1. The Secretary-General of the United Nations has the honour to announce that Dr. Raúl Prebisch, Secretary-General of the United Nations Conference on Trade and Development, has offered his resignation, mainly for reasons of health and in accordance with his own wish to devote himself fully to his work as Director-General of the Latin American Institute for Economic and Social Planning. The Secretary-General has decided to accept, with regret, the resignation of Dr. Prebisch, which will become effective some time in March 1969. The Secretary-General has also requested Dr. Prebisch to continue to serve as an adviser to him and to the Under-Secretary-General for Economic and Social Affairs in the search for solutions to the world-wide problems which are before the United Nations, and in particular in the shaping of a global strategy for the second United Nations Development Decade, to which Dr. Prebisch has lately devoted much of his energy and imagination.

2. Section II, paragraph 27, of General Assembly resolution 1995 (XIX) of 30 December 1964 provides that the Secretary-General of the Conference shall be appointed by the Secretary-General of the United Nations and that the appointment shall be confirmed by the General Assembly.

3. In accordance with the provisions of the above resolution, the Secretary-General has, on 25 November 1968, appointed His Excellency Dr. Manuel Pérez Guerrero, Permanent Representative of Venezuela to the United Nations, as Secretary-General of the United Nations Conference on Trade and Development for a term of office beginning in March 1969 and ending on 31 March 1972. Since the appointment must
be confirmed by the General Assembly, the Secretary-General suggests that the following sub-item be added to agenda item 34:

"(c) Confirmation of the appointment of the Secretary-General of the Conference."
Mr. Michael Hoffman

Irving S. Friedman

UNCTAD Meeting of Committee on Commodities

I have sent on the November 18 letter from Karasz regarding the Committee on Commodities meeting to Avramovic for his information. However, I would like to know how come we did not send someone to this meeting? If I knew I'm afraid I have forgotten.
WISHART
INTEGRA
PARIS

FRANCE

NOVEMBER 20, 1968

TELEX

1084

YOUR 1199 TO HOFFMAN AND KAMARCK'S INTERIM REPLY. SARMA WILL ATTEND INFORMAL MEETING OF EXPERTS ON PERFORMANCE CRITERIA DECEMBER 2 AND 3. HE WILL EXPLAIN BANK PRACTICE AND PARTICIPATE IN DISCUSSIONS. SOME AVAILABLE PAPERS BY STAFF MEMBERS WILL BE PROVIDED AS BACKGROUND MATERIAL. REGARDS

DEMUTH

Richard H. Demuth
Development Services

cc: Mr. Friedman
Mr. Sarma

ISF: tf
WISHART

INTBAFRAD

PARIS

FRANCE

November 20, 1968

TELEX

YOUR 1199 TO HOFFMAN AND KAMARCKS INTERIM REPLY STOP SARMA WILL ATTEND INFORMAL MEETING OF EXPERTS ON PERFORMANCE CRITERIA DECEMBER 2 AND 3 STOP HE WILL EXPLAIN BANK PRACTICE AND PARTICIPATE IN DISCUSSIONS STOP SOME AVAILABLE PAPERS BY STAFF MEMBERS WILL BE PROVIDED AS BACKGROUND MATERIAL STOP REGARDS

FRIEDMAN

Irving S. Friedman

cc: Mr. Sarma

The Economic Adviser to the President
You may consider sending the following papers:


✓ 3. "The Policy Package of the Supplementary Finance Scheme" - a paper by the Bank Staff for the Intergovernmental Group on S.F.

✓ 4. "The Evaluation of Economic Performance in Developing Countries" - a paper by Mr. Sundrum.

✓ 5. Talk by Mr. Sundrum at EDI Seminar on "Performance and Aid to Developing Countries".

✓ 6. Paper by Prof. Miksell - "Performance Criteria".

✓ 7. Address by Mr. Irving S. Friedman: "International Problems of Economic Development". (Canadian Political Science Association, June 1967)
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6. Paper by Prof. Mikesell - "Performance Criteria".

7. Address by Mr. Irving S. Friedman: "International Problems of Economic Development". (Canadian Political Science Association, June 1967)
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

FROM: N. A. Sarma

DATE: November 8, 1968

SUBJECT: U.N. Committee II: Consideration of UNCTAD Reports

During the week commencing November 4, 1968 the U.N. Committee II took up for consideration the Report of UNCTAD II; I attended the committee sessions from November 4 to 6. The Committee also had before it the Annual Report of the Trade and Development Board covering the period October '67 to September '68. Earlier, the President of UNCTAD II (Mr. Dinesh Singh of India) had made a statement before the General Assembly on the results of the Conference.

The Secretary-General, Dr. Prebisch, in his remarks, referred to two essential areas of convergent measures: (1) the need for a massive transfer of international resources to LDC's, and (2) the need for development discipline on the part of LDC's. He said that a Supplementary Finance Scheme was an essential element to protect development programs from the vicissitudes of trade faced by LDC's. There were difficulties in both areas which had to be overcome if an effective development strategy was to be fashioned for the decade of the 70's.

The observations of individual delegations, from developed and developing countries, followed familiar lines. References were made, inter alia, to IDA replenishment, the Pearson Commission, proposed increase in Bank Group lending, external debt situation of several LDC's and their inability to use loans at 6 or 7 percent interest, the Horowitz proposal, the one percent of GNP aid target. Several representatives referred to the work of the Intergovernmental Group on Supplementary Finance. It was generally observed that the group system in UNCTAD, while useful, had proved inhibitive of fruitful contacts for individual delegations.

Sweden and the Netherlands made forward-looking statements, underlining the practical possibilities of further achievement. Denmark spoke on behalf of all Nordic countries, expressing deep concern at the stagnation of aid volume, urging the channeling of a substantial part of aid flows through multilateral institutions, and expressing the sincere hope that the Intergovernmental Group on Supplementary Finance would be able to reach agreement on a fully elaborated scheme for implementation in the not too distant future.

The Economic Committee of ECOSOC had been directed to meet intersessionally during 1968 for consideration of matters about the Second Development Decade. An expert committee for Development Planning, headed by Prof. Tinbergen, has been appointed by the Secretary-General of U.N. for preparatory work on the Second Development Decade. In the Trade and Development Board of UNCTAD the special role of UNCTAD in the development strategy for the 70's has been discussed at some length, and a resolution had been adopted (by vote, the developed countries abstaining) asking the Secretary-General of UNCTAD to convene an
intergovernmental group for the purpose. I learn that attempts are under way to resolve the procedural issues that seem to have arisen so far on this matter; it would seem that France, Netherlands, Sweden (and a few others) among developed countries are likely to participate in such a group. (One suggestion informally being made is to have a General Assembly Group for the purpose to circumvent jurisdictional and other issues.)

(Later, maybe next week, the discussions on UNCTAD and external financing would be resumed. Resolutions on these matters may come up. Mr. Consolo would inform us about developments. It may be useful for me to go up again for a day or two, then.)

cc: Mr. Consolo
I had a telephone conversation yesterday with Mr. J. Pierre Benoit, Chief, Financial Policy and Institutions Section in the Department of Economic and Social Affairs at the United Nations. The subject matter was the work program for the study which the U.N. and the World Bank have been requested by UNCTAD II to do on the possibility of refinancing suppliers' credits by developing countries. Mr. Benoit referred to the report prepared by his section last May (E/4481) which contained surveys of export credit and export credit insurance schemes in a number of developing countries, mainly in Latin America. He added that further additional surveys had been prepared by his section on other countries and that this work would be included in a report to be issued in the coming months. Referring to the round table discussion on these matters which had been tentatively planned for the beginning of 1969, Mr. Benoit stated that the date for such a discussion had been set for May 1969. He clarified that the main topic in these discussions would be proposals for the refinancing of suppliers' credits by developing countries.

I thanked Mr. Benoit for bringing me up-to-date on these matters and stated that up to now our contribution had amounted unfortunately to very little, because of other urgent assignments. I added, however, that we could offer a positive collaboration starting in the near future because of a reorganization within the Bank. As an example, I indicated that I was thinking of a case study on Spain, which was one of the originators of the UNCTAD I Resolution, as this study would be facilitated by the fact that a Bank economic mission would go to Spain in January 1969. This study would cover both the institutional aspects and the substantive economic aspects, such as the competitiveness of the Spanish capital goods industry, the various arrangements, other than export credit and export credit insurance, which have been used to promote Spanish exports, and the prospects for favorable developments in these industries. Since Mr. Benoit had earlier indicated to me that a survey of the institutional arrangements in Spain had already been made by his staff, I asked him if I could have a copy of the final report on this matter as soon as it was ready. This would facilitate the work of our staff on those aspects of the Spanish experience. Mr. Benoit stated that the study would be sent to me as soon as it was available.

We closed our conversation by agreeing to remain in contact on the above matters, including a visit which I would pay to his office should I have an opportunity to go to New York for other business.

cc: Messrs. Friedman, Hulley and Nespoulous-Neuville

US:fm
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Irving S. Friedman

DATE: November 5 1968

SUBJECT: Supplementary Financial Measures

1. Mr. N. A. Sarma attended the session of the Intergovernmental Group on Supplementary Finance, in Geneva last week. His report is attached hereto.

2. Sarma agreed at the Group's meetings that the Bank Staff would take another look at the cost estimates of the Bank Staff Scheme. He also stated that refinancing the Fund's Compensatory Financing Facility did not provide an alternative approach to Supplementary Finance. A question raised by the Group for our consideration is: to what extent could the Bank Staff Scheme be implemented by the Bank and IDA, within the existing Articles of Agreement, if the Executive Directors so agreed and if the necessary resources were made available?

3. The Intergovernmental Group is to meet again from June 23 to July 4, 1969. This is likely to be the final session, at which the Group's conclusions on Supplementary Finance would be formulated. Thereafter, they will be considered by the Trade and Development Board of UNCTAD at its session during August 26 - September 12, 1969. This timing seems convenient from our own viewpoint. Supplementary Financial Measures is one of the four seminar topics envisaged for Stage II of the informal sessions of the Executive Directors on Stabilization of Prices of Primary Commodities.

4. I have asked Sarma to prepare a comprehensive background paper for the seminar discussions on the subject of Supplementary Finance.
October 28, 1968

Mr. Irving S. Friedman

N. A. Sarma

Intergovernmental Group on Supplementary Financing
(Fourth Session: Geneva: October 21-25, 1968)

1. This first session of the expanded group was mainly preparatory for
the next session to be held during June 23 - July 4, 1969. Mr. Mermelja of
Yugoslavia continues as Chairman, and Mr. Dunkel of Switzerland is the Vice-
Chairman-cum-Rapporteur.

2. It would seem to be the intention of the Group to conclude its work at
the next session. The program of work agreed upon at this session requests
the UNCTAD Secretariat, Bank Staff, and Fund Staff to provide additional
material and advice. Any written material is to be furnished by the end of
March, 1969.

3. Among the questions that directly involve the staff of the Bank are those
relating to cost estimates, and the relationship between Supplementary Finance
and Fund's Compensatory Finance Facility. Both at the DAC Working Party
meeting on the 18th October (which also I had attended), and at the Group's
session, I restated the nature of the cost estimates in the Bank Staff Study.
However, under considerable insistence of some members of the Group, I agreed
that the Bank Staff would look at the estimates again, using available data
for more recent years.

4. The so-called simplified scheme that had been put forward earlier by
the representative of the Federal Republic of Germany (and referred to in
the Report of the Group), as well as refinancing the Fund's Compensatory
Financing Facility, were referred to at the DAC Working Party meeting, and
at the Group's session. Additional material and analyses are to be furnished
by the UNCTAD Secretariat (in consultation with whoever proposed these ideas)
for the next session. I again stated at the meetings that refinancing CFF
did not provide an alternative approach to SF for meeting the purposes in
view.

5. The discussion on points of substance was brief and along the same
lines as at UNCTAD. Representatives of developing countries (in particular,
Venezuela, Chile, Nigeria, Ghana, Uganda (observer), India, Pakistan, Ceylon
and Yugoslavia) did not think that further studies were called for; they
urged acceptance of the Bank Staff Scheme, though some modifications could
be considered. Sweden also continued to take this position, though they did
not argue against further work. The U.K. reminded the Group that she was a
sponsor of the Resolution, but indicated an open mind as to the precise
approach; more than anyone else, the U.K. representative referred to the
relationship between CFF and SF. U.S.A. seemed to incline toward a modified
version of the so-called simplified scheme, and also spoke of the refinancing
possibility. Canada appeared to suggest a compromise between the Bank Staff
Scheme and the proposal of the representative of Germany. France continued
to assert that stabilization of commodity prices is the real approach.
6. It is my view, partly based on the discussions at this session of the Group, that the next session would conclude the work of the Group. As such, for S.F. this would be the important session; the final Report of the Group would be considered at the Ninth Session of the Trade and Development Board during August 26 - September 12, 1969. (This session of the Board may be convened at ministerial level.) Accordingly, we should soon start preparation of whatever additional material we want to present, engage in useful discussions with interested governments, and also formulate our own approach for the 1969 meetings.

7. Please refer to the papers attached hereto. Questions which concern us are as follows:

(i) Could the Agency's consultations within the framework of the SFM Bank Staff Scheme be fitted into the consultations normally conducted by the Bank with developing countries. Would any adaptations be necessary?

(ii) To what extent could the proposed SFM Bank Staff Scheme be implemented by the Bank and the IDA, within their existing articles of agreement, if the Executive Directors so agreed and the necessary funds were made available?

(iv) To what extent would the Bank staff be able, despite the fact that much depends on judgement, to revise the cost estimates contained in its study by using more recent statistical data and taking account of developments which have occurred since the study was prepared (or by allowing for mid-term revisions?) Is there any practical possibility pursuing an alternative method of estimating the costs of the Scheme, without devoting undue additional work? e.g. by conducting a study of the amounts which would have been required to protect the development plans of a limited number of countries which have undergone a particularly marked export shortfall over the last five years period. (While we may look into the latter part of the question, it is only the first part, i.e. on the lines of our own earlier study, that we have to attend to.)

(v) How would the GFF method of assessment of export shortfalls differ in practice from that of SFM when applied over a five-year period? Would GFF assessment be self-correcting through adjustment over a period of time to a lower level of export earnings? Would the SFM method be brought closer to those of the assessment of shortfalls yielded by the GFF method if mid-term revision was carried out under SFM? How much practical difference would there be in the case of countries not having a five-year plan or having a plan with annual revisions?
(vi) If a country qualifies simultaneously for CFF and SFM what would the practical consequences be of such a situation as regards the provision of funds because of the divergencies between the rates of interest payable, the length of the credit period, the limits on any single drawing and the policy conditions? Would there be any conflict between the co-operative action envisaged under the CFF and any measures of adjustment envisaged under the SFM scheme? To what extent would obtaining help under SFM be conditional upon prior use of CFF? Would a joint committee of the Fund and the Agency or a similar institutional arrangement be feasible?

We are also requested to give our viewpoint about refinancing CFF as a means of SF.

v and vi are addressed to the Fund also; there are others addressed to the Fund only. Mr. Edgar Jones agreed that the Fund Staff would examine the question of refinancing CFF, and cost thereof. It is for consideration in what manner the Fund and Bank Staffs could collaborate.
Intergovernmental Group on Supplementary Financing
Fourth session

Draft programme of work agreed at the fourth session of the
Inter-Governmental Group on Supplementary Financing

(Note by the Rapporteur)

I.

1. The Group agreed, following the proposals of the Chairman, that it would concentrate on reviewing the issues before it and on deciding what further material, information and comment would be required in order to enable it to formulate conclusions on measures of Supplementary Finance at its next session.

2. Nevertheless, some delegations expressed views on questions of substance which will be taken into account in the Group's further work.

3. At all events, the Chairman of the Group would inform the appropriate organs of UNCTAD of the progress of its work.

4. Among the issues that the Group or some of its members wish to see considered at the next session of the Group some seem to need further examination or preparatory work by the UNCTAD secretariat, the staff of the Bank or the Fund, as may be appropriate. In order to provide guidance for this work the following list of questions has been established:

1/ The following countries have joined the Group in accordance with the decision reached at the 172nd meeting of the Trade and Development Board at its seventh session: Afghanistan, Australia, Canada, Chad, Chile, Italy, Nigeria, Pakistan, Switzerland, Tunisia, Uruguay and Venezuela.
Programme of work agreed at the fourth session of the Inter-
Governmental Group on Supplementary Financing

A. Questions for further examination relating to the World Bank Staff Scheme

The group requests the Secretary-General to invite the IMF and IBRD to examine those of the following questions with which they are concerned and to make available their comment to the Group at or before its fifth session. On certain other questions further comment is requested of the Secretariat. It is requested any written material should be submitted by 31st March, 1969.

(i) Could the Agency’s consultations within the framework of the SFM Bank Staff scheme be fitted into the consultations normally conducted by the Bank with developing countries? Would any adaptations be necessary? (Bank)

(ii) To what extent could the study included in doc. (TD/3/0.3/AC.3/23) be further developed in order to illustrate more clearly the adjustment measures by those countries in which substantial export shortfalls occurred? Can these case studies indicate the minimum assistance that would have been required to maintain imports considered essential to the development program? (UNCTAD)

(iii) To what extent could the proposed SFM Bank Staff scheme be implemented by the Bank and the IDA, within their existing articles of agreement, if the Executive Directors so agreed and the necessary funds were made available? (Bank)

(iv) To what extent would the Bank staff be able, despite the fact that such depends on judgement, to revise the cost estimates contained in its study by using more recent statistical data and taking account of developments which have occurred since the study was prepared (or by allowing for mid-term revisions?). Is there any practical possibility pursuing an alternative method of estimating the costs of the Scheme, without devoting undue additional work?

1/ Some members felt that many of the questions related to the Bank staff scheme would also be relevant to the other proposals.
e.g. by conducting a study of the amounts which would have been required to protect the development plans of a limited number of countries which have undergone a particularly marked export shortfall over the last five years period. (Bank)

(v) How would the GFF method of assessment of export shortfalls differ in practice from that of SFM when applied over a 5-year period? Would GFF assessment be self-correcting through adjustment over a period of time to a lower level of export earnings? Would the SFM method be brought closer to those of the assessment of shortfalls yielded by the GFF method if mid-term revision was carried out under SFM? How much practical difference would there be in the case of countries not having a 5-year plan or having a plan with annual revisions? (Bank, Fund)

(vi) If a country qualifies simultaneously for GFF and SFM what would the practical consequences be of such a situation as regards the provision of funds because of the divergencies between the rates of interest payable, the length of the credit period, the limits on any single drawing and the policy conditions? Would there be any conflict between the co-operative action envisaged under the GFF and any measures of adjustment envisaged under the SFM scheme? To what extent would obtaining help under SFM be conditional upon prior use of GFF? Would a joint committee of the Fund and the Agency or a similar institutional arrangement be feasible? (Bank, Fund)

(vii) Would the Fund staff be prepared to furnish its views on harmonization of growth and financial stability and to explain its policy as regards the consultation procedures and the use of its resources? (Fund)

Questions related to the study of other proposals

(i) Would the secretariat undertake to analyse further Scheme A in Chapter IV of Report and possible variants thereof, after such consultations as it deems necessary to enable the Group at its next session to address itself to the following questions:

- the nature of the guide-lines to be used in determining ex post what would have been the reasonable expectations at a point of time in the past, with reference to which the shortfall would be measured.?

1/ The shortfall in exports estimated according to the guide-line should be compared with that computed by the IMF for purposes of GFF. A few illustrative examples might also be given of how the proposed method, as compared to a GFF computation, would operate in practice.
- the considerations to be taken into account in arriving at a decision on the amount and terms of assistance.

- what initial amount of resources would be needed to operate an adequate scheme?

- The appropriate administrative arrangements (UNCTAD)

(i) Refinancing of the CFF: The question raised under A vi may also be considered in relation to the refinancing of the CFF. (Bank, Fund)

The following questions are also relevant:

(iii) The nature of the determination to be made in establishing eligibility for assistance under the proposal, having regard to the respective objectives of Recommendations A.IV.17 and A.IV.18, Part A, and the different basis of assessment of shortfalls which may be appropriate under each Recommendation.

(iv) The amount of funds required to achieve the objectives of the proposal.

(v) The possibilities of refinancing which may be available under the CFF, and the possible effects on the liquidity of the Fund.

(vi) The terms which may be appropriate to the refinancing proposed.
INTERIM REPORT TO THE EIGHTH SESSION OF THE TRADE AND DEVELOPMENT BOARD AND THE THIRD SESSION OF THE COMMITTEE ON INVIZIBLES AND FINANCING RELATING TO TRADE

Organisational matters

Note by the Rapporteur

1. The Group held .......... meetings from 21 to ..... October 1968.

2. At its 46th meeting, the Group adopted its agenda as contained in document TD/B/C.3/AC.3/24 (Annex I).

3. At its 46th meeting, the Group re-elected Mr. Mermolja (Yugoslavia) as its Chairman.

4. At its 46th meeting, the Group elected Mr. A. Dunkel (Switzerland) as its Vice-Chairman-cum-Rapporteur in succession to Mr. Jo Saxe (United States of America).

5. Membership and attendance The following members of the Group were represented at the fourth session: Argentina, Australia, Brazil, Canada, Ceylon, Chad, Chile, Federal Republic of Germany, France, Ghana, India, Italy, Japan, Nigeria, Pakistan, Poland, Sweden, Switzerland, Tunisia, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Yugoslavia.

6. The following States members of the Conference sent observers to the session: Austria, Bolivia, China, Colombia, Denmark, Ecuador, Finland, Indonesia, Israel, Jamaica, Netherlands, Norway, Paraguay, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Romania, Spain, South Africa, Syria, Thailand, Turkey, Uganda.

7. The International Bank for Reconstruction and Development and the International Monetary Fund were also represented.

8. The following other inter-governmental bodies were represented: The Commission of the European Community and the Organisation for Economic Co-operation and Development.

9. The International Chamber of Commerce sent a representative.

10. The list of participants is attached as Annex II.
I am proposing to include your article in the 1969 Portuguese language edition, which will be published in Rio in August. Because of the long time needed for approving translation and dealing with proofs, etc., for a publication in Rio, it is desirable to send copy not later than the end of November.

Do you feel that your article needs any updating? If so, I wonder whether you would be kind enough to undertake this by that date?

No need to update.

Thanks.

[Handwritten note]

Return to J. D. Scott 10/25.
Mr. Robert S. McNamara

Irving S. Friedman

Supplementary Financial Measures

1. Mr. M. A. Sarma attended the session of the Intergovernmental Group on Supplementary Finance, in Geneva last week. His report is attached hereto.

2. Sarma agreed at the Group's meetings that the Bank Staff would take another look at the cost estimates of the Bank Staff Scheme. He also stated that refinancing the Fund's Compensatory Financing Facility did not provide an alternative approach to Supplementary Finance. A question raised by the Group for our consideration is: to what extent could the Bank Staff Scheme be implemented by the Bank and IDA, within the existing Articles of Agreement, if the Executive Directors so agreed and if the necessary resources were made available?

3. The Intergovernmental Group is to meet again from June 23 to July 4, 1969. This is likely to be the final session, at which the Group's conclusions on Supplementary Finance would be formulated. Thereafter, they will be considered by the Trade and Development Board of UNCTAD at its session during August 26 - September 12, 1969. This timing seems convenient from our own viewpoint. Supplementary Financial Measures is one of the four seminar topics envisaged for Stage II of the informal sessions of the Executive Directors on Stabilization of Prices of Primary Commodities.

4. I have asked Sarma to prepare a comprehensive background paper for the seminar discussions on the subject of Supplementary Finance.
TO: Mr. Robert S. McNamara  
FROM: Irving S. Friedman  
SUBJECT: Supplementary Financial Measures

1. Mr. N. A. Sarma attended the session of the Intergovernmental Group on Supplementary Finance, in Geneva last week. His report is attached hereto.

2. Sarma agreed at the Group's meetings that the Bank Staff would take another look at the cost estimates of the Bank Staff Scheme. He also stated that refinancing the Fund’s Compensatory Financing Facility did not provide an alternative approach to Supplementary Finance. A question raised by the Group for our consideration is: to what extent could the Bank Staff Scheme be implemented by the Bank and IDA, within the existing Articles of Agreement, if the Executive Directors so agreed and if the necessary resources were made available?

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I have asked Sarma to prepare a comprehensive background paper for the seminar discussions on the subject of Supplementary Finance. In particular the paper will analyze the main elements of the Bank Staff Proposal; it will also bring out the relationship between Supplementary Finance and Compensatory Financing Facility.
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**Remarks**

No particular comment please.

From

Irving S. Friedman
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**REMARKS**

You'll be interested in this —

The Second Committee of the
General Assembly will consider this
report in depth during the week
beginning Nov. 4 — Perhaps you would
like to send one of your people to
follow this debate with us.

Rand Friedman is here for this item.

From

[Signature]
UNITED NATIONS

GENERAL ASSEMBLY

Twenty-third Session

GENERAL ASSEMBLY

PROVISIONAL VERBATIM RECORD OF THE SEVENTEEN HUNDRED AND EIGHTH MEETING

Held at Headquarters, New York, on Monday, 28 October 1968, at 10.30 a.m.

President: Mr. Nadim DIMECHKIE (Vice-President) (Lebanon)

- United Nations Conference on Trade and Development: report of the Conference on its second session (A/7176/Rev.2) [34 (a)]

- Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples (appointment of a member of the Special Committee) (continued) [237]

This record contains original speeches and interpretations. The final text, containing translations, will be distributed as soon as possible.

Corrections should be submitted to original speeches only. They should be sent in triplicate, within three working days, to the Director, Interpretation and Meetings Service, Office of Conference Services, Room 1125, and incorporated in mimeographed copies of the record.


Publication of the final printed records being subject to a rigid schedule, the co-operation of delegations in strictly observing this time-limit would be greatly appreciated.

68-70171/A
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT: REPORT OF THE CONFERENCE ON ITS SECOND SESSION (A/7176/Rev.2)

The PRESIDENT: This morning we are fortunate to have with us the President of the second session of the United Nations Conference on Trade and Development, His Excellency Mr. Dinesh Singh. Members will recall that that Conference was held in New Delhi in February and March of this year.

It is with great pleasure that I invite His Excellency Mr. Dinesh Singh to present the report of the Conference.

Mr. Dinesh SINGH (India), President of the Second Session of the United Nations Conference on Trade and Development: In the name of the United Nations Conference on Trade and Development, and on my own behalf, may I say how much satisfaction we derived from the election of His Excellency Mr. Arenales, of Guatemala, to the Presidency of the twenty-third session of the General Assembly. I should have wished to congratulate him personally, but may I now request you, Sir, to convey our greetings to him and also our good wishes for his speedy recovery.

At the outset I should like to express my gratitude for the great honour the Assembly has done me in asking me to present the report of the second Conference. The General Assembly's decision to take up for consideration at the earliest possible opportunity the report on the work of its principal organ in the field of economic development bears testimony to the priority attached by the international community to economic development as a means for the consolidation of peace and the broadening of social and political justice throughout the world.

The Charter of the United Nations commits the Organization and the Member States to the promotion of better standards of life in larger freedom. In the post-1945 era the United Nations as an Organization helped to promote international co-operation and was able to assist in the process of bringing within its fold, more than seventy new nations after their accession to freedom. During that period the activities of the United Nations and its various organs contributed to the universal acceptance of the concept that in today's world not only peace but also prosperity is indivisible. But this in itself is hardly the end of the journey. As Jawaharlal Nehru once said: "If the spirit of this age demands equality, it must necessarily also demand an economic system which fits in with equality, and encourages it".

The need for concerted action for establishing such an economic system was recognized unanimously by the governments of the world when the General Assembly decided in 1961 to designate the present decade as the United Nations Development Decade. The decision to convene the first United Nations Conference on Trade and Development came as the next in the series of steps which were taken to realize the goals and objectives of the Decade. In 1961, the first session of UNCTAD met in Geneva and adopted its Final Act. Through this, the Member States expressed their determination to:

"... seek a better and more effective system of international economic co-operation, whereby the division of the world into areas of poverty and plenty may be banished and prosperity achieved by all, and to find ways by which human and material resources of the world may be harnessed for the abolition of poverty everywhere".

Those were the first steps. They helped the world to recognize certain new concepts and approaches and to identify the main problems of development. The role of international trade as the engine of development came to be recognized. In this process the attention of the world came to be drawn to the secular trend of decline in the prices of commodities exported by the developing countries, as against the rising prices of manufactured goods imported by them, and to the numerous barriers placed in the way of imports from developing countries into the markets of the developed countries. Increasing concern was voiced regarding the heavy costs of tied aid to developing countries. It also became evident that it was required that the development process be sustained on a continuous basis by uninterrupted flow of external resources.
The problems were real, and while the first United Nations Development Decade was unfolding itself and the continuing machinery of UNCTAD was striving to grapple with them, further deterioration set in. I would not wish to burden the Assembly with elaborate statistics which are now well known. But I would be failing in my duty if I did not draw the attention of representatives to the growing disparity between developed and developing countries. While the developed countries added $60 per annum to their per capita income the developing countries could not increase their low per capita income by more than $2 per annum. Thus the Development Decade has turned out to be mainly a decade of development for the developed. The gap between the rich and the poor nations has further widened.

It was against that background that the second session of UNCTAD met in New Delhi. There have been few conferences as thoroughly prepared as the second session of UNCTAD. The developing countries had met earlier in Algiers in October 1967 and formulated a charter spelling out a practical programme of action. A series of goodwill missions visited the capitals of developed countries to present and explain the provisions of that charter. My friend and colleague, the Foreign Minister of Algeria, who was the President of the Algiers Conference, gave to the United Nations a report on that Conference. The representatives of developed countries then met in Paris and Moscow and had before them the results of the deliberations in Algiers.

The hopes aroused by the preparations were sustained in the opening phase of the Conference. Representatives of Member States, large and small, developed and developing, reaffirmed in their statements in the general debate their faith in the efficacy of international co-operation and declared their resolve to contribute to the concretisation of that faith. It appeared at that stage that the Conference was poised to take decisions on measures for resolving at least some of the problems of development. I felt encouraged to say, in summing up the general debate, that the agreements in the Conference would be substantial enough to add up to a global charter of development.

However, when the sessional committees and working groups of the second session of UNCTAD got down to a more detailed consideration of the items before the Conference, we encountered unexpected hesitation and resistance. So far as I could see, despite that hesitation, there was no lack of goodwill. As in the first session of UNCTAD, there was unanimity on the evaluation of the world economic situation, and the need for rapid economic development of the developing countries. There was also obvious unanimity on the goals of global economic endeavour. But on the means to reach those goals, and the details as to who should contribute, how much, and at what time, towards the solution of those problems, there was little agreement. Despite this, the representatives continued to explore every possible way to narrow the differences.

I met delegations, individually and in groups, reminding them of the statements which the leaders of all delegations had made in the course of the general debate. I emphasised my belief in the fundamental harmony in our separate national interests, even though the situation, the needs and the possibilities varied from State to State. It was widely recognised that a conflict existed between short-term possibilities and long-term imperatives. We devoted our attention to resolving that conflict and endeavoured to see that at least the more pressing needs of the developing countries were met.

The efforts by our indefatigable Secretary-General, Mr. Raul Prebisch, were of great assistance to me during those critical days when nothing seemed to move. His exertions and the efforts put in by many representatives led to the modest results achieved by the Conference.

A suggestion was made that Ministers from Member States might reassemble during the concluding stage of the Conference to give it a political direction and to rescue it from the morass in which it found itself. The response was inadequate. But I was gratified that it was possible for some of the Ministers to return to New Delhi to be present at the concluding stages of the Conference. It is not impossible that with a somewhat better attendance at the political level the Conference might have achieved results which would please this Assembly.
It cannot be said that the Second Conference on Trade and Development totally missed the opportunity provided to it. Nor can it be said that the opportunity was utilized fully. Perhaps all we succeeded in doing in New Delhi in February-March 1968 was to keep alive the torch of international economic co-operation, add to it a flame or two and pass it on to the continuing machinery. I hope this Assembly will now impart to it a fresh glow and strength.

I shall not dwell at length on the contents of the report of the New Delhi Conference (TD/1.37 and Adds.1-10). All I would say is that we cannot claim that any success has been achieved in making "words yield to deeds". We have not succeeded in carrying out the directive of the General Assembly "To achieve ... specific results that ensure real progress in international co-operation for development". (General Assembly resolution 2826 (XXI))

As a result the Conference could not address itself seriously to the formulation of a preliminary framework of international development strategy for the 1970's. And yet we did register modest gains. We agreed, for instance, to non-reciprocal, non-discriminatory preferences in favour of developing countries so that their products might enjoy their due share in world markets. Special machinery for implementing this agreement has already been set up. The General Assembly may consider giving guidance with a view to ensuring that this essential reform in the trading system comes into effect in early 1970.

Some advance was also made in the field of financing for development. The Conference recommended that each economically advanced country should endeavour to provide annually to developing countries financial resources transfers of a minimum net amount of 1 per cent of its gross national product -- I repeat, 1 per cent of its gross national product. Certain broad and general agreements were also reached on the terms and conditions for these transfers and on the related problems of reverse flows by way of debt repayments. The General Assembly may with to take the recommendations of the Conference a step further so that developing countries are able to go ahead with their development plans in the full confidence that their requirements of external capital will be met in time and adequately.

I am glad to report that the New Delhi Conference succeeded in adopting a comprehensive and useful recommendation on trade expansion and economic integration among developing countries. It was left in no doubt in regard to the determination of the developing countries to bear the main burden of their development and to contribute to one another's progress. For their part, the developed countries indicated their willingness to provide financial and technical assistance to support the self-help efforts of the developing countries. Again, the General Assembly may wish to make appropriate recommendations to facilitate the reaching of agreements on specific measures in this regard.

A measure of unanimity was achieved in the field of shipping. It was considered that shipping opportunities, port facilities and freight rates needed to be adjusted to emerging patterns of trade exchanges.

The adoption by the Conference of a declaration on the world food problem also made a notable advance.

However meagre, the results, debates and discussions in New Delhi have had an impact on the thinking in many national capitals and in the various agencies engaged in the task of development. Some Governments have taken steps to implement some of the recommendations of the Conference. A beginning was also made at the seventh session of the Board towards improving the institutional machinery. Dr. Prebisch has just brought us the welcome news of the successful conclusion of a commodity agreement, even though limited to begin with, on sugar.

A strange silence, however, seems to have been descending on centres of economic power. I appreciate their short-term difficulties. No one would wish them to make sacrifices detrimental to their own economies. But would it be too much to expect that they will not overlook the long-term objectives in the field of development? I have no doubt that the idealism which shone through expressions in the statements of their leaders in New Delhi will not be dimmed. There has always been and perhaps will always be some developed countries facing difficulties of one kind or another. But even their difficulties can be resolved by strengthening rather than weakening the forces of international co-operation for development.

The disenchantment with the first Development Decade has brought into focus the urgent need for adequate preparations for the second Development Decade. By
now we know only too well that the absence of an integrated international development strategy, consisting not only of goals and targets but also of measures to be taken for realizing them, has been largely responsible for our shortcomings during the sixties. It is a happy augury that efforts are under way to formulate in advance the strategy for the next Decade. In these efforts the central role of UNCTAD and its special competence in the field of development must be fully recognized. The discussions in Delhi have left in my mind an abiding impression of the keenness of each Member State to participate in the programme of work for the Decade. It has become evident that there is no Member State which only wishes to receive assistance and which does not wish to make its own contribution.

The inability of the second UNCTAD to produce the results expected of it has been attributed in part by some to the functioning of the group system within the UNCTAD machinery. There are those who feel that the group system is a useful mechanism for the crystallization of different trends of thought and opinion. In the functioning of an organization of the size of the United Nations Conference on Trade and Development, with a membership larger than that of the United Nations itself, the group system has a logic of its own. It is a modus operandi for harmonizing different facets and strains of ideas. My own experience is that without unstinted co-operation from the leaders of various groups it would not have been possible to make even the little progress we were eventually able to register in New Delhi.

Every system has its limitations. So has the group system. I have no doubt it can be improved. We must consciously avoid placing too great a strain on it. We should try to introduce much greater flexibility in its working and should be increasingly animated by the spirit of reconciliation that is implicit in the UNCTAD machinery. This would perhaps involve greater recourse to inter-group consultations at various stages.

We need also to provide in the institutional mechanism of UNCTAD the facilities which the Secretary-General needs for playing a more active role. We are fortunate indeed in having as the Secretary-General of UNCTAD a person of Mr. Raul Prebisch’s eminence, dedication and experience. He must be invested with the necessary authority to prepare his own proposals and plans of action and to suggest rearrangements and alternatives consonant with the decisions of the Conference.

These institutional refinements will no doubt facilitate the work of UNCTAD. But these cannot be a substitute for decision-making, which is possible only at the political level. National Governments and their concerned Ministers must of course recognize their inescapable responsibility in this context. The machinery as it has evolved so far has not enabled leaders of Governments at the political level to make a sustained contribution. Several colleagues from different countries have made suggestions to me in that regard. The suggestion to convene a meeting of the Trade and Development Board at the ministerial level has been favoured in certain quarters. Some other suggestions may also be put forward during the course of the discussions at the present session of the Assembly.

The General Assembly has already recognized the need for political will on the part of Member States for the advancement of international co-operation for development. In this connexion it has been suggested to me that well-prepared ad hoc meetings of interested Ministers on specific issues may give to the continuing machinery the political direction it lacks at present and thereby prevent the discussions on important issues from getting bogged down in technical details. Were the General Assembly to see any merit in these ideas, I, on my part, as President of UNCTAD, would be available for any initiative that might be required in this behalf.

There is yet another aspect to which I should like to invite the attention of the Assembly. No political mechanism—national or international—can work effectively without public support. The present climate of fatigue and frustration has to a great extent undermined the esteem in which our co-operative endeavour has been held by large masses of peoples in different parts of
the world. In developing countries a feeling has grown that international development programmes are capable of being operated in a manner which weakens rather than strengthens their national freedom. In developed countries there is a feeling of dissatisfaction with the results obtained from their investment in the economic progress of developing countries. Much needs to be done to remove the misgivings and misconceptions now widely held and to restore to international co-operation that sense of dedication and purpose which attracted so many men of goodwill in the past. Renewed efforts need to be made to enlighten public opinion in the developed and the developing world regarding the interdependence of modern nation States and national and international responsibilities that flow from it. If the common people in different countries are made aware of the magnitude and urgency of the task that confronts the international community and of the dangers inherent in the postponement of its fulfilment, they will, I am sure, urge their Governments to assign to development the priority that it deserves in their national policies.

I have given the Assembly the background to the work of the second session of UNCTAD. I have described what happened in New Delhi. I have spoken of the hopes we had, the frustrations that came our way, and the gains that we were able to register. Developments in New Delhi cannot be evaluated in isolation. They must be viewed in the context of the politico-economic situation of the world we live in. The emerging introspection of prosperity and the increasing impatience of poverty create potentially explosive situations. The old attitudes have to change. Expressions such as "aid" when only repayable loans are involved do not convince anyone. They only help to create a sense of excessive complacency in some centres. The countries of Asia, Africa and Latin America missed the industrial and technological revolutions through no fault of their own. They are now asserting their right to alter the socio-economic situation which they inherited from their colonial past.

Now then has their bid to emerge into a real, and not merely a formal, freedom been received by the rich and the powerful of the world? After forty-five sessions of the Economic and Social Council, after two sessions of the United Nations Conference on Trade and Development, and despite all
The President: I should like to thank His Excellency Mr. Dinesh Singh for his brilliant presentation of this comprehensive and informative report, which I am sure will prove most useful in our discussion of this important and vital problem. I now give the floor to the Chairman of the Second Committee, His Excellency Mr. R. M. Akwei of Ghana.

Mr. Akwei (Ghana), Chairman of the Second Committee: Four years ago UNCTAD was established by the General Assembly of the United Nations to promote the economic development of all Member States, and especially the developing countries. Today is a momentous occasion. We have met to receive and consider the report of the second session of UNCTAD, which was held in New Delhi from 1 February to 29 March this year. It is a privilege and honour for me as Chairman of the Second Committee to speak on this report before the General Assembly.

I have listened with close attention to the illuminating statement by the Minister of Trade and Commerce of India and wish to express to him my thanks as well as those of my colleagues in the Second Committee for having taken the trouble to be with us today on what will go down in United Nations annals as a historic occasion. I am sure that his statement as well as the Conference report which he has introduced will receive the necessary publicity both here and abroad and will be given the serious study and close examination they deserve in the debate which is about to begin in the Second Committee.

Looking back from this vantage point of the first Development Decade to the first session of UNCTAD it is necessary to recall the far-reaching recommendations of that Conference in the four main areas of trade and development, namely: world trade in primary commodities; easy access for the manufactures of low-income countries to the rich markets of the world; increase in the volume and easing of the terms of financial assistance from the developed to the developing countries; and solution of the problems of invisible trade, especially in shipping and insurance services.

Thus the foundations were laid in 1964 for a renewed effort "to improve international machinery for the promotion of economic and social advancement of all peoples". The establishment of UNCTAD therefore gave rise to new hopes for the developing countries. They felt that international co-operation could reach a new dimension and that all -- I repeat, all -- countries would approach the problems of trade and development in a spirit of solidarity and responsibility, consistent with the principles and purposes of the United Nations.

Four years of hard work preceded the second Conference. The most sombre recognition of international realities and circumstances, political and economic, in which it took place could not and did not dim the hopes which the developing countries placed in the convening of the second session of UNCTAD. They were entitled to assume that the world community would take a meaningful step forward in the realization of the objectives the Governments had set themselves in the recommendations of the first Conference. The second session of UNCTAD was therefore an important occasion for an appraisal of the implementation of the recommendations of the first session of UNCTAD and the establishment of new guidelines for the future to correct any shortcomings of the first Development Decade.

What was the picture of international development revealed by the second session of UNCTAD? The developing countries were disappointed by the limited results achieved. It is not for me to repeat here what became obvious at the Conference: that the specific target of 1 per cent of the gross national product has generally not been achieved, that most developing countries failed to realize the 5 per cent rate of growth of their gross domestic product, and that international commodity agreements, especially on cocoa, have not been reached.

The dismantling of trade barriers has not gained any significant impetus nor has there been a general easing of the terms of lending to the developing countries. Indeed the report of the Conference reveals a consensus about the need for a sustained attempt to solve the problems of trade and development. It shows at least that Member Governments are aware of the magnitude of the obstacles that must be overcome but it also shows, unfortunately, that political conviction, which is the basis of international economic co-operation, and conciliation, which is the mainspring of UNCTAD, were lacking and are still lacking.

In the circumstances the temptation to judge the results of the second Conference with a feeling of frustration and disappointment may not be easy to
avoid but at the same time there is no alternative but to renew our hope and confidence that a rational recognition of concerted development will prevail and that international solidarity to this end will be forthcoming. The news which reached us only a few days ago that an international sugar agreement had been adopted at Geneva constitutes clear evidence that such hope and confidence are justified. The agreement demonstrates that UNCTAD can provide the framework for the conclusion of commodity agreements. It has the added significance that to many this constitutes a breakthrough for the achievement of more positive results on a broader scale. There is no reason why the sugar agreement should not be followed by a cocoa agreement and why both agreements should not lead to the formulation of an integrated, realistic and dynamic commodity policy. I am convinced that under the inspiring and dedicated leadership of Mr. Prebisch, UNCTAD, given the necessary support, will find solutions to these present problems.

In this whole field of commodity problems the principle of buffer stocks, the diversification of agricultural products and an international pricing policy are among the key problems for which early solutions can and should be found. It has already been pointed out by the Secretary-General that in several cases of projected commodity price stabilization agreements, buffer stocks are considered an indispensable part of the mechanisms needed to achieve success. At present there is no clearly defined source of financial means for that purpose. Even where buffer stock operations may become self-financing, funds will be required at least for the initial period.

The unanimous agreement reached in New Delhi regarding preferences should lead to the negotiation of a scheme which would constitute the basis of a new pattern of international commerce intended better to meet the needs of the Third World. The Conference has likewise laid down significant bases for action with regard to supplementary financing, trade expansion among developing countries and trade relations among countries having different economic systems.

The Assembly at its last session expressed the hope that the second Conference would make an important contribution to the formulation of an international strategy for development for the next decade. The Conference was, however, unable to do so, but we at this session of the Assembly should endeavour to give form and practical meaning to such a strategy in the context of our discussions on the preparations for the second Development Decade. In that respect we must ensure that trade has its proper place in the planning of the second Decade.
Some doubts have been expressed in New Delhi and thereafter about the
efficacy of the institutional machinery of UNCTAD. It was to be expected
that such a feeling would develop in the light of the revelation of the
disappointing results of what we have achieved so far in the first Development
Decade. However, with an admirable spirit of self-criticism, the Board
has recently adopted a number of decisions intended to correct existing
deficiencies and to enable UNCTAD to act with greater dynamism and efficacy.
Those decisions are welcomed and will be studied, I am sure, in great detail
by the Second Committee. In particular, it is indeed satisfying that the
Board has unanimously recommended that UNCTAD should make a greater contribution
in the field of technical assistance. Technical co-operation in trade and
invisibles is of singular importance if the new trade policy for development
is to become a reality.

It is obvious that no discussion of the report of the Second Conference
will be complete without specifying the broad areas of the international
economic and trade situation which should be given urgent attention in the
preparations for the next Development Decade. To many developing countries
enough material -- facts, documents and analyses -- have now been made in
those areas to justify action. There is an urgent need for international
commodity agreements to assure the developing countries stable commodity
prices. As I have already stated, cocoa and rubber should be the next obvious
lines of development in this area. Secondly, a genuine attempt must be made
by the richer countries to grant easier access to their markets of the
manufactures and semi-manufactures of developing countries by the removal
of various kinds of trade barriers such as tariffs, preferences and quota
systems. Thirdly, there should be a significant increase in the flow to the
developing countries of international capital.

One can hardly discuss international trade adequately without discussing
also the role aid has come to play in international trade relations. However,
aid when properly defined should promote economic growth and not impede it
or supplant it. Trade and aid should, therefore, be complementary to each
other. The terms and conditions upon which aid is given are as important as
the volume of trade it helps to generate; but when an increasing amount of
aid is tied to both procurement sources and specific projects this end is
nullified. Specific steps should be undertaken to soften the terms of aid,
unless we are to continue the curious situation, which is rapidly becoming a
reality, of aid promoting greater indebtedness and therefore obstructing
development. It is also hoped that the net results of the new schemes of
supplementary financing and complementary financing which can only be
usefully considered as interim, short-term financial remedies will be given
sufficient resources and efficacy to achieve the desired end of promoting
real development. In the long run the financial remedies can only be
considered partial. These, together with the unconnected and often improvised
measures hitherto applied to foster development, have to yield their place
to synchronized and concerted action capable of harmonizing the aspirations
and interests of both the developed and developing countries. In the long
run we must establish means which will ensure the elimination of aid as a
major factor of international trade relations and the substitution therefor
of vigorous self-sustaining economies taking their rightful place in a free
international trade system.

In the area of international financial flows on suitable terms to the
developing countries a genuine effort must be made by the richer countries
to fix a definite deadline by which the target of 1 per cent of their gross
national product would be reached. It would be a significant act if the
target date could be 1971, the eve of the launching of the Second Development
Decade.

I have mentioned some of the possible areas in which specific action can
and should be taken if development is to become real and meaningful to the
average individual in the developing countries. More areas will obviously
be identified in the course of the debate on the subject in the Second Committee,
but whatever conclusions result from these debates we cannot escape certain
facts. There must be a clear identification and specification of the actions
which both developed and developing countries must take to ensure the expected
results of a scale of development which can be measured. There is as much
responsibility on the part of developed countries in providing the means for
development and opening up new trade possibilities for the manufactures and
semi-manufactures of developing countries as there is on the part of developing
countries themselves to address themselves with greater clarity and cohesion to their own needs and claims upon the international community. This involves an intimate co-operation, probably not hitherto achieved, by national, regional and international organs. However, institutions alone at these three levels cannot create development if the human beings at these various levels do not have a passionate commitment to planned development.

In this connexion probably the greatest necessary prerequisite today in the whole field of development is the development of the psychology both of individuals and nations in favour of the concept of a planned world development. The type of philosophy which says that development is inevitable in the normal process of human life must give way to a conscious promotion and acceptance of disciplines which alone can lead to the goal of general development. In the case of many rich countries this is a concept which is already increasingly accepted in the national sphere. There is no need to have the endless vagaries of the business cycle today. Balance-of-payments difficulties in developed countries are solved by the conscious manipulation of economic forces. The requisite fiscal, financial and economic policies are quantitatively related in a conscious plan not to allow the living standards of developed countries to fall below a certain level.

What is needed now is a bold extension of these national disciplines to the international sphere and a more imaginative, conscious and genuine commitment on the part of the citizens of every country to pressure their governments through the political process to co-operate to eliminate poverty, not because poverty is immoral, but also because it is unnecessary, irrational and dangerous to the very wealth of those who are rich. If this meeting of the Assembly achieves nothing at all, I hope that at least it will have fired the imagination of all the Member States of this Organization sufficiently to produce a greater sense of urgency and political commitment to the imperatives of the next Development Decade. We cannot go on proclaiming development decades to the world and presenting little evidence of development to the peasant in Africa, Asia or Latin America. Development must make sense to him in the context of his everyday life. The world has the resources which to conquer poverty. The world has the knowledge to promote and advance development. We can and must mobilize enough sense and compassion to co-ordinate these resources and skills to bring a brighter day in the life of every man and woman.
Mr. PINERA (Chile) (interpretation from Spanish): First of all, I should like to extend my greetings to you, Mr. President. The rotational system has led to your presiding over this plenary meeting -- you, Ambassador Dimashkie of Lebanon -- and you are familiar with the problems before us. As the representative of Lebanon, you have spearheaded those groups which have worked in favour of the economic development of the under-developed countries. That is why today, on behalf of my country, I should like to extend my greetings to you, Ambassador Dimashkie, and to express my admiration for you.

It is difficult for the Chilean delegation to speak in this debate now on the results of the Conference of New Delhi. This is so for two reasons: first, because we heard a very clear, detailed and profound statement by the Minister of Trade of India, Mr. Singh, and second, because the Chairman of the Second Committee -- the Committee dealing with economic matters -- Ambassador Akwei of Ghana, in his statement, with firmness and taking an over-all view, stated the views of many nations in Africa, Asia and Latin America. I think I can also say that these are the views of many countries of Western Europe and the socialist world. After those two very comprehensive statements, I have asked for the floor in order to endorse what has been said and in order to state a few of our own views.

UNCTAD's History is not new. Ambassador Akwei mentioned this. More than four years ago, in Geneva, the first world Conference on Trade and Development was held, and reference was made to the "spirit of Geneva". Indeed, many references have been made to that spirit, but perhaps it has been more referred to than actually felt. But perhaps I should mention what that great Frenchman once said: that it was better to speak little and think a great deal about major problems.

Where is the spirit of Geneva? I do not wish to sound pessimistic. Pessimism is of no avail. But I should like, albeit briefly, to touch upon the reasons why New Delhi did not yield the expected results. It was not due to a lack of decisiveness on the part of the representatives of the under-developed world. We have the President of the first Conference in Geneva, Mr. El-Kaissouni of the United Arab Republic; we have Minister Singh of India, and various members of the Board, such as the Ambassador of Pakistan, Mr. Amjad Ali; the representative of Switzerland, Mr. Jolles, who played a major role in what has been defined as crystallization, and now we have a new Board, presided over by Minister Kohout of Czechoslovakia; and that Board, at the last meeting held a few weeks ago in Geneva, clearly brought forward and shed light on the problems of concern to us.

I realize that although this may run counter to the will of a man who devoted his life to something more than economic development -- human development -- and although views may differ on his way of thinking, no one could deny the fact that his life has been devoted to the economic and social development of the world. I refer to Mr. Prebisch.

A few days ago, at a fraternal meeting in the United Nations, ex-Ambassador Goldberg -- a man of justice -- felt that it was his duty to extend a tribute to our Secretary-General, U Thant. It is not my purpose now to pay tribute either to U Thant or to Raúl Prebisch. But I should like to say that U Thant, as Secretary-General, is well aware of the fact that the great tasks before the United Nations are not simply those of maintaining peace but of making peace. I do not believe that I have ever read a statement made by him where reference has not been made to economic and social development and very particularly to UNCTAD. I do not believe that Paul Prebisch, in his long life in the service of development, has ever failed to be impartial, which must be the hallmark of international officials. As I have said so frequently, but as I would repeat again today from this rostrum of the plenary meeting of the General Assembly, I think that for the first time an item of economic and social development has been debated. Usually problems of decolonization and poli...
political problems are dealt with. As I say, I do not think Raul Prebisch has ever failed to be impartial, because he is dedicated. He is a defender of one of the great commitments which nations have entered into -- to work for economic and social development. And not in empty words and mere declarations; they have pledged themselves to work with concrete facts. Raul Prebisch has been a man devoted to a cause which is the cause not solely of the Third World, of the entire international community; it is our cause.

If I have dwelt on this point, it is because this opportunity for a small country like Chile to address its comments to the General Assembly is also an opportunity for us simply but frankly to state our views. What are those views? Geneva yielded what has come to be known as "the spirit of Geneva", something which cannot be forgotten. New Delhi should have pursued the gigantic stride forward taken in Geneva when the problems of development were dealt with twenty years after Bretton Woods, where a different approach was taken.

I repeat, the Geneva meeting of more than four years ago was revolutionary, because the clear vision of the great Powers and the awareness of the less developed countries led, on at least many points, to a simple but fundamental conclusion. The vision of the world that was held more than twenty years ago, in 1944, 1945, and 1946, is not our vision of the world of today. And there is no point to be served in trying to revise our archives; they are dead. And this has been borne home, though only in partial fashion, to those who bear the responsibilities. The sacrosanct clause of the "most favoured nation" is no longer so sacred, thank heaven, because it was giving rise -- and I do not wish to sound harsh -- to certain kinds of injustice. A certain Frenchman once said: "Freedom oppresses; the law alone liberates." I have said this many times. That great freedom that is so often invoked and discussed between the strong and the weak amounts to oppression, not to liberty. It is only law, which in this case takes the form of international agreements, that brings freedom to the less developed countries. This is a conviction that Chile has always held and will always maintain unchanged because it is our belief that history has proved it right.

GATT today has a fourth chapter, and the stern International Bank, worthy of respect and respected as it is, has an international development organization, IDA. These may perhaps have certain problems in their functioning, but they do establish the principle that, in order to assist under-developed countries in their major undertakings, very long-term loans are required, with periods of grace at low interest rates. This was a battle that was fought in the United Nations, and many here present will recall it.

When it was thought that it was a matter for the traditional machinery of the International Bank, through the placement of bonds in capital markets at interest rates providing incentives to investors and with repayment periods that, though fairly long, were not too long, the International Bank, I repeat, realize that it was necessary to create the International Development Association -- IDA in English. This was the beginning of the new understanding and approach in attacking the problems of development in the period immediately following the war, and that undertaking was to last for twenty years.
The meeting in Geneva, the United Nations Conference on Trade and Development, took place barely four years ago, but twenty years had to pass before it. I mention these two examples, modest though they may perhaps be, because I think they are significant.

Now, what is the point at issue? It is that in today’s world—and if I am digressing, Mr. President, I hope you will call me to order—we are all working, as I have said on other occasions, for what is called in French a détente between East and West. We are for this, and we are pleased indeed that talks are being held in Paris on the problem of Vietnam, and we hope that the great Powers, having achieved a triumph—more than ninety votes in favour of the treaty on the non-proliferation of nuclear weapons—will begin their own kind of nuclear non-proliferation. This is indeed our most earnest desire. But we believe that an East-West détente, though it is an indispensable feature of a world détente, is not sufficient in itself. It is not just a question of a North-South détente, that is one between the more-developed and the less-developed countries, that will not be enough. I will make it clearer. It is not just a matter of maintaining the status quo; a genuine détente must be characterized by vigorous action and fundamental change. Unless these two factors form part of the world picture, the East-West détente that we support will not be sufficient. The effort to achieve international co-operation will be what contributes to the creation of a new détente, one which I would take the liberty of calling an active and aggressive détente, between the countries of the North—because there is where chance has located almost all of the rich countries—and the countries of the South—where chance, likewise, has placed all the poor countries, or at least the majority of them. Meanwhile, I repeat, there will be no peace or security.

These are very simple ideas; I am aware of this. Still, it would appear that the international community has not given them their full value. I want to be fair. I know that there are developed countries in the socialist camp and in the free-enterprise world that have taken important steps. It was the United Kingdom that proposed the so-called supplementary financing, which may give rise to debate and discussion but which was, at least, the expression of a desire to make it possible for developing countries, in pursue their development plans, to carry them through, even though in the face of transitory situations. I know that efforts have been made in the socialist world and that certain results have been achieved in promoting trade between the so-called Third World and the countries with centrally-planned economies. And then too there are the Nordic countries, and others as well.

It is difficult indeed to speak without strong feelings; practically impossible, in fact. But I cannot fail to recognize that the countries forming the organization for economic co-operation and development known as the European Economic Community have revised, though perhaps slowly, their ideas and accepted in principle what we have come to call "preferences".

Are these encouraging signs? They are indeed. Why then this pessimism? In the opinion of my delegation, there is room for pessimism in that there is one feature that has been overlooked—that of urgency. It is something which the wise and the thoughtful do not always take into account, but it is something that three-quarters of mankind does indeed appreciate. I repeat, it is the factor of urgency.
There are those in the world who do not know what to do with their resources and their funds. They force consumption by means of propaganda. That is a small group in our so-called consumer society. While they exist on the one hand, on the other hand three quarters of mankind does not know whether it will be able to have enough calories tomorrow. This might sound like demagoguery, but I know it is the truth. I know that there are countries with a fifty dollar per capita income annually. And those that have a fifty dollar per capita do not know when they go to bed at night, whether they will dream about not being able to eat their fill on the morrow.

These are the truths of the under-developed world. This is not an over-dramatized view. My country has a higher per capita yearly income -- $400, which is little enough. In a world where there are countries with a $4000 per capita annual income, in a world where satellites fly in space, the men and women of my country know that in some countries the annual per capita income is $4000. To have $400 per capita annually is an irritating injustice and this will continue to be an irritating injustice until concrete decisions are taken.

But there is another aspect to this world imbalance. We would ask that the same political will that the great Powers show in reaching decisions in order to achieve a détente should be shown when a solution is sought to problems between the developed North and the less developed South.

I have deliberately not gone into details. My delegation will participate in the Second Committee and we shall make known our views there. But if I may be allowed a few more minutes, I would say that in the course of this year, with the New Delhi Conference over, a certain pessimism may remain. That is our great challenge. The Development Decade, the so-called Development Decade of 1960 to 1969, which is almost ending, may also leave a certain after-taste of pessimism. Four years of UNCTAD and ten years of the Development Decade have passed and we are faced with results which cannot be overlooked, but which are so small indeed when compared to the immensity of the problem. There has been such slow progress when compared to the urgency of the needs. Let us hope that some pessimism will not yield only to greater pessimism, but that we shall have constructive and reasonable optimism, so that subsequent sessions of UNCTAD and the subsequent Development Decade will achieve its objectives -- perhaps not 100 per cent, since there will always be balance-of-payments problems, sometimes in the United States,
If we wish the second Development Decade and the forthcoming work of UNCTAD to be beneficial, then we must begin an official or unofficial dialogue in the Economic and Social Council - or in any body, for that matter, with international financing. Let us say there what has been said from this rostrum: that social investment is more important than economic development. Let us examine our consciences; let us see what the World Bank has done. Chile has received substantial assistance, which we shall never forget, and we continue to receive this assistance. But if we consider what has been done by the World Bank - it has lent money for industry; it has made loans for agriculture in general, although not very much for mining resources; it has made loans for transport and communications; it has made loans, as well, for power, in addition to loans in the social field; after twenty years, Mr. Wood began, in a small way, to make loans for education, and Chile, together with Tunisia was one of the first countries to receive such loans - but, as I say, if we consider what the World Bank has done, we will see that the amounts granted for these very important investments have been small indeed; and this includes loans for housing and health, for genuine agrarian reforms, for community development, for the development of peoples and the resources of their countries. We hope that the adviser appointed by Mr. McNamara to consider the policies of that agency will reach a conclusion denied by no one here: that social investments are much more important than economic investments.

These are concrete measures; that is a stride forward in preferences, in finance, in resources granted for social investments, and for the protection of raw materials; and if these things are done perhaps we will speak less of UNCTAD and the Development Decade, but we will in fact have served a very simple but great cause; and we hope that many men and women in the world will then have faith in peace. With these words I would conclude my statement, apologizing for having spoken so long: the United Nations will have fulfilled its responsibilities under the Charter, and UNCTAD will have fulfilled its declarations and translated into reality ideas which all of us in the international community can support and which we hope will some day become truly universal.

Mr. SHAW (Australia): I speak briefly today not as Chairman of the Australian delegation, but on behalf of all Group B countries which were represented at the second session of the United Nations Conference on Trade and Development, held at New Delhi earlier this year.

The Australian delegation, and doubtless other delegations of the Group for which I speak, will probably wish to express views about the results of that Conference in the substantive debate on the report which is to take place in the Second Committee.

Firstly at this stage it is simply my pleasant duty, on behalf of the Group B countries, to express to His Excellency Mr. Dinesh Singh, President of the second session of the United Nations Conference on Trade and Development, our appreciation of the fact that, despite his many preoccupations as Minister of Commerce of India, he has been able to come to New York at the present time and present to us the very thoughtful and comprehensive statement which he made this morning.

Secondly it is my wish to extend our congratulations and our gratitude to the Government of India for the role which it so generously assumed as host of the Conference and for the excellent facilities which it provided. The second session of UNCTAD was the largest meeting of its kind ever to be held in a developing country, and its management was a major task of organization.

Finally we extend our thanks to the Government of India for making it possible for Mr. Dinesh Singh to preside over the second session of UNCTAD, a task which he performed with such great dignity and skill.

It is my pleasure, therefore, to ask Mr. Dinesh Singh to convey to the Prime Minister of India, Mrs. Indira Gandhi, our sincere appreciation of the contribution of the Government of India to the advancement of the purposes of the United Nations Charter. These United Nations purposes in the economic and social fields are set out in the Charter and are of basic concern to all of us.

The Conference held in New Delhi must be seen as one phase of a continuing international effort to solve problems of trade and development - problems which are recognised as obstacles on the way towards a better world economic and social order. By this we mean simply the provision of a decent way of life for hundreds of millions of human beings who are now exposed to poverty and to hunger.
That remains our basic purpose. There is no difference among any of us about the need to continue a constructive dialogue on areas of importance which have now been identified. In this continuing task we will be strengthened by the experience of the second session of UNCTAD, whether it be considered encouraging or discouraging; and it is on that experience that we must continue to build.

May I repeat that the Group B countries that were represented at the second UNCTAD Conference acknowledge and express their gratitude for the contribution of the Government of India, and of Mr. Dinesh Singh personally, to that Conference. We know that the Minister's distinguished direction of the Conference is one phase only, and a notable one, of his continuing and devoted efforts in the field of economic and social development.

Mr. de Araujo Castro (Brazil): The twenty-third session of the General Assembly is called upon to examine the report of the second session of the United Nations Conference on Trade and Development, held in New Delhi from 1 February to 29 March 1968, which has been most ably introduced to the plenary Assembly by His Excellency Mr. Dinesh Singh, Minister of Commerce of India, in his capacity as President of the Conference.

It is gratifying for my delegation to acknowledge the announcement that has been made by Mr. Dinesh Singh as regards the limited but highly significant success just reached at UNCTAD's Sugar Conference. We welcome the agreement negotiated on sugar and hope that this example may be immediately followed by other commodity agreements, such as on cocoa, rubber, and so forth.
industrialized nations. It should have provided a sound and flexible basis for concrete negotiations which would permit implementation of urgently needed measures most of which have already been adequately equated and in a number of cases had been agreed upon by the overwhelming majority of the international community.

My delegation has time and again stressed in the General Assembly the need for urgent implementation of the recommendations adopted by the first session of UNCTAD in 1964. This topic has been reiterated in every inaugural address of the Brazilian Minister for External Relations in the General Assembly since the establishment of UNCTAD by the Assembly in 1964, and has been repeated by Brazilian representatives to the other competent forums of the United Nations and inter-governmental organizations such as GATT, EEC, LAFTA and, indeed, wherever the subject of UNCTAD is broached. I need not dwell any longer on this aspect.

We are gathered here to assess the full implications of what has been called the New Delhi failure. As the head of the Brazilian delegation to the second session of UNCTAD observed in his closing statement in New Delhi, never was a conference so vitally important to so many men and women around the world. And never have so many hopes been so brutally wrecked. This is the more disheartening, as the New Delhi Conference was in many aspects the most carefully prepared international conference in recent years. It is true that some limited progress in isolated areas was reached, such as in the field of preferences, where a special committee was established with a specific mandate and a deadline for the presentation of its report. Also, in the field of financing, it is gratifying to acknowledge that agreement was attained on the definition of the 1 per cent target in relation to the gross national product. But in both cases, as it was not possible to agree on firm commitments for the effective entry into force of (a) a preference scheme and (b) a target date for the attainment of the 1 per cent flow of external financing for development, the developing countries remain, as before, with but a statement of good intention for possible moral pressure.

My delegation is attempting to analyse these problems in greater detail during the current debates on issues such as the United Nations Development Decade, the world economic evolution, and others being examined in the Second Committee of the present session of the Assembly. I need not repeat them in the plenary. It suffices to stress the fact that whatever the yardstick employed to assess results of the second session of UNCTAD the balance sheet means frustration and disenchantment. At New Delhi the developed countries could have paved the way for a new era in the field of international economic relations indispensable to the successful reformulation of policies and institutions in the context of the proposed international development strategy for the next decade. And it is high time for a bold new approach, for a long-range ambitious programme of international economic co-operation furthering the economic aims of the United Nations Charter to enhance the progress of two-thirds of mankind.

It seems appropriate to reaffirm here and now the conviction of my delegation that the disappointing results of the second session of UNCTAD cannot be interpreted as the abandonment of UNCTAD. Brazil for one pledges its determination to continue the struggle, endeavouring to materialize in tangible form the new philosophy of trade in its interaction with development as vitally important for the development of the backward areas of the globe; while recognizing that the development of the poor countries is fundamentally their primary responsibility, it is our belief that such development can more easily be achieved as a result of a harmonious blend of international and national efforts, particularly through trade and economic co-operation.
We shall continue to strive in the Board of UNCTAD and its permanent committees for the improvement of conditions leading to effective and concrete negotiation of the measures left unresolved in New Delhi. The launching of the Second United Nations Development Decade affords an excellent opportunity to pursue our aspirations. In the context of the decade — the formulation of an international development strategy, institutional arrangements to carry out the set of policies to be agreed upon — in all these endeavors UNCTAD has an important and vital role to play as the natural international organization of the developing countries. Brazil interprets the qualified failure of the second session of UNCTAD as being essentially due to the lack of political will on the part of the developed countries, which failed to seize the occasion to improve effectively international co-operation and transform it into a positive instrument for economic development. Thus, with respect to matters dealing with international trade and economic development, UNCTAD is, in our view, the most appropriate forum, where the specific interests of the developing world can best be defended. Furthermore, the competence of UNCTAD might even cover matters of great interest for the developing countries which are not being treated adequately elsewhere in the United Nations system. Such is the case, for example, of the problems involved in the transfer of technology and, for that matter, all issues related to trade and development in the framework of the international strategy for development for the next decade being prepared in pursuance of General Assembly resolutions.

My delegation wishes, in this connexion, to express its full appreciation for the untiring and statesman-like efforts of Mr. Paul Frisch, Secretary-General of UNCTAD, in all United Nations efforts in the field of trade and development.

With regard to the future of the organization, Brazil anticipated in New Delhi that the "aftermath of defeat is likely to be bitter and far-reaching in its consequences". Let us hope that we are proved wrong. It is our duty in the Assembly to continue to strive for the attainment of the indispensable "basic political decisions" to enhance the work of UNCTAD, as referred to by the Secretary-General in his report to the Assembly last year.

The General Assembly should fully discuss this matter without any undue limitation of time or curtailment of debate. We cannot think of a worthier cause and of a more vital problem for the General Assembly to consume the time at its disposal. This is not a debate for the settlement of contingent differences and divergencies or for the deployment of political manoeuvres. This is the very pattern of our future. The time for such a political decision is now. We are running against time and time is running short. And the best chance for our future success lies in the admission of our past and present failures. That is why we are not prepared either to despair or to desist.

Mr. PANYARACHUN (Thailand): It is a great honour and profound pleasure for my country to have the opportunity to address the plenary meeting of the General Assembly on such an important item as the report of the United Nations Conference on Trade and Development on its second session held at New Delhi from 1 February to 29 March 1968. On behalf of the delegation of Thailand, I wish to offer my sincere congratulations on the lucid and effective manner in which the report of UNCTAD on its second session has been presented by the representative of India.

Almost four years have passed since the first session of UNCTAD, but the problems posed at Geneva then and at New Delhi during the second session are far from being smoothed out. On the contrary, they have been growing unceasingly, not only in terms of the economic development of the less-developed countries, but also in terms of the area which UNCTAD has been particularly desirous of accentuating, namely, international trade. There has been an increase in the difference in volume of income between the privileged and the less-privileged nations, a point often stressed by the Secretary-General of UNCTAD.

Let us recall that during the first session of UNCTAD in 1964 so many hopes were placed in it and that the Conference was to have marked the beginning of a new economic order and lay the foundation of a future development charter. It became evident later that the recommendations of the first session of UNCTAD, unfortunately, turned out to be mere empty words. Although the Conference set up the machinery to deal with the problems of trade and development, it had not always been followed by effective international action to implement its recommendations.
The three years between the first and second UNCTAD sessions merely made the same problems and issues more pressing and urgent. In the light of the above, when the representatives of the developed and developing countries worked out the basic task of the second session of UNCTAD before its opening, there was broad consensus of view that in contrast to the first session of UNCTAD it should pass from words to deeds. That objective, in fact, found a prominent place in the Algiers Charter. The Charter presented the grave but accurate picture of the economic situation of the developing countries. For instance, the rate of economic growth in the developed countries is almost twice as great as that in the developing countries, and whereas the yearly increase in gross national income per capita was thirty times greater, the plight of the developing countries was deteriorating in all aspects of their economic relations with the developed nations.

During the second session of UNCTAD in New Delhi it was regrettable to note that there was no significant change in the attitudes and positions taken by the developed countries towards the valid demands of the developing nations. In fact, no concrete proposals were made by the developed countries regarding the basic problems in financing the further development of and increased trade with the developing countries.

In the field of manufactures, there was unanimous agreement in favour of the early establishment of a generalized non-reciprocal and non-discriminatory system of preferences. However, in the actual definition of a general system of preferences, the New Delhi Conference made little progress. As regards a scheme of general preferences, the Conference only transmitted unsolved problems to a special committee on preferences established for that purpose. The subjects of restrictive business practices and of export promotion were also transmitted to the permanent machinery for further consideration.

The aid target was redefined in New Delhi. Each economically advanced country should endeavour to provide annually to developing countries financial resource transfers of a minimum net amount of 1 per cent of its gross national product at market prices.

The developed donor countries accepted the definition but there was no agreement as to when the target should be reached. Also, little progress was evident in improving the terms and conditions of aid. With regard to supplementary financing no progress was achieved in New Delhi. However, in the field of shipping UNCTAD has been making steady progress. In New Delhi many formerly controversial points were generally accepted. For instance, consultation machinery and shippers' councils were supported unanimously. The role of Governments was recognized in the consultation machinery which deals with questions concerning freight rates.

In the field of commodities little concrete progress was achieved. The developing countries asked that buffer stocks be used, when appropriate, in international commodity arrangements but no consensus could be reached on that proposal. In the controversial area of synthetics and substitutes also there was no agreement on action.

The demand to set up a special fund under UNCTAD auspices for research on the improvement of market conditions, cost efficiency and the diversification of the end uses of natural products threatened by competition from synthetics and substitutes, did not find support among the highly industrialized countries. Also, no agreement could be reached on improving access to the markets of developed countries for such natural products by the progressive removal of tariffs and non-tariff barriers.

The world is not unaware of the hard fact that the foreign trade of most of the developing countries depends on only a few export commodities. Many rely almost entirely on agricultural exports. Unfortunately agriculture is becoming an increasingly doubtful and uncertain basis of foreign trade. It is of interest to note that world trade is carried on to an increasing degree in manufactured rather than agricultural products and that the world's consumption of manufactured products has increased at least twice as fast as the consumption of agricultural products. Obviously this is to the advantage of the developed rather than the developing countries.
 Moreover, the natural advantages of soil and climate existing in the developing countries are becoming less and less significant as time passes. The reasons for that are obvious. The developed countries are wealthy enough to subsidize their own agriculture, which, for political and other reasons, they are doing on a large scale. That means that they use their industrial wealth to correct the natural disadvantages of their own agriculture and to offset the potentially favourable competitive position that the agriculture of developing countries might otherwise derive from natural advantages of soil and climate. In addition, the developed countries have produced a wide range of synthetics as substitutes for agricultural and forest products. Natural rubber, cotton and lumber, to mention only a few, are now subject to ruthless competition from synthetics. In other words, there are few limits to the development of synthetics for natural products.

All that has ominous implications for the export prospects of the developing countries in general. It is unfortunate that the economy of a number of developing countries in Asia, Africa and Latin America, despite their endeavours, still continue to rely heavily on the export of a small number of commodities and if the market for their own particular commodities happens to be unfavourable it is the economy which is the first victim.

Against that background it is obvious that the results of the second session of UNCTAD have fallen far short of expectations. As far as the developed countries are concerned, the Conference was perhaps a series of speeches and debates and the long-awaited move to action unfortunately did not come about. It was plain that they went to New Delhi unprepared to take on any type of specific obligations connected with the solution of the complex problem of the economic growth of the less-developed countries. The lack of political will of the majority of the developed countries and not their economic setbacks constituted the basic obstacle to achieving satisfactory results at the second session of UNCTAD. Nevertheless, although the results of the second session of UNCTAD have in a sense been disappointing, just as the United Nations Development Decade is turning into a decade of disappointment for the developing countries the New Delhi Conference represents a valuable and concrete experience. They fully appreciate
Irrespective of the different nuances of opinion which could exist among us regarding the evaluation of the outcome of the New Delhi Conference, it is a fact that our expectations have not been fulfilled, especially in view of the extensive and most careful preparatory work and the many hopes that preceded it and the high hopes which the developing countries had of that Conference. The achievements were even less commensurate with "the dimensions and urgency of the development problem" (TD/96), to quote the Secretary-General of UNCTAD, Dr. R. Prebisch.

Notwithstanding this, the Conference produced certain results which should be looked upon as a significant step in the breakthrough of new concepts in world economic relations. The acceptance in principle of a generalized, non-reciprocal and non-discriminatory system of preferences for the export of manufactured and semi-manufactured goods from developing countries to the markets of developed countries undoubtedly constitutes a conceptual turning point in blazing a trail in new international co-operation for development. The Conference likewise achieved concurrence in respect of the significance of international financial assistance for development and redefined the target of 1 per cent of gross national product, although only a small number of countries have committed themselves regarding a fixed date by which this target shall be reached.

In the case of other issues -- such as, supplementary financing, food problems, expansion of trade and economic co-operation among developing countries, trade among countries with differing socio-economic systems, special measures in favour of the less developed among the developing countries and shipping -- the Conference in its decisions laid down certain guidelines only for their further consideration and solution.

On a number of vital issues, of which I will mention but a few -- the complex of commodity problems and policies, market access for commodity and manufactured goods, etc. -- the Conference did not succeed in doing anything but transfer them to the continuing machinery for consideration.

In such circumstances and aware of its responsibilities as regards constant international endeavour with a view to resolving the issues which figured on the agenda, the Second Conference in its final report, as we all know, decided:

"...to continue its efforts to reach agreement by making full use of its continuing machinery ..." (TD/L.VI, para. 92)

and

"...therefore urged member States to explore earnestly ways and means of assisting the continuing machinery to discharge the responsibilities now placed on it."(ibid., para.93)

This decision has special meaning and significance. On the basis of it we can assume that the second session of UNCTAD is an unfinished conference, that its unfinished issues have been transferred to the Trade and Development Board. Therefore the final judgment on the role and importance of the second session of UNCTAD can only be made on the basis of the results of its resumed work through the Board and its subsidiary bodies.

At this moment we are faced with a major question: what prospects are offered for practical solutions to urgent problems in the field of trade and development which had already been formulated and dealt with in the course of the preparations for and during the second session of UNCTAD?

In order correctly to answer this crucial question we should emphasize above all that there is still a lack of political will on the part of the developed countries to co-operate in this highly important and urgent endeavour. The necessary political readiness and determination of the developed countries to assist the efforts of developing countries is the point of departure for any success in this complex and long-term enterprise.

In our view, it is no longer a matter of discussing whether or not UNCTAD is to be negotiating machinery or whether we shall or shall not strengthen its negotiating function. We simply have to negotiate if we sincerely wish to find a solution to the problem of trade and development,
which has already been clearly defined and widely recognized by members of the world organization as one of the decisive factors contributing to strengthening peace and ensuring progress, genuine independence and equality among nations. There is no other way to solve this problem than through consultations and negotiations. In our view, the form and framework of negotiations are questions of secondary importance.

The UNCTAD machinery, in its comprehensive activity, has reached a point at which it is simply a question of engaging it further with a view to scoring positive results by concluding agreements and other appropriate international instruments. Consequently UNCTAD should be finally accepted as machinery for the preparation of negotiations and direct negotiations, and therefore as somewhat distinct from other organizations of the United Nations family. Its method of work and its procedure require to be adapted accordingly so as to permit more flexible operation of the entire mechanism. In our opinion, the first step has already been taken through the unanimous decision on the improvement of the institutional machinery and methods of work adopted at the seventh session of the Trade and Development Board.

At this moment, in our opinion, the Board is facing three complex tasks: first, to discharge its normal function as an executive body in the interim period between the two Conferences; second, to consider and solve a number of problems entrusted to it by the second session of UNCTAD; third, to participate in co-operative efforts of the United Nations family in formulating the global development strategy within the second Development Decade.

In order to discharge these tasks, which are to be expressed in agreements and in political decisions on key issues of trade and development, it will be necessary that the forthcoming meetings of the Board be considered as a kind of resumed session of the second session of UNCTAD and be held on the ministerial or corresponding political level.

It is essential that we all fully appreciate the fact that the formulation and adoption of a global strategy for the second Development Decade can be realistic only if based on contractual undertakings, in which UNCTAD must play a prominent role.
We all agreed a long time ago that economic development and social progress are a common concern of the whole international community. There is no use, therefore, in speculating too much about who is to blame for the present state of affairs, since it is clear that the reasons are both historical and the result of present-day practice in the field of international economic relations. Today the main preoccupation of developing countries is to chart a common course of action to be followed in order to accelerate their economic development.

That can be achieved only through concerted efforts and under the shared responsibility of all members of the international community -- developed and developing, by associating the efforts of North and South in a common challenge beneficial to development and progress on a world-wide basis.

In the present-day world of increasing interdependence, peace, progress and the freedom and equality of nations are indivisible. Accelerated economic development is the safest road to durable peace in the world and to social progress and stability in individual countries and should be a contribution to the integrity of man's personality, wherever he lives and whatever his occupation.

We are approaching the twenty-fifth anniversary of the creation of the United Nations. It would be a wonderful achievement if we were to succeed in celebrating that important date in the life of our Organization by completing the outstanding work of the second session of UNCTAD and by launching a meaningful programme for the second Development Decade.

The President: That concludes the presentation of the report of the United Nations Conference on Trade and Development on its second session, which will be considered further by the Second Committee.

Agenda Item 23

Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples (Appointment of a Member of the Special Committee) (continued)

The President: I call on the representative of Guyana in exercise of his right of reply.

Sir John Carter (Guyana): My delegation wishes to place on record its welcome of the appointment of Ecuador, in the person of its most distinguished Ambassador Benites, to the Committee of Twenty-Four. However, I must refer at the same time to a statement which was made by the representative of Honduras on Friday, 25 October, when the appointment of Ecuador to the Committee of Twenty-Four was announced by the Acting President of the General Assembly. I would not have wished to refer to this matter as it was my delegation's understanding that since the circumstances which surrounded this appointment had already been the subject of discussion within the Latin American Group, there was no need to raise the matter before the Assembly. However, I am now compelled to do so in view of the following remarks made by the representative of Honduras:

"... the President of the General Assembly previously obtained the consensus of the Latin American Group. The consensus of that Group made it perfectly clear that Ecuador was its choice so that the President was able to take a decision." (1707th meeting, page 6)

In view of those remarks, and in view of the fact that I was presiding over the Assembly at the time they were made, I now wish to make clear that Guyana, which is President of the Latin American Group until March 1969, was at no time consulted on this appointment. Consultation is a convention of the General Assembly established by past practice which touches upon the power of the President in the making of a regional appointment.

My delegation would have thought that the convention of consultation would apply to this regional appointment and that such consultation would begin with the President of the regional group in question.

While my delegation warmly welcomes the appointment of so distinguished a representative of Ecuador to the Committee of Twenty-Four, it has the strongest reservations on the manner in which the appointment was made.

The President: The next plenary meeting of the Assembly will be held on Friday afternoon, 1 November, at 3 o'clock to elect the five non-permanent members of the Security Council and to take up reports of the Special Political Committee and the Fifth Committee which will be ready for consideration by the General Assembly.

The meeting rose at 1.15 p.m.
On Adoption of Recommendations

UNCTAD Makes Call for Action

By GEORGE F. W. TELFER

UNITED NATIONS, N.Y., Oct. 25 — The second Development Decade for the world’s poor countries will have a better chance of success than the present one if the economic and finance ministers of both the rich and poor countries act soon to implement the recommendations made in New Delhi last March by the second United Nations Conference on Trade and Development, UNCTAD President Dinesh Singh said here today.

Various steps to streamline UNCTAD’s operations will help it to function better, Mr. Singh, who also is India’s minister of commerce, told the U.N. General Assembly. “But these cannot be a substitute for decision making, which is possible only at the political level,” he said.

Citing the “modest gains” in trade and aid which were achieved at New Delhi, Mr. Singh added that “well prepared ad hoc meetings of interested ministers on specific issues may give to the continuing machinery (of UNCTAD) the political direction it lacks at present, and thereby prevent the discussions on important issues from getting bogged down in technical details.”

Mr. Singh warned that “the emerging introspection of prosperity and the increasing impatience of poverty create potentially explosive situations.”

He pointed out that, after 45 sessions of the Economic & Social Council, after two sessions of UNCTAD, and despite all the promises that had been held out by the UN Development Decade, the developing countries were expected to take more than a century and a half to double their per capita income. After these hundred and fifty years, their income would be no more than 50 cents a day.”

Mr. Singh added that, “while matters of interest to developed countries have been tackled through multilateral negotiations, measures in support of the self-reliant efforts of the developing countries have eluded agreement.”

“Could this be merely accidental? How long are development problems going to be treated as residual?”

Mr. Singh said progress in the field of trade had been “at least perceptible,” although it was acknowledged as the principal instrument of development.

“Economic assistance to development countries is also declining. The numerous conditions imposed by donor states in transfer of financial resources makes it a gesture that begins abroad, but ends up by bringing dividends home.”

The Indian commerce minister suggested that the General Assembly might help ensure that the non reciprocity, non discriminatory trade preferences in favor of developing countries come into effect in early 1970. A special machinery for implementing this agreement has been set up, he noted.

Aids to financing development, expanding trade and carrying out other reforms, as well as the trade preferences, must be backed by political decisions by the responsible ministries of the rich and the poor countries, if they are to be implemented,” Mr. Singh said.
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I thought this might be of some interest: e.g. operative for y

Date: 24/10

FROM: J. P. Allin

CR. 13 (11-64)
Mr. Friedman: IBRD

With the compliments
of the
Washington Office
of the
United Nations Economic Commission
for Latin America

[Signature]

David H. Keleher
The Trade and Development Board

Recalling General Assembly Resolution 2305/XXII of 13 December 1967 on the United Nations Development Decade which, inter alia, requests the Secretary-General of the United Nations, in consultation with the Committee for Development Planning and the organizations in the United Nations system and on the basis of the results of the Second session of UNCTAD, to incorporate suggestions on the appropriate means of harmonizing measures that could be considered by international organizations, on the one hand, and by developing and developed countries, on the other, in the preliminary framework of an international development strategy,

Recognizing that the Second UNCTAD had resolved to continue its efforts to reach agreement by making full use of its continuing machinery and in particular, of the opportunities for further consultation and study provided by the Trade and Development Board to which it had referred several issues of relevance to the Second Development Decade,

Recalling the draft proposal submitted by a group of countries at the Second UNCTAD and transmitted to the Trade and Development Board for consideration emphasizing the need to synchronize the international and national policies and to formulate a charter and a global strategy of economic development (TD/L.37 annex VIII p.50),

GE.68-18391
Taking note of Economic and Social Council Resolution 1356/XLV of 2 August 1968 on the United Nations Development Decade in which it is noted that United Nations Conference on Trade and Development at its Second Session considered, in line with General Assembly Resolution 2305/XXII, issues relating to the formulation of an international development policy and that the subject of the Second United Nations Development Decade is on the agenda of the seventh session of the Trade and Development Board,

Noting particularly the stress laid in ECOSOC resolution 1356/XLV on the need to agree on goals and objectives of the next Decade, as well as on practical steps to be taken to realize them, taking into account the specific agreements already reached or likely to be reached in the field of development,

Having considered the report of the Secretary-General of UNCTAD on "The Role of UNCTAD in the Second Development Decade" (TD/B/186), calling for the preparation of the ground for the major political decisions which development requires,

Stressing the need of intensifying the preparatory work for the Second United Nations Development Decade and the importance of associating governments with these preparations.

1. Takes note of the report of the Secretary-General of UNCTAD (TD/B/186) and expresses its appreciation for the efforts made by the Secretary-General in defining the role of UNCTAD in the second Development Decade.

2. Reaffirms the important role UNCTAD has to play within its competence in the combination of efforts within the United Nations family for the preparation of the Second Development Decade in view of vital significance of the matters of trade and development in the context of an international strategy for development.

3. Requests the Secretary-General of UNCTAD to transmit his report to member governments for comments, to the Secretary-General of the United Nations so as to make it available to the General Assembly and to the Economic and Social Council jointly with other documents concerning the preparatory work for the Second United Nations Development Decade, together with comments made on this report at the Seventh session of Trade and Development Board,

4. Invites the Secretary-General of UNCTAD to continue preparatory work for the Second Development Decade and, in particular, to formulate suggestions and proposals on the goals and objectives in the field of trade and development within its competence and with due regard to the activities of other United Nations organizations and the deliberations at the seventh session of the Trade and Development Board and to outline a programme of practical steps to realize them with due regard to the requests made in ECOSOC Resolution 1356/XLV, and submit a report thereon for consideration by the Board at its eighth session.
5. **Invites further** the Secretary-General of UNCTAD to convene a group composed of representatives of governments of any country member of UNCTAD wishing to participate in its work to assist him in performing the task in para. 4 above, to consider any other relevant document and make suggestions concerning further preparatory work to be done by continuing machinery.

6. **Invites the governments of member states to notify the Secretary-General of UNCTAD by 1 November 1968 of their wish to participate in the work of the group under para. 5 above in order to facilitate the arrangements for the meetings of the group.**

7. **Urges the Secretary-General of UNCTAD to give the highest priority to the preparatory work for the Second Development Decade in order to enable the continuing machinery to join in the efforts to ensure that the Second United Nations Development Decade would commence by January 1970 or at such time as might be decided upon by the General Assembly.**
DATE AND TIME OF CABLE: OCTOBER 24, 1968
LOG NO.: WU 11/24
TO: FRIEDMAN INTRA FRAD
FROM: GENEVE

TEXT:

MEETING CONCLUDES TOMORROW MAINLY PREPARATORY FOR NEXT SESSION
HAVE AGREED ANOTHER ATTEMPT COST ESTIMATE RETURNING SUNDAY
REGARDS

SAHMA

FAMILY NOTIFICATION BEING MADE.
Dear Mr. Friedman:

At the DAC Working Party meeting, reference was made, inter alia, to Commodity Stabilization Studies, our Cost Estimates, IDA replenishment.

In particular, Mr. Mark (Chairman) wanted to know whether refinancing Fund Compensatory Financing Facility was an alternative approach to the Bank Staff Scheme of S.F. In response, I stated briefly our view: that S.F. was in the area of development finance, and that C.F.F. financing was not an alternative for the purposes in view. Some of the 'B' Group countries are likely to raise this again at Geneva.

It would seem Mr. Mermojlia would be requested to continue as Chairman of Intergovernmental Group.

Kind regards,

Yours sincerely,

(Signed) N.A. Sarma
Dear Mr. Friedemoer:

At the December 13th meeting, reference was made, in particular, to Community Stabilization, saw cost estimates, IBA replenishment, and the role of Mr. Mark (Chairman) in relation to the Fund Complementary Financing Facility. In particular, Mr. Mark (Chairman) wanted to know whether refinancing of the Fund Complementary Financing Facility was an alternative approach to the Bank Staff Scheme of S.F. In response, I stated briefly our view: that S.F. was in the area of development finance, and that CFF refinancing was not an alternative for the purposes in view.

Some of the 'B' Group countries are likely to raise this again at Geneva.

It would seem Mr. Mark (Chairman) would be requested to continue as Chairman of the Intergovernmental Group.

Kind Regards,

Yours, Sincerely,

N. A. Serran

Oct. 2, 1968
**Supplementary Finance**

Membership of Intergovernmental Group,

Schedule of Meetings in 1968 - 69,

Resolutions adopted at UNCTAD II.

---

From

N. A. Sarma
Members of the Intergovernmental Group on Supplementary Finance

Original Members

Argentina
Brazil
Ceylon
Federal Republic of Germany
France
Ghana
India
Japan
Poland
Sweden
U.A.R
U.K.
U.S.A.
Yugoslavia

Total Membership: 26

New Members

Afghanistan
Chad
Nigeria
Pakistan
Tunisia
Australia
Canada
Italy (Spain in 1969)
Switzerland
Uruguay
Chile
Venezuela

Schedule of Meetings

Group
(1) October 21 - 25, '68
(2) June 23 - July 4, '69 (This would be the important meeting).

Financing Committee: February 17 - 28, '69.

Trade and Development Board: January 21 - February 7, '69 (Eighth Session).
August 26 - September 12, '69 (Ninth Session).

For Supplementary Finance and for certain other UNCTAD issues, the TDB meeting of August - September '69 would be crucial. This Board session may be held at ministerial level.
SUPPLEMENTARY FINANCIAL MEASURES (RESOLUTIONS ADOPTED AT UNCTAD II)

1. The Conference reaffirms the objective of the proposal for Supplementary Financial Measures set out in Annex A.IV.18 to the Final Act of the First Conference. This states that "the new scheme should aim to deal with problems arising from adverse movement in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance of payments support. Its purpose should be to provide longer term assistance to developing countries which would help them to avoid disruption of their developing programmes."

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

3. The Conference expresses its appreciation of the Report prepared by the staff of the IBRD, and of the Reports of the IGG. These reports have defined the issues involved and clarified many of them. The Conference agrees that further work is required to resolve some outstanding issues. The principal issues are:

   (i) The definition and method of assessment of reasonable expectations;
   (ii) The scope, nature and acceptability of the understandings between the administering agency and individual participant countries on their development programmes and the policies to be adopted in order to carry them out;
   (iii) The measures to be taken by countries applying for assistance;
4. A matter requiring additional attention is how to determine in quantitative terms the disruption which has resulted from export shortfalls and consequently, what are the financial implications of proposals to meet the objectives of Part A of Recommendation A.IV.18.

5. Some of the issues set forth in paragraphs 3 and 4 above would arise not only from consideration of the World Bank Staff Scheme but from consideration of other measures to meet the objectives of Part A of Recommendation A.IV.18, including those submitted to the Intergovernmental Group. Any additional proposals clearly responsive to the Recommendation should receive due attention, with the aim of working out the most effective measures possible.

6. The Conference decides:

(i) to continue in existence the Intergovernmental Group suitably expanded;

(ii) to request the Group to consider and attempt to resolve the issues set forth in paragraphs 2 through 5;

(iii) in the light of the foregoing considerations to instruct the Group to work out measures for supplementary finance;

(iv) to instruct the Group to report thereon to the TDB as early as possible, and no later than the ninth session of the Trade and Development Board;

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

(vi) to instruct the Chairman of the Group to report on its progress to the seventh session of the Trade and Development Board.
Ref: TDO 280/1 Fourth session  

October 8, 1968

Dear Dr. Prebisch:

On behalf of Mr. McNamara, I am writing to acknowledge your letter of September 9, 1968, and to thank you for inviting the International Bank for Reconstruction and Development to be represented at the Fourth Session of the Intergovernmental Group on Supplementary Financing to be held in Geneva from October 21 to 25, 1968.

I am pleased to inform you that the Bank will be represented at this session by Mr. N.A. Sarma of the Office of the President. It is possible that Mr. Irving S. Friedman, the Economic Adviser to the President, may also attend the session, subject to his other commitments at the time.

Sincerely yours,

Richard H. Deymuth
Director
Development Services Department

Dr. Raúl Prebisch
Secretary-General
United Nations Conference on Trade and Development
Palais des Nations
CH-1211 Geneva 10
Switzerland

Cleared with and cc: Mr. Friedman

cc: Mr. Sarma

Central Files with incoming correspondence

LPerinbamm:mod
DATE AND TIME OF CABLE: SEPTEMBER 20, 1968 1717
LOG NO.: ITT TELEX/20
TO: INTRAFRAD
FROM: PARIS

TEXT:
962 FOR DEMUTH FRIEDMAN CONSOLO

ADDITIONAL 12 SEATS ON INTERGOVERNMENTAL GROUP SUPPLEMENTARY FINANCING
NOW AGREED AS FOLLOWS: GROUP A AFGHANISTAN CHAD NIGERIA PAKISTAN TUNISIA.
GROUP B AUSTRALIA CANADA ITALY SWITZERLAND. GROUP C URUGUAY CHILE VENEZUELA.
DURING 1969 ITALY WILL WITHDRAW AND SPAIN WILL THEN BE PROPOSED FOR VACANT
GROUP B SEAT.

FOR CONSOLO

ALL OUTSTANDING ITEMS NOW REFERRED FOR FURTHER NEGOTIATION IN CONTACT
GROUPS WHICH MAY NOT REACH AGREEMENT UNTIL LATE SATURDAY OR LATER.

AS NON OF THESE ITEMS OF PARTICULAR CONCERN TO BANK I AM RETURNING TO
PARIS AND FUND WILL KEEP ME ADVISED AS TO DECISIONS REACHED

WISHART

[Signature]

9/20

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021
**REMARKS**

This will be a short, mainly procedural, meeting, at which the (new) Group would take a view of the present stage of the discussions and also consider further studies, etc. (The crucial meetings will be for two weeks in June - July next year.)

It would be adequate if either you or I were to be at this particular meeting in October.

From

N. A. Sarma
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**OFFICE OF THE PRESIDENT**

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**Remarks**

I am wondering whether we ought to say that you or I will attend, or that you and I will attend, this meeting?

**From**

Irving S. Friedman
Mr. Friedman:

Would you please indicate whether you or Mr. Sarma will be attending the UNCTAD October 21-25? Thanks.
Dear Mr. McNamara,

I am writing to you with reference to decision 41 (VI) of the Trade and Development Board on the calendar of UNCTAD meetings for 1968 and 1969 (TD/B/168 and Corr. 1, Annex III) whereby provision was made for the fourth session of the Intergovernmental Group on Supplementary Financing to be held from 21 to 25 October 1968. Accordingly, the fourth session of the Group will open at the Palais des Nations, Geneva, at 11 a.m. on Monday, 21 October 1968.

The annotated provisional agenda (TD/B/C.3/AC.3/22) is being distributed separately.

You will recall that the Committee on Invisibles and Financing related to Trade, in establishing the Intergovernmental Group, decided to invite "representatives of the staff of IBRD and the International Monetary Fund as well as representatives of such other bodies as the Group may consider appropriate to assist in the work of the Intergovernmental Group and in particular to prepare such factual material as may be required to enable..."

Mr. Robert S. McNamara
President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.
the Group to accomplish its task" (TD/B/73/Rev.1-TD/B/C.3/22/Rev.1, Annex I (a)), and that the United Nations Conference on Trade and Development at its second session decided "to continue in existence the Intergovernmental Group suitably expanded" (TD/L.37, Annex I, resolution 30 (II), paragraph 6).

The participation of your Organization in the work of the Group has been greatly appreciated and I very much hope that you will find it possible to appoint a representative to attend its fourth session.

Yours sincerely,

Raúl Prebisch
Secretary-General
DATE AND TIME OF CABLE: SEPTEMBER 12, 1968 1454
LOG NO.: ITT 19/12
TO: INTRAFRAD
FROM: GENEVE

TEXT:

3 DEMUTH FRIEDMAN

INTERGOVERNMENTAL GROUP SUPPLEMENTARY FINANCING SESSIONAL COMMITTEE
HAS FINALLY UNANIMOUSLY AGREED ON TWENTY SIX MEMBERS AS FOLLOWS
GROUP B TEN LDC FIFTEEN EQUALLY DIVIDED GROUP D ONE. NAMES MEMBERS
WILL BE ANNOUNCED LATER

CONSCIO

Copy sent to Mr. Saron 9/18
Mr. Friedman has not seen this - there may be something you think he should know about.

Please see note below:

From Irving S. Friedman's office
1. One of the decisions likely to be taken at the 7th Session of the UNCTAD Board is that the Conference sessions should be shorter in duration, and deal with clearly defined issues.

2. The strengthening of the UNCTAD Secretariat, especially by appointing a deputy to the Secretary-General may be taken up.

3. Dr. Prebisch' Report on the role of UNCTAD in the Second Development Decade - please see pp. 16 - 17 (Commodity Agreements and Supplementary Finance).
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REMARKS

From: F. Consolo
Memo to: Files
From: Federico Consolo
Subject: UNCTAD, Trade and Development Board, 7th Session

1. The seventh session of the Trade and Development Board opened in Geneva on September 2, temporarily under the chairmanship of Ambassador Aganaye, Chad, Vice-President, in the absence of the President, Mr. Kohout, Czechoslovakia.

2. After much procedural discussion, it was agreed that a Sessional Committee of the Whole would be set up to deal with certain items of the agenda, thus leaving the plenary to concentrate on the main item before the Board: i.e., the improvement of the institutional machinery and the methods of work of UNCTAD. This item is the follow-up of two draft resolutions at UNCTAD II, one presented by India and Chile, the other by Sweden. In addition, a new item dealing with the UN Capital Development Fund was included in the agenda, in spite of objections from delegations of Group B (West and others). The LDCs argued that as resolutions had been passed on this item both at the Governing Council of the UNDP and at the recent summer session of ECOSOC, UNCTAD should also underline the "importance" of this item and pass a resolution on this matter for the attention of the General Assembly.

Consequently, a new agenda (Annex I) was approved.

3. The Plenary will consider items 2, 3, 4, 6, 12, 13, 14 and 15, whilst the Sessional Committee will consider items 5, 7, 8, 9, and 10, and report to Plenary.

4. Of the Sessional Committee items, the only ones of interest to the Bank are 5(d) and possibly 10. As of today, the Sessional Committee has taken note of item 8 (UNCTAD/GATT International Trade Centre) and item 10 (coordination of the activities of UNCTAD). The references to the Bank are correct and call for no comment. The composition of the Intergovernmental Group on Supplementary Financing (item 5d) should be decided in the
course of the next few days. Group B was willing to increase the composition from 15 to 20, being under the impression it had the informal agreement of the LDCs (called the "Group of 31" at the Trade and Development Board). However, when discussion on this began at the Sessional Committee, the LDCs withdrew their agreement, arguing that this group should be an "open-ended" group with any country wishing to participate at any time being able to do so. Inter-group discussions are now going on.

5. In opening the general discussion on item 3, the Philippines - on behalf of the LDCs - presented a working paper, TD/B/L.126 (Annex II). Then ensued a procedural debate, in the course of which it was clear that the LDCs were pressing for an immediate full debate on this paper, while Group B wanted to have informal discussions within the group and with representatives of the LDCs before engaging in a general debate.

6. The fact that there was no single established position within Group B was clearly evidenced by the fact that, after an impasse of about a day and a half, during the course of which statements were made by LDCs, a general statement was made by Finland on behalf of the Nordic delegations, and a very detailed statement was made by the Netherlands on its own. Subsequently, from Group B, detailed statements were made by Belgium, Germany, France, Canada, Switzerland, Australia; a very brief statement was made by the USA. From Group D (Socialist bloc) statements were made by Romania, USSR, Poland, and Bulgaria. So far, the Czechoslovak delegation has not spoken.

7. All delegations commended the paper TD/B/L.126 as being a very good basis for discussions from which to reach agreement.

8. On the whole, Group D countries approved it as it stands, but made the usual plea for the need of universal representation in UNCTAD (i.e. the inclusion of Communist China, East Germany, North Vietnam and North Korea).

9. The approval of Group B countries was more qualified. Opposition was expressed to paragraph 3 of TD/B/L.126, which states that UNCTAD should be made a participating agency (and executing agency) for the purpose of carrying out technical assistance programmes in the field of trade in relation to development financed by UNDP. It was argued that UNCTAD should not extend its activities over too many fields and doubt was expressed as to what concrete contribution UNCTAD could really make in such a technical assistance programme. Even on this point Group B does not seem to be unanimous, since the Netherlands stated that it was ready to reconsider its position on this item on the basis of new arguments brought forward by the LDCs, while France went so far as to say it did envisage UNCTAD as an executing agency. So far, the reply of the LDCs on this matter has been to point out the analogy (which in my opinion is questionable) between UNIDO, which is already a participating and executing agency of the UNDP, and UNCTAD.
10. Another point questioned by Group B was the convening of intergovernmental groups, etc. (paras. 12/13 of TD/B/L.126), especially in connection with the freedom of action proposed for the Secretary-General of UNCTAD.

11. Following on the beginning of this general debate, a "contact" group is being set up by the President, which will be known as "the President's Group". Consisting of representatives of LDCs and Groups B and D, this group will conduct negotiations outside Plenary, whilst Plenary will still listen to statements in the general debate.

Encls.

cc: Mr. McNamara
    Mr. Denhardt
    Mr. Friedman
    Mr. Karasz, Paris
United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD
Seventh session
Geneva, 2 September 1968

AGENDA 1/

1. Adoption of the agenda

2. Adoption of the report on credentials

3. Improvement of the institutional machinery and the methods of work:
draft resolutions on institutional arrangements remitted by the Conference.
Report of the Secretary-General of UNCTAD on the activities of UNCTAD, in
particularly in regard to the resolutions and other decisions of the second
session of the Conference

4. UNCTAD and the second United Nations Development Decade (General Assembly
resolution 2305 (XXII))

5. Other institutional matters:
   (a) Trade expansion, economic co-operation and regional integration among
developing countries: institutional arrangements
   (b) International legislation on shipping: recommendation of the Conference
for the creation of a Working Group of the Committee on Shipping
   (c) Transfer of technology, including know-how and patents: draft resolution
on the establishment of an inter-governmental committee transmitted by
the Conference
   (d) Composition of the Inter-governmental Group on Supplementary Financing
   (e) Designation of non-governmental organizations for the purpose of rule 79
of the rules of procedure.

1/ As adopted by the Board at its 159th plenary meeting held on 3 September 1968.

GE.68-15719
6. Reports on negotiations or consultations on individual commodities
7. Progress report on the study on terms of shipment
8. UNCTAD/GATT International Trade Centre
10. Co-ordination of the activities of UNCTAD with those of other bodies in the field of trade and development
11. Elections
   (a) Election to membership of committees
   (b) Election of the Chairman and appointment of members of the Advisory Committee to the Board and to the Committee on Commodities
12. Review of the calendar of meetings
13. Provisional agenda for the eighth session of the Board
14. Financial implications of the actions of the Board
15. United Nations Capital Development Fund
16. Other business
17. Adoption of the report of the Board to the General Assembly.
United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD
Seventh session
Geneva, 2 September 1968
Agenda item 3

IMPROVEMENT OF THE INSTITUTIONAL MACHINERY AND THE METHODS OF WORK: DRAFT RESOLUTIONS ON INSTITUTIONAL ARRANGEMENTS REMITTED BY THE CONFERENCE

Proposals on the improvement of the institutional machinery and methods of work of UNCTAD submitted by Afghanistan, Algeria, Brazil, Chad, Chile, Colombia, Costa Rica, Ethiopia, Guatemala, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Madagascar, Malaysia, Mali, Mexico, Nigeria, Pakistan, Peru, Philippines, Rwanda, Senegal, Somalia, Syria, Tunisia, Uganda, Venezuela and Yugoslavia.

Observations concerning the functions of UNCTAD

1. In order to promote international trade with a view to accelerating economic development, UNCTAD should be action-oriented and should strengthen its negotiating role. In this context the permanent machinery of UNCTAD should be used more effectively than in the past to reach decisions and come to positive conclusions. At the same time, the ability of UNCTAD to influence developed countries to adopt more favourable attitude towards the problems of developing countries should be enhanced. There should be a substantial reduction in the frequency and duration of deliberative meetings so that the organization can devote itself more to the tasks of exploration, consultation and negotiation.

2. Full importance must be attached, within the UNCTAD machinery, to reviewing the implementation of policies pursued, in order to ensure a dynamic adaptation of instruments and measures to the changing conditions of world trade and development. Furthermore, future UNCTAD sessions should, as a matter of priority, deal with the question of the review of and the effectiveness and further evolution of institutional arrangements within the UNCTAD and make recommendations as to what changes and improvements might, in the light of experience, be considered appropriate.

GJ.68-1574C
3. UNCTAD should be made a participating agency in the UNDP for the purpose of carrying out technical assistance programmes in the field of trade in relation to development financed by the UNDP.

Future sessions of the Conference

4. The Conference, the Board, the main Committees and the inter-governmental group and working parties should together form a coherent network within which the process of purposeful and continuous inter-governmental co-operation within UNCTAD should proceed. The more effective the permanent machinery is in its negotiating capacity, the more the Conference will be able to concentrate on its tasks to review action taken by governments to implement the recommendations of UNCTAD and its organs and to give new guidelines; otherwise the entire burden of negotiations will fall on the Conference itself. It is important that Ministers should be present, particularly in the final stages of the Conference.

5. It is desirable that sessions of the Conference should be shortened. The agenda should be prepared with this end in mind, and should relate essentially to issues of importance for the attainment of UNCTAD's objectives, and should be limited to those issues which are mature for negotiation or need further discussion in order to find a basis for agreement or bring closer the policies and points of view of developed and developing countries.

The Trade and Development Board

6. When the Conference is not in session, the Board is authorized and therefore invited to carry out fully the functions that fall within the competence of the Conference, in accordance with G.A. Resolution 1985 (XXI), article 14.

7. The Board should normally hold one regular session a year in August/September. In order that UNCTAD can be more effective as an action-oriented body, the Board should devote itself more and more to the tasks of negotiation and consultation in furtherance of the rapid implementation of the objectives of UNCTAD. The Board may consider holding sessions at a high political level in order to consider matters requiring urgent decision. It is not necessary to alter the relevant provisions in G.A. Resolution 1985 (XXI) at this stage.

8. Whenever the Board or the Committees are discussing a matter of specific interest to a particular country, whether a member of the Board or the Committees or not, that country should be accorded full facilities to participate in the discussions at all levels and to be consulted at all levels. The composition and terms of reference of the Board or of the Committees need not be altered.
9. Sessional Committees, if established, should concentrate on the consideration of the recommendations which are reached in the Main Committees, and the resolution of differences which appear in the committees. The body creating the Sessional Committee will decide whether these Committees will have summary records.

The Main Committees of the Board

10. The Main Committees should normally meet once a year, well before the Board's session to allow sufficient time for governments to consider carefully the Committees' recommendations before the Board meets. Normally the duration of the Committee sessions should not exceed two weeks.

11. The Main Committees may set up inter-governmental groups and working parties in accordance with the provisions contained in paras. 12 and 13 to work out concrete solutions to the problems put before them. The Committees would thus increasingly function as bodies for reviewing and making recommendations on the basis of the specialized work performed by inter-governmental groups and working parties on their behalf.

Inter-governmental groups, expert groups and working parties

12. It is agreed that the task of UNCTAD would be greatly facilitated if the system of working through ad hoc bodies such as inter-governmental groups, expert groups and working parties were made an established practice. Such groups and working parties should normally be small in size, meet in private, have well-defined terms of reference and have a deadline for completion of their assignment and the submission of their report to the parent body.

13. (a) Inter-governmental groups (which include inter-governmental consultative groups) and working parties may be appointed by the Board, the Main Committees or the Secretary-General.

(b) Expert groups may be appointed by the Board or the Secretary-General.

(c) Working parties should be open to all countries having a direct and substantial interest in the subjects to be studied.

Documentation

14. It will be desirable if summary records are provided only for the plenary meetings of the Board and of the Main Committees.

UNCTAD/GATT relations

15. The considerable area of overlapping which exists in the activities of the UNCTAD and GATT should be transformed in such a way as to avoid duplication and make it possible to envisage increasingly joint and co-ordinated UNCTAD/GATT action.
To this end it is necessary for the Secretary-General of UNCTAD and the Director General of GATT to maintain contact and consult regularly in order to co-ordinate their efforts and undertake, where appropriate, joint tasks.

It would be desirable that member governments of UNCTAD and GATT be kept informed of the results of these consultations in order to evaluate them and give the necessary further directives.

To this effect the Board should recommend to the Secretary-General of UNCTAD to take initiative in such consultations and contacts, and to report to it.

The Secretariat

16. The Secretary-General should be authorized to appoint and convene meetings of inter-governmental groups, expert groups and working parties whenever, in his judgement, the need arises to deal with urgent cases. The results of these meetings should be brought to the attention of the Board or the relevant Committee, at the earliest opportunity.

17. The Secretary-General should take the necessary initiative and fully participate at all stages of the discussions and negotiations.

18. The Secretariat of UNCTAD should be strengthened in such a way that the Secretary-General is able to devote more time than at present to consult with governments and to stimulate their political will.

More intensive contacts of the Secretary-General with countries, and among the various groups of countries would help to bring about greater effectiveness in the work of the permanent machinery.

The question of appointing a deputy should be further pursued.

Further, in order to establish closer contact between the UNCTAD Secretariat and the governments of both the developing and developed countries, in order that they may have a better understanding of the problems dealt with by UNCTAD the public information section of UNCTAD should be strengthened.

19. Since Geneva is the Headquarters of UNCTAD, normally all meetings of the organs of UNCTAD should be held in this city.

20. The various groups expressed appreciation for the services rendered by the Secretariat and request that in the future fuller facilities be provided for meetings.
With the compliments
of the
Secretary-General
of the
United Nations Conference on Trade
and Development

Avec les compliments
du Secrétaire général
de la Conférence des Nations Unies
sur le Commerce et le Développement

SEP 12 1968
United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD
Seventh Session
Geneva, 2 September 1968
Item 4 of the provisional agenda

UNCTAD AND THE SECOND UNITED NATIONS DEVELOPMENT DECADE (GENERAL ASSEMBLY RESOLUTION 2305 (XXII))

The role of UNCTAD in the Second Development Decade

Report by the Secretary-General of UNCTAD

GE.68-15805
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I. THE GLOBAL STRATEGY AND THE NEW RECIPROCITY

1. The second United Nations Development Decade is an enterprise of vital importance on which the concerted efforts of the whole international community must be brought to bear. Dealing as it does with the problems of trade and development, UNCTAD will naturally have a very important role to play in that combination of efforts. However, the co-operation of other international organizations in the United Nations family will be equally important in ensuring the success of the enterprise.

2. It is true that UNCTAD is particularly concerned with matters of trade and development in the context of international co-operation policy; but it is equally true that those matters cannot be isolated from the whole group of problems to be covered by the global strategy. Hence the nature of this report, which neither confines itself to the specific concerns of UNCTAD nor disregards the vitally important part assigned to other organizations of the United Nations family in the formulation of the global strategy of development.

3. The second Development Decade must not be a mere expression of aspirations to add to the plethora of inoperative recommendations. That, to tell the truth, is what became of the first Development Decade: aspirations with no clear-cut policy of international co-operation and no definite indication how such a policy was to be combined with domestic development policies - in other words, with no global strategy of development.

4. In essentials, strategy consists of a well-knit body of specific measures. What those measures should be is already known. The first Decade was not a total loss, for more is now known about the development process, the nature and size of the obstacles confronting it, and the means of overcoming them.

5. Still more it has been definitely proved that high growth rates can be achieved. international conditions have been favourable to exports of goods and services and the inflow of financial resources has attained an adequate volume, and where the developing countries have managed to turn those favourable external factors to account in accelerating their growth. 1/

1/ In this connexion, see the figures given in the report submitted at the Second Conference, entitled Towards a Global Strategy of Development (TD/3/Rev.1, page 5).
6. These proven facts should dissipate the doubts and resistance entertained towards the very idea of the strategy. The failure to achieve the average growth rate set for the first Decade has often aroused in certain quarters in the industrial countries, an attitude of scepticism towards the efficiency of measures of international co-operation in a situation where the developing countries fail to demonstrate by deeds their determination to develop; it has also moved the developing countries to attitudes of discouragement and frustration, in which they tend to lay the whole blame for such meagre results on the inadequacy of international co-operation, without giving due weight to the ineluctable necessity of a domestic development policy.

7. That explains why consideration of the development problem at the international level has generally been marked by continuous controversy, by a long-drawn-out exchange of mutual recriminations which have led to no practical action.

8. The very meaning of this confrontation would appear to have got lost. It cannot be said to have been in vain, for the heat of the debate has left behind it a better understanding of the difficulties standing in the way of practical action on either side. However, it would be pointless to go on repeating familiar arguments. The need now is to start a constructive dialogue to help in clearing the ground for the major political decisions which development requires. Without those political decisions, the second Decade would have no great significance.

9. Political decisions are required in the industrial countries to set aside the obstacles to development at the international level; parallel decisions are required in the developing countries to transform structures and attitudes and to institute, in resolute fashion, that development discipline without which domestic efforts cannot be directed into the right channels and full advantage cannot be taken of international co-operation.

10. This matter demands plain speaking. Waiting for others to take political decisions, while lacking the determination to take one's own, is not a good way to find solutions to pressing problems. The inescapable need is for a combination of political decisions, a concentration of convergent measures to be taken by the industrial countries, and by those endeavouring to industrialize, in order to tackle the common problem of development.
11. This will entail mobilizing a sizeable amount of international financial resources. That will be no easy task. Even in the industrial countries there is a shortage of resources for investment and for increasingly evident social requirements. There is of course, great scope for the mobilization of international resources especially if the enormous military expenditures are reduced. In any event, in order to achieve the substantial increase required and to attain the objective of transferring resources equivalent to 1 per cent of the gross product of the industrial countries, it is necessary to have a reasonable assurance that those resources, in combination with those mobilized by the developing countries themselves, will really speed up economic growth and distribute its benefits throughout the community.

12. This is the vital link in the strategy of development: the close coupling of international action with domestic action. No one disputes the fact that development is the primary responsibility of the countries directly concerned. Neither the required transformations nor the indispensable development discipline can be imposed from without; they lie within the sole jurisdiction of each country. This strategic link or combination of convergent measures, is another matter.

13. A country which is determined to pursue a firm policy of development must have access to a larger volume of international financial resources on suitable terms and conditions, in the context of a new order of international trade favourable to development.

14. The strategy would be incomplete and seriously out of balance if it was limited to measures of international co-operation and left no room for the measures to be adopted along the broad lines laid down by the development policy.

15. As well as importing this indispensable balance, the inclusion of such domestic measures, both economic and social, and their combination in a development plan are essential from the operational point of view.

16. The supply of international resources, whether there be a development plan or not, has been arranged more and more in the light of a country's economic development policy rather than solely according to the specific projects for which the resources are to be allocated. However, the appraisal of development policy has been made without prior approval by the Governments concerned, of the general lines of the appraisal. Here the strategy must fill a gap which the past twenty years' experience of international financing has made plain.
17. It rests, of course with each developing country to formulate a plan in keeping with the general lines of such domestic development policy as the United Nations General Assembly may approve as an integral part of the strategy, or to follow the prevailing practice of submitting specific projects for international financing. There is no doubt that, in view of the limitations of financial resources, any large-scale supply of such resources must be attuned, not to specific projects, but to the economic and social investment requirements of such countries as decide to prepare well-knit development plans.

18. The broad outlines of such a development policy, as a component of the strategy can be laid down now without great difficulty, and can be made flexible enough for each country to adapt them to its own particular conditions.

19. Thus the strategy conforms to a new concept of international reciprocity. It is no longer a matter of arriving, by negotiation, at equivalent concessions on one and the same matter. The problem is much broader and more complex than that of striking a balance of concessions in negotiations on trade policy. It is more a matter of reciprocity in political decisions designed to tackle a problem which calls urgently for collective international action: the common problem of development. These political decisions must lead to convergent measures, both by the industrial countries and by the developing countries, to solve that common problem.

20. Hence the reciprocity lies in the combination of commitments which, in view of the great differences between countries, cannot all be of the same nature.

21. Thus, so far as trade policy is concerned, it is for the industrial countries to grant wider access to their markets for exports of primary and industrial commodities from the developing countries. It is for the developing countries to arrange to make the most of such measures of access and, at the same time, to agree on measures of economic co-operation among themselves, ranging from simple arrangements for the expansion of trade to the gradual integration of their economy at the regional or sub-regional level.

22. Convergent measures are also an absolute necessity from the standpoint of international financial co-operation. On the one hand, the industrial countries undertake to devote financial resources equivalent to 1 per cent of their gross product to the development of the periphery. On the other hand, those developing countries which propose to increase their rate of growth under the auspices of this policy of international co-operation will have to adopt a series of measures for domestic development.
24. It is now recognized, except in a very few quarters, that without drastic transformations, without a development discipline - as has so often been reiterated - the peripheral countries cannot assimilate the achievements of science and modern technology so as gradually to catch up with the more developed countries. That, however, is a matter for their own political decisions.

25. By the same token, the will of the industrial countries to give the developing countries vigorous support in these undertakings must find expression in their own political decisions.

26. However, all these decisions must relate to convergent measures to solve the common problem of development. If the industrial countries undertake, in the context of the strategy, to carry out important commercial and financial measures, they do so, not in order to obtain equivalent advantages from the developing countries, but in order to enhance, to the fullest extent possible, the effectiveness of the domestic development measures to which the countries prepared to participate actively in the strategy commit themselves. What is involved is not reciprocity of concessions, but reciprocity of measures to attain one and the same objective of vital interest to both sides. In view of the disparity of circumstances those measures cannot, of course, be similar on both sides, but must be consistent with each party's capacities and with the nature of the problem.

27. In all these matters UNCTAD has a significant role to play, and this has been recognized by the General Assembly. The Board has accordingly included in the agenda of its seventh session the item "UNCTAD and the second United Nations Development Decade (General Assembly resolution 2305 (XXII))", and the Economic and Social Council took note of the fact in its resolution 1356 (XLV), entitled "United Nations Development Decade".

28. The purpose of this report is to help in elucidating this very important matter so that, at the session in question, the Board can take whatever decisions are deemed appropriate. A preliminary document submitted at the New Delhi Conference is already available.1/ The existence of this document makes it unnecessary to revert

1/ Towards a Global Strategy of Development (TD/3/Rev.1).
here to aspects of the subject which are discussed in it. The aim in this report will be rather to describe the situation with regard to the most important points to be covered by the strategy, mentioning what has been done in UNCTAD so far and what will have to be done hereafter, as well as the points which will need discussion and negotiation in order to complete the global task of the strategy.

29. Many of the convergent measures at the international level have been examined in UNCTAD, and decisions could soon be taken on most of these, while others will require further analysis and discussion. However, it is reasonable to expect that the specific measures of decisive importance for the second Decade could be negotiated in the course of the next two years, given the political will to use the permanent machinery of UNCTAD efficiently in the manner suggested in the relevant report by the secretariat. 1/

30. This estimate of the time needed to agree on some measures does not mean that those two years should be allowed to elapse before the General Assembly can formulate the strategy so that its inauguration may coincide with the new Decade. In all cases where approval has not yet been obtained for the specific measures to be included in the strategy, the need for those measures should be recognized, the principles which are to govern each pending measure should be established, and a rough time-table for the approval of those measures should be laid down. That course would have the further advantage of providing added encouragement to the intergovernmental organs which are to participate in the strategy.

31. The essential point is that the strategy should constitute a well-knit body of such specific measures. No great practical purpose would be served by general declarations or by a mere statement of principles. A truly impressive number of manifestations of this type have been made in the twenty-year lifetime of the United Nations, in the General Assembly, the Economic and Social Council and the regional economic commissions, and recently in UNCTAD. On close examination, few important matters will be found which have not been the subject of general declarations and recommendations. To continue in this strain would not be the best way to attain objectives of practical significance in the second Decade. Again, they will not be attained by exaggerating the importance of a complex apparatus of econometrics. At

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1/ "Improvement of the institutional machinery and the methods of work: draft resolutions on institutional arrangements remitted by the Conference - report by the UNCTAD secretariat" (TD/3/173).
the present stage, specific measures are needed which are commensurate with the nature and real dimensions of the great problem to be solved.

32. Specific measures of international co-operation to fill the potential trade gap and the savings gap of the developing countries have been discussed in UNCTAD, as well as specific measures designed to alleviate, though not to eliminate, the external vulnerability of those countries. There are still some aspects of the subject to be explored and discussed in order to identify at least the nature of the appropriate solutions, leaving the details for later negotiation. Generally speaking, however, it can be affirmed that in the matter of international co-operation the practical solutions require, not further extensive study, but a decision to negotiate them without delay.

33. The same can be said of the statement of the specific measures which should be taken by the developing countries. Although those measures have not come to the fore in UNCTAD, they have already been the subject of extensive discussion in other United Nations bodies. Hence the ground has been laid for the strategy to include the broad outlines of a domestic development policy accompanied by measures converging with those of international co-operation.

34. What has not yet been adequately discussed at the inter-governmental level is the most effective way of establishing that convergence; but the experience gained in recent years affords the prerequisites for effective agreements on this subject too.

35. Before considering the most important economic measures to be covered by the strategy of development and the situation reached in the negotiations on each of them so far as UNCTAD is concerned, it will be well to take a brief look at the quantification of targets for the strategy and its significance at both the international and the national level.

II. QUANTIFYING THE TARGETS

Economic targets

36. It is obvious that the attainment and maintenance of a uniform growth rate for all the developing countries cannot be set as a strategic objective. That is certainly not the aim pursued in setting an average rate to be attained in the second Decade. The purpose is not to secure compliance, but to give guidance.

37. It is essential to take an average rate as a starting point in order to arrive at a first approximation of the extent of the effort to be made at the international level in the context of the development strategy.
38. That effort, from the economic point of view, must be translated into practical measures to increase exports from the developing countries, so as to redress the potential imbalance of their trade, and to transfer international financial resources so as to fill this savings gap.

39. In order to estimate these quantities it is clearly essential that the projections should be based on a specified average growth rate, as well as on a series of other assumptions associated with estimates of this kind.

40. All these assumptions must, of course, be as realistic as possible. Otherwise they will be no more than an exercise in methodology.

41. For the purposes of a first approximation there is no need to go into the experience and capacities of all the developing countries in seeking to determine what average growth rate would be feasible. It is enough to take a number of countries whose gross product represents a substantial share of the whole. This is what the UNCTAD secretariat has done in the studies submitted to the New Delhi Conference. The Economic Projections and Programming Centre of the United Nations Department of Economic and Social affairs has also carried out major studies in this field. It is now necessary to clear up some discrepancies in the results obtained on the basis of different assumptions. This can be done in a relatively short time.

42. Consequently, so far as the quantification of targets as a first approximation is concerned, there would be no need to prolong consideration of the strategy beyond the time limit laid down by the General Assembly.

43. As the strategy is put into practice it will be possible to refine these estimates through successive approximations. If the basic idea tying the provision of international financial resources to the submission of economic development plans is accepted as part of the strategy, it will be possible, in examining those plans and weighing the feasibility of the growth rates aimed at, to make a fresh estimate of the expected magnitudes of the potential trade gap and the savings gap.

44. In the meantime, with a view to filling the potential trade gap, it would be well worth while for the industrial countries or groups of such countries to make projections of the level which might be attained by their imports from the developing countries as a whole. The socialist countries did this at the first Conference but not, unfortunately, at the second.

45. Admittedly such figures would be of a purely indicative nature. They would not imply commitments. The reason is obvious. The amount of such imports does not depend only on the facilities granted by the industrial countries, but also on the effort made by the developing countries to increase their exports. It must be the result of convergent measures.
46. The fact that these figures would not represent commitments does not mean that they would have no practical value. In the first place, once the import targets set by the various industrial countries or groups of countries were known, it would be possible to determine whether their combined efforts were commensurate with the size of the potential trade gap. If they were not, it would be necessary to consider what additional steps were needed to fill the gap. In the second place, these individual targets would be of use in examining how the objectives of the strategy were being reached, by comparing the results of the import drive in the developed countries with those of the export drive in the developing countries, individually and collectively.

47. The same considerations should be applied with regard to the indicative targets to be set by each of the developing countries in planning its imports from other developing countries.

48. As to quantitative targets for the transfer of financial resources, 1 per cent of gross product, if attained in the initial years of the decade, would seem sufficient to provide an average growth rate of about 6 per cent a year on the basis of reasonable assumptions concerning the mobilization of internal resources in the developing countries. As in other cases, however, this first approximation should be followed by other, more realistic assessments made in the light of the study of development plans and their feasibility.

Social targets

49. As to the social targets, there is no questioning the need to eradicate illiteracy in the developing countries and to attain minimum standards of calorie and protein intake in order to correct serious deficiencies in the diet of the masses of the people. Again, there is no ignoring the goal of reducing the death rate and prolonging the average span of human life - a goal which has been attained in the industrial countries through scientific and technical progress and the rise in the level of living.

50. However, it is for each developing country, after careful consideration, to set these and other targets, which are essential if economic development is to attain full social significance. It would not be possible to set such targets independently of the targets for growth and of the investment requirements for their attainment.
Furthermore these investment requirements must include the requirements for attainment of the social targets, in an order of priority which brings together economic and social targets according to their nature and according to the possibilities of mobilizing internal resources and securing a supply of international financial resources.

51. Once these targets were set in the national plans, it might be possible to combine the relevant data into regional figures and perhaps into figures for the developing countries as a whole. These figures, in addition to illustrating the progress achieved in the social field, could also be used to define more accurately the nature, direction and scale of international technical co-operation. On all these points, the competent international institutions must, of course, have the last word.

52. The foregoing does not preclude the submission, as an integral part of the strategy, of quantitative social targets of a general nature if the matter has received sufficient study and if the institutions consider this course desirable. However, it must be borne in mind that the synthesis of economic with social requirements and the correlation of economic with social targets, as inseparable components of one and the same reality, will have to be carried out at the national level.

53. At all events it would not be advisable to delay the final formulation of the strategy, in terms of its general objectives, out of eagerness to set up, at the international level, over-elaborate and over-specific targets in certain individual sectors.

III. CONVERGENT MEASURES AT THE INTERNATIONAL LEVEL

54. As was pointed out in another place, many of the convergent measures at the international level have been the subject of prolonged discussion in UNCTAD and most of these could be put into specific form. The stage reached in the work undertaken on the most important of them is indicated below. No attempt is made to state the arguments or explanations in favour of the various measures mentioned, since this has been done in previous reports; there are, however, a few cases in which it has been thought desirable to explain in some detail the significance of the measures concerned.
A. Measures to fill the potential trade gap of the developing countries

(1) Access to the markets of the industrial countries for primary commodities from the developing countries

55. This has been the subject of a great deal of discussion in UNCTAD and GATT, but no specific commitments have been obtained. There would be a very serious flaw in the strategy if it failed to specify at any rate some measures (gradual reductions in tariffs, restrictions and quotas, as the case may be) which would secure for imports from developing countries a growing share in the increase in consumption in the industrial countries, until such time as the latter countries can remove the obstacles to such imports altogether. Once the broad outline was accepted as part of the strategy, the appropriate solution for each commodity or group of commodities would have to be negotiated later on.

56. A draft resolution on this subject was referred by the second Conference to the permanent machinery of UNCTAD for further consideration and will be included in the agenda for the next session of the Committee on Commodities, to be held in the autumn of 1968.

(2) Elimination of obstacles and restrictions affecting imports into the industrial countries of manufactures and semi-manufactures from developing countries

57. The situation here is similar to that regarding access for primary commodities. It would be vital to include in the strategy the consent of the industrial countries to negotiate, product by product or by group of products, the gradual removal of such obstacles and restrictions.

58. On this subject too, a draft resolution was referred by the second Conference to the permanent machinery of UNCTAD for further consideration and will be included in the agenda for the next session of the Committee on Manufactures, to be held in the autumn of 1968.

(3) Preferences in the industrial countries for imports of manufactures and semi-manufactures from developing countries

59. The idea of preferences has already been accepted in principle at New Delhi. The specific solutions will have to be negotiated so that final agreements may be concluded at the September 1969 session of the Trade and Development Board.
(4) Expansion of trade between developing countries

60. At the second Conference the developing countries recognized the need to stimulate their reciprocal trade and to reach, wherever possible, agreements on regional or sub-regional co-operation or integration. Such efforts on the part of the developing countries are needed not only in order to help in closing the potential trade gap but also to increase the efficiency of their industrialization. The industrial countries, for their part, declared themselves willing to give technical and financial support to such convergent measures as the developing countries are adopting or propose to adopt.

61. This is a good beginning; but it will have to be followed up so that more specific commitments can be included in the strategy. To this end it would be desirable to explore the prospects for the conclusion of agreements among the developing countries under which tariffs and other obstacles and restrictions to trade might be gradually reduced so as to reach maximum liberalization within a certain number of years.

62. Measures for the expansion of trade between developing countries must be accompanied by payments agreements to facilitate and encourage their application. Further negotiations will be needed in order to arrive at suitable arrangements.

(5) Expansion of trade with the socialist countries

63. One of the positive achievements of the New Delhi Conference was recognition of the need to take steps to expand trade between the socialist countries, the developing countries and the developed market-economy countries, taking into account the close interdependence of these three groups of countries. The Conference also recognized the need to explore the possibility of progress towards multilateralism in the payments relations between the developing countries and the socialist countries, and the secretariat was instructed to look into the matter. It is to be hoped that sufficient progress will be made on this subject for a series of specific measures to be included in the strategy.

(6) Reduction in the burden of invisibles

64. Some progress has been made by the permanent machinery of UNCTAD, and also at the second Conference, in the matter of invisibles, and it is to be hoped that further work will make it possible to include in the strategy some specific measures which will help
to narrow the potential trade gap. This should not affect other aspects of the subject which are unrelated to the strategy but which are important to UNCTAD's future activity.

B. Measures to fill the savings gap of the developing countries

1. Net transfer to the developing countries of financial resources equivalent to 1 per cent of the gross product of the industrial countries.

65. The industrial countries have agreed to make this transfer but, with a few exceptions, have not fixed the year by which this objective is to be attained.

66. It is essential to the success of the strategy that it should include firm commitments on this point. In addition a figure should be set for transfers of official resources, as part of the 1 per cent target. At New Delhi it was proposed that the figure should be 0.75 per cent of the gross product of the industrial countries.

67. The socialist countries of Eastern Europe stated at New Delhi that they could not accept the 1 per cent target based on gross product, and the possibility was left open that other formulae - perhaps related to foreign trade - might be found for those countries' participation in the transfer of financial resources to the developing countries.

68. The attainment of these targets, and the progressive efforts which the developing countries must pledge themselves to apply to the mobilization of their own financial resources, could be a sharp spur to faster development. As was stated in another place, the 1 per cent target might, as a first approximation, correspond to an average rate of some 6 per cent. For figures which correspond more closely to the requirements of development policy it will be necessary to await the plans to be submitted by the developing countries in the initial years of the Decade.

69. In considering this point in the elaboration of the strategy it will be necessary to bear in mind the recommendation made in the report submitted to UNCTAD by a group of experts on the problem of international liquidity. The report suggests the establishment of a close link between the creation of new international monetary resources and financial transfers to the developing countries, so that the equivalent of a certain proportion of those new resources, in the currency of the recipient country, may be used to increase aid to those countries.

1/ Document TD/B/32.
(2) Suitable terms and conditions for transfers of financial resources

70. Negotiations on this point should be continued in order that the strategy may add to and improve upon the results of the work already done by the permanent machinery and at the second Conference.

(3) Progressive multilateralization of financial transfers

71. Examination of this point should continue in the intergovernmental agencies of the United Nations so that, in the strategy, genuine progress may be made towards multilateralization.

72. In the meantime, workable formulae should be adopted to deal with certain adverse effects to which tied loans expose the developing countries. In addition, as a real step towards multilateralization, it would be desirable to allow the financial resources granted to a developing country on a bilateral basis to be freely used in other developing countries with which the country in question had concluded reciprocal trade arrangements.

(4) Readjustment of the servicing charges on the external debt of the developing countries

73. This highly important question has already been the subject of UNCTAD resolutions, and specific practical measures are being carried out in order to remedy certain critical situations.

74. Furthermore it is essential to avoid the recurrence of similar situations in the future. This will depend chiefly on whether transfers are made available to the developing countries in sufficient volume and under suitable conditions.

(5) Commitment to finance development plans

75. In order to enable the developing countries to lay their plans on firm foundations and to observe a reasonable discipline of development it is essential that, once a plan has been evaluated, the international credit institutions and Governments participating in the financing of the plan should make a commitment in principle to supply such financial resources as are found necessary, in the negotiations with the interested country, to ensure the execution of the plan. The fulfilment of this commitment will of course have to be subject to the execution of essential features of the plan and to the submission of specific projects.

76. Another important point in this context is that the supply of external resources must be computed comprehensively in order to fill each country's savings gap, even
where the resources in question are intended to cover local expenditure; what is essential is that resources (whether internal or external) should not be used for consumption expenditure but should be invested, and that the investments should satisfy reasonable criteria of priority and effectiveness.

(6) New formulae for private foreign investment.

77. Without underestimating in any way the role of public enterprise in economic development, increasing recognition is being accorded to foreign private enterprise as a first-class instrument for the transmission and use of new forms of technology, organization and efficient exploitation of markets.

78. All this is generally acknowledged. At the same time, the view is steadily gaining ground in the developing countries that the role of foreign private enterprise should be extended to include the training of technological and organizational talent in the developing countries themselves and the promotion of their managerial capacity, if that process is to be given firm economic and political foundations.

79. Very interesting experiments have been made on these lines in the matter of association between foreign enterprise and that of the developing countries; in certain cases, measures have even been adopted to facilitate the gradual transfer of the bulk of the capital and management into local hands. On the basis of these experiments and in the light of the results - which may be positive or negative according to the angle from which they are viewed - it would be advisable to hold an objective discussion on this very important matter with a view to recommending courses of action that will serve the legitimate interests of all the parties concerned.

80. Agreements for the expansion of trade or for economic integration between developing countries offer an attractive field for foreign investment, such investment, however, should not be made at the expense of domestic private enterprise in the country concerned; it should be a means of encouraging such enterprise and steadily increasing its technical and economic capabilities. Such new forms of association, undertaken in some cases through multi-national concerns, might prove an appropriate means of dealing with the problems sometimes created by the weight which foreign enterprise carries in a developing country's economy, and which it owes to the experience, technical capacity and economic power at its command.
81. The solution of this problem is closely bound up with the question of the insurance or guarantees for foreign private investment which countries are constantly urged to provide against non-commercial risks. In this matter several points are still in dispute: for example, the question whether the system should be bilateral or multilateral; the question how disputes should be settled; and the question of differential treatment for the private enterprise of the developing countries within a system of insurance or guarantees.

82. In the elaboration of the strategy, this question will have to be tackled firmly. It has not been discussed in UNCTAD, but it has been discussed in other inter-governmental bodies and in organizations of private interests. On the basis of these discussions, adequate preparations could be made for consideration of the subject with a view to mapping out effective courses of action.

C. Measures to reduce the external vulnerability of the developing countries

(1) Commodity agreements

83. These measures involve both commodity agreements and supplementary financing, and have been extensively discussed in UNCTAD.

84. Although the negotiation of commodity agreements is beset with major obstacles, as witness the recent examples of cocoa and sugar, the need for agreements on a number of important commodities is gaining ever wider—though not unanimous—recognition in principle.

85. However, even if this salutary objection were fully attained there would still be a considerable range of fluctuation in values, to the detriment of the economy of the exporting countries, and particularly of those which are heavily dependent on the commodities in question.

(2) Supplementary financing

86. Hence the need for supplementary financing. This financing has to do what cannot be done by commodity agreements alone. Indeed, if the aim is to encourage the systematic and ordered application of a development policy, supplementary financing is vital. It means that the developing countries can be reasonably certain of finding additional financial resources if the execution of well-thought out plans is thwarted by an unexpected decline in their exports.

87. It is obvious that such financing must be based on planning. Planning, however, is an imperative not of supplementary financing but of economic development itself, and of international co-operation. Both forms of financing, basic and supplementary,
must be based on planning. Little purpose would be served by advocating development discipline without making available the resources needed for the orderly implementation of a plan.

38. The principle of supplementary financing is no longer in dispute, save in certain quarters. Nevertheless, the New Delhi Conference did not achieve the positive results expected of it. The Conference therefore decided that the consideration of the subject should be continued by the permanent machinery with a view to reaching a final solution at the September 1969 session of the Board.

39. It has been said on various occasions that, although the reduction of external vulnerability depends mainly on measures of international co-operation, the fact remains that, in the meantime, the developing countries could take a number of internal measures to the same end. The need for international measures has perhaps been overstressed, to the neglect of those that could be adopted internally. This explains why the latter, together with the requirements they involve in connexion with fiscal and monetary policy, have not been thoroughly discussed. Consideration of these convergent domestic measures cannot be omitted from the elaboration of the development strategy.

IV. INTERNAL DEVELOPMENT POLICY AND ITS CONNEXION WITH INTERNATIONAL CO-OPERATION POLICY

Internal measures of development

90. The measures to be adopted by developing countries have not been examined in any detail within UNCTAD, either out of respect for the divisions of responsibility within the United Nations family of organizations, or out of a natural reluctance to discuss at the international level subjects which may be considered of purely internal concern even though they are integral parts of the common problem of development.

91. It is not that these subjects are insufficiently well known. On the contrary, the United Nations has succeeded, over years of continual effort, in clarifying their basic terms; and the main lines of the action which will have to be taken are equally well known. This side of the problem is so important that it deserves mention in these pages.

92. The first aim of an internal development policy is to obtain a high rate of growth by means of which the well-being of the broad mass of the people can be steadily
enhanced, and at the same time to ensure that, as time goes on, this rate can be maintained by a country's own efforts, within a new international economic order, until full development is achieved.

93. However, this task, so easy to describe, is complex and difficult to carry out; for a country, in order to attain a sufficient rate of growth with its own resources, requires a continuous increase in per capita productivity, and this cannot be achieved without a series of political decisions to open the way to new forms of production and organization of the economy.

94. Increasing productivity is not, in reality, a purely technical problem. The introduction of modern technology into the developing countries requires great changes in their economic and social structure. It also entails imparting a clear-cut direction to internal development policy, both because of the above-mentioned reciprocity of political decisions and because the satisfactory translation of such a policy into specific measures is a prerequisite for assessing the dynamic validity of a development plan.

95. It is more readily recognized now than it was a few years ago that increased agricultural productivity is an essential factor in development policy. The potential contribution of modern technology to this end is very great. As a general rule, however, this entails drastic changes in the systems of land tenure which prevail in many of the developing countries, as well as an intensive effort of research and technological extension work on the part of the State.

96. However, this problem in the agricultural sector cannot be taken out of the general context of economic development. The increase in agricultural output - except for that part of it intended for export - must be absorbed by concomitant growth in industry, including the industries which process agricultural products, and in other dynamic sectors of the economy. The same applies to the manpower rendered redundant in agriculture by the increase in productivity.

97. Industry and the other sectors of the economy also have their productivity problems which make it a complicated and difficult matter to perform their function of absorbing manpower.
98. The productivity of industry in the developing countries is generally far below the level that could be attained with the existing capital equipment. This is mainly due to the weakness of competition as an incentive, which is due in its turn to exaggerated protectionism and lack of scope in the national markets, even in the more populous countries. Measures of commercial policy must be taken to solve this problem, as well as to redress the potential imbalance of trade.

99. The requisite increase in productivity in industry, as in other sectors of the economy, makes it much more difficult to absorb the manpower rendered redundant by the modernization of agriculture and other backward activities; the only solution is to increase the growth rate of industry until its absorptive capacity is sufficient for the task.

100. Under-absorption of redundant or marginal labour (the unemployed or under-employed) is already a very serious problem in developing countries, especially in those which have made most progress in modernizing their economy; and it will tend to worsen as the population increases unless the rate of development is increased and careful measures are taken to moderate the growth of population.

101. This phenomenon involves a considerable waste of potential resources, quite apart from its disruptive effect on society; and this waste delays the moment when a developing country can achieve self-sufficiency in investment resources.

102. Here, then, is the master key to the development strategy: the adoption of a series of domestic measures to bring about a steady increase in productivity, and the assurance of a massive supply of international financial resources so that the advantages of the increased productivity are not lost.

103. In order to attain the objective of absorbing the whole of the marginal or redundant population, a considerable increase is needed in the rate of investment. This cannot be done without increasing the volume of international financial resources available to those developing countries which plan to put them to good use. The development strategy will have to include a series of important points to that effect.

104. First and foremost, the supply of international resources, and the mobilization of internal resources, must reach a quantitative target which is set high enough for the increase in manpower to be fully absorbed and for the phenomenon of redundant or marginal manpower to be gradually corrected. The rate of investment - and the resultant rate of economic growth - cannot be a matter of arbitrary choice: they must, at the very least, meet these dynamic requirements.
105. If the supply of international financial resources fails to meet these minimal requirements, and if their application is spread over too long a period, the result will be that the attainment of the minimum objectives will require the expenditure of more resources than would have been needed if a massive effort had been made and had been concentrated within a shorter period of years. If the rate of increase in income is not raised to the level necessary to absorb the redundant manpower, the mobilization of internal investment resources will produce less than could have been achieved otherwise.

106. Such mobilization of internal resources must be intensified as the growth rate of income increases, until the point is reached at which a satisfactory rate can be maintained by each developing country with its own investment resources.

107. In their plans, therefore, the developing countries must undertake to attain certain quantitative targets in the mobilization of their resources, as a counterpart to the commitments of international financing.

108. This is a vitally important point. But this target cannot take the form of a mere quantitative figure. It is really one expression of the economic result expected of a development plan. However, in order to reach this target in the mobilization of home resources in association with the general target for income growth, it is essential that the plan should embrace all the strategic components of the economy and the relations between them. None of these components can be considered in isolation from the others.

109. As was pointed out above, progress in the agricultural sector and modernization in other backward sectors of the economy require an increased growth rate in industry and the remaining dynamic sectors, in view of the close interdependence of all sectors.

110. That, however, is not the only consideration. The introduction of modern technology, on which this process is based, cannot be achieved without technical training for the mass of the population - the factor which, coupled with general education and adequate measures of redistribution of income, makes for social mobility, a basic feature of growth dynamics.

111. Again, however judicious the internal development policy may be, and however cognizant of the interdependence of strategic factors; and however adequate the supply
of international finance and the mobilization of domestic resources; that policy will sooner or later be thwarted beyond repair unless, at the same time, an attack has been made on the persistent tendency towards external imbalance which characterizes the development process.

112. The same might be said of the internal measures which, in common with commodity agreements and supplementary financing, are aimed at reducing the external vulnerability of the economy.

The dynamic validity of development plans

113. The manner in which a development plan meets the requirements just described in general terms will provide a measure of its dynamic validity: that is to say, of how far the objectives which a country has set itself in the matter of economic and social development are rational and realizable.

114. It is consequently essential that the strategy should cover not only measures of international co-operation but also measures of internal development. Each group of measures, then, must be co-ordinated with the other.

115. Those taking the decision to supply international financial resources must be guided by the features of the internal development policy within the context of the strategy, in order to satisfy themselves that the development plans submitted to them possess dynamic validity.

116. This is certainly a much more difficult task than the examination of specific projects submitted for international financing. Even in the latter case, however, experience has gradually implanted the lesson that the value of a project or of a large combination of projects should be assessed, not in isolation, but with reference to a country's development policy.

117. As this practice has evolved, it has proved possible to develop a series of rules which have come to guide the international credit institutions in their work.

118. From the experience thus gained, plus the knowledge acquired on the subject of international organizations and study centres, it would be possible to arrive at the main features of internal development policy. Those mentioned above form only a preliminary list as a guide to discussion on this important aspect of the subject.
119. These general features will make it possible to draw upon existing knowledge in order to determine the general requirements of a development plan; but this does not mean that the assessment of its dynamic validity will be an easy task. On the contrary, the task will always be a difficult and delicate one; but this is inevitable. International financial operations cannot be reduced to a mechanical procedure; subjective factors will always enter into the appraisal of a plan; but efforts must be made to extend the scope of the objective factors and to restrict that of the subjective factors.

120. There are some obvious objective factors: for example, in relation to dynamic balance in the growth of the various sectors of the economy, the feasