements concluded by its members within the Conference and subsequently implemented through the GATT machinery. On the other hand, according to paragraph 3 (d) of the recommendation, one of the Conference's functions will be "generally, to review and facilitate the co-ordination of activities of other institutions within the United Nations system in the field of international trade". What is more, paragraph 3 (e) empowers it "to initiate action, where appropriate, in co-operation with the competent organs of the United Nations, for the negotiation and adoption of multilateral legal instruments in the field of trade, with due regard to the adequacy of existing organs of negotiation and without duplication of their activities".

/3. Functions

3. Functions of the Conference

The basic functions of the Conference are defined in paragraph 3 (b) and (c) as being "to formulate principles and policies", and "to make proposals for putting the said principles and policies into effect".

Its ability to make these principles and policies binding, so that it becomes a true juridical instrument, will depend, as was previously pointed out, upon the degree of unanimity with which they are adopted.

4. Conciliation procedure

The delegation to a Special Committee of the task of proposing procedures for a process of conciliation between the developed and developing countries, in all cases in which the problems or decisions concerned may affect the interest of member countries, was of decisive importance in compounding the serious differences manifested at the Geneva Conference with regard to voting systems for the new institutional structure. This Special Committee is to submit a report to the next session of the General Assembly of the United Nations.

It is to be hoped that the report in question will be fully acceptable both to the developed and to the developing countries, and that consequently the last problem left pending at Geneva in relation to the establishment of a really effective institutional structure will be successfully solved. The effort made by the developing countries to sustain the principle that each State should have one vote at the Conference and on the Board seems fully justified. It is worth noting, however, that at the voting stage, and when the decisions or positions concerned relate to substantive matters and must imply a formal commitment, the acquiescence of the developed countries is almost always indispensable if such decisions are to be operative. Hence the need to seek some prior conciliation procedure, which the developing countries themselves, it would seem should regard as a means of increasing the possibilities of achieving practical results.

/The majority

The majority vote of the developing countries, of which they could avail themselves as a means of indicating their wishes or their unsatisfied aims, will always be a last resource in cases where the conciliation procedure has failed.

Another point to which attention should be drawn in the institutional field is the important role that may be discharged by the regional economic commissions within the new institutional mechanism. In the recommendation adopted at Geneva, express mention is made of the close-co-ordination which should exist between the secretariat of the Conference and the said regional commissions. Such co-ordination will be a very useful means of enabling the different regions to give systematic expression to their aspirations and views, and of making it possible to carry out necessary technical studies, for the purposes of which the experience of the commissions in specialized fields and their knowledge of the regions concerned may be of the greatest value. In addition, the regional commissions will be able to continue giving member countries advisory assistance in their efforts to study and clarify their positions vis-à-vis the various problems that emerge in the course of the Conference's activities. To this end, contacts between the several regional commissions will be extremely useful.

POSSIBLE LINES OF ACTION

Possible lines of action may be summed up under two basic heads, as follows:

(1) To continue supporting, both generally and specifically, at the next session of the General Assembly, the establishment of an effective institutional structure, pursuant to the terms of the recommendation adopted at the Geneva Conference;

(2) To endeavour to strengthen this agency in the future, so that it may increasingly prove its worth as the instrument of action awaited by the developing countries.

VII

PROMOTION OF TRADE BETWEEN DEVELOPING COUNTRIES

INTRODUCTION

In keeping with the conclusions adopted at Brasilia and Alta Gracia, what Latin American countries in Geneva sought mainly to achieve in this connexion, was a reshaping of world trade patterns along lines conducive to regional integration. This would have to be done in several basic fields: (a) the developing countries should be authorized to grant each other trade preferences, without being compelled to extend them to the developed countries; (b) the international regulations required for carrying out the process of integration between developing countries should be made sufficiently flexible; (c) bilateral payments and trade systems should be viewed as instruments which might sometimes promote trade between developing countries; (d) sufficient international cooperation should be ensured for the purpose of promoting the developing countries' regional integration processes, including the financing of their trade and the solution of problems impeding integration (lack of transport, banking services, financial machinery and connections, etc.).

Of all the developing regions, Latin America was the one which displayed the keenest interest in promoting the discussion and the adoption of decisions on the subject at the Conference. Its attitude is easily understandable, since two regional integration movements are being successfully developed in this region.

RECOMMENDATIONS ADOPTED
(A.II.5 and A.II.8)

The rest of the developing countries, on the whole, supported Latin America's proposals, which were embodied in two draft recommendations submitted by the Seventy-five as a group. The recommendations represented, in essence, all the aims and hopes expressed in the Charter of Alta Gracia, and were adopted unanimously by the Conference. Although the bilateral

/payments arrangements

payments arrangements found very weak support, both recommendations should be regarded as most constructive and susceptible of immediate practical application.

In fact, they set forth several objectives and principles of vast significance to the developing countries, in particular to Latin America. Chief among them are the following:

(a) The importance of measures designed to liberalize and strengthen trade between developing countries, especially through regional integration movements;

(b) The need for the developed countries to facilitate regional integration movements, particularly to the extent that the basic principles governing world trade should permit the countries participating in such integration to adopt the best possible arrangements to expedite the process. Foremost among those facilities is the mutual granting of exclusive preferences at the regional or sub-regional level;

(c) The necessity for developing countries to be able to adopt the most appropriate financing and payments measures for their integration or for the intensification of mutual trade, including regional payments unions; and

(d) The over-all objective that the developing countries should liberalize their mutual trade, within the framework of co-ordinated action and development programmes.

The foregoing principles and decisions open up wide prospects for securing formal international backing for integration movements and for surmounting the obstacles and difficulties in the form of basic principles which formerly limited the possibilities of seeking and putting into practice the procedures best suited to the purpose. It is in this particular sense that the two recommendations acquire great practical significance.

These recommendations are subject to two provisions, both, however, of a constructive nature. The first requires that special attention be given, within any process of integration or co-operation between developing countries, to the needs of the different countries participating therein, with special emphasis on those at a relatively less advanced stage of

/development. This

development. This introduces into integration processes a factor of equilibrium and equity which is already a practical feature of the Latin American Free-Trade Association (ALALC), although its basic elements will have to be broadened in the immediate future.

The second provision stipulates that integration between the countries of a region should not adversely affect other developing countries and, in general, should take into account the interests of third countries. This requirement is also in perfect harmony with the meaning and objectives of the Latin American integration movement, in that it seeks to maintain, and even to raise, the levels of trade between its members and third countries.

POSSIBLE LINES OF ACTION

The two recommendations make it possible to foresee important results in the near future. On the one hand, the support given to the concept of regional and sub-regional integration should strengthen it anew, based on the fact that the developed countries must be prepared to provide the necessary means allowing the developing countries desiring integration to achieve it under favourable conditions, without normative limitations and with due regard to the fact that the peculiar nature of their problems calls for special facilities. Integration movements deserve special attention in respect of financing, as was recognized in two of the recommendations on the subject adopted by the Conference.

This new climate opens up to the Latin American countries possibilities of stimulating regional integration without being hampered by a strict interpretation of the rules applied by existing organizations. It is to be hoped now that such organizations will not insist that the developing countries concerned with integration should present a plan and schedule for arriving at the removal of all barriers to reciprocal trade, as apparently required by article XXIV of GATT; nor that "substantially all" traditional items of trade should be liberalized. In future, developing countries will be able to start their integration process by adopting partial solutions. For instance, internal reduction of trade barriers might be their target, or they might aim at the abolition

/of these

of these barriers only in respect of certain industries. As regards payments, too, the recommendations adopted in Geneva provide new hope that the international monetary and financing institutions will look with favour upon the organization of multilateral systems or the practice of bilateral agreements which, from time to time might facilitate trade between developing countries.

In the past, whenever they deemed it expedient, the developed countries practiced forms of co-operation which departed from standard procedures. By virtue of the relevant resolutions of the Conference, the Latin American countries can also consider themselves free to study any method that will promote their integration. Their only criterion should be the selection of an economically realistic and politically feasible formula. International trade rules have not only ceased to act as a restraint, as insinuated in the recommendations, but the developed countries themselves have undertaken to do everything in their power to promote integration between countries in process of development. A systematic effort on the latter's part to stimulate integration would testify to their firm determination to help themselves, thereby facilitating the marshalling of all types of assistance from the developed countries.

VIII

PRINCIPLES

INTRODUCTION

The United Nations Conference on Trade and Development discussed a set of principles which might serve to govern trade relations and trade policies conducive to economic development.

A working group was appointed to review the various proposals submitted to this respect. As a result of its work, and on the initiative of the developing countries, these proposals were presented in the systematic form of so-called General and Special Principles. They may even be said to constitute the outline of a Trade and Development Charter, since they consolidate the essential criteria discussed at the Conference with a view to a new order in international co-operation.

Fifteen General Principles and thirteen Special Principles were drafted, besides a set of principles relating to the transit trade of land-locked countries.

GENERAL AND SPECIAL PRINCIPLES
(Recommendation A.I.1)

The General Principles focused on the following subjects: respect for the principle of sovereign equality of states; self-determination of peoples, and non-interference in the internal affairs of other countries; the complete elimination of discrimination on the basis of differences in socio-economic systems; a country's right freely to trade and to dispose of its natural resources; international responsibility in respect of economic growth; a new international division of labour; increase in the export earnings of developing countries; facilities for access to markets and more remunerative prices; establishment of most-favoured-nation treatment; avoidance of the possibility that the economic integration of the developed countries should adversely affect the developing countries; promotion of regional economic groupings among developing countries; the requirement that international financial and monetary policies should take full account of trade and development needs; disarmament, decolonization and special treatment for the relatively less developed countries.

/The Special

The Special Principles outlined the manner in which the countries participating in the Conference should orient their respective national policies in order to attain the objectives set forth in the General Principles.

Since the compromise agreement on the substantive items of the agenda was not reached until virtually the end of the Conference, there was no time to reconcile the various amendments to the General and Special Principles. It was therefore decided that a vote should be taken at the plenary meeting. Thus, they were adopted by a majority vote, with all the developing countries voting in favour. At the same time, recommendation A.I.3, recognizing the necessity of achieving the broadest possible measure of agreement at the earliest possible moment on a set of Principles, and recommending that the new institutional machinery should continue efforts to that end, was adopted unanimously.

TRANSIT TRADE OF LAND-LOCKED COUNTRIES
(Recommendation A.I.2)

This recommendation forms the subject of General Principle Thirteen, which the Conference decided to deal with separately. It was the only one of the Principles to be adopted unanimously and it represents the Conference's resolve to pay special attention to the various aspects of the transit trade of land-locked countries. The text of the recommendation, in turn, contains eight specific principles defining the rights which the international community must recognize in order to promote the economic development of the land-locked States, and thus to enable them to overcome the effects of their land-locked position on their trade.

The recommendation includes the following interpretative note: "These Principles are interrelated and each Principle should be construed in the context of the other Principles". This statement is supplemented by recommendation A.VI.1, to the effect that the Secretary-General of the United Nations be requested to appoint a committee of twenty-four members, representing land-locked, transit and other interested States as governmental experts and on the basis of equitable geographical distribution. The committee would be expected to prepare a multilateral draft convention, taking into account the principles of international law, conventions and

/agreements in

agreements in force and submissions by Governments in this regard, as well as the records of meetings of the Sub-Committee on land-locked countries established by this Conference. The new draft convention would be submitted to the Secretary-General for presentation to the conference of plenipotentiaries to be convened in mid-1965 to consider the draft and adopt the convention.

On 24 September, the Secretary-General of the United Nations announced that he had appointed this Committee, which was composed of the following members: Afghanistan, Argentina, Austria, Bolivia, Chile, Czechoslovakia, India, Ivory Coast, Japan, Liberia, Mali, Nepal, Netherlands, Niger, Nigeria, Pakistan, Paraguay, Senegal, Switzerland, Union of Soviet Socialist Republics, United Kingdom, United States, Upper Volta and Yugoslavia. It is scheduled to start work at United Nations Headquarters on 26 October 1964.

FUTURE PROSPECTS

The practical result which the recommendations adopted in this connexion seek to achieve is the codification of a set of principles upon which a Trade and Development Charter may some day be based. By its very nature, this project will be time-consuming. Taking into account the experience of the developing countries which attended the Geneva Conference, the Latin American countries would do well to continue their work in this respect, so as to be in a position once the Trade and Development Board is established, to make constructive contributions in regard to both the principles themselves and the best procedure to follow in the matter.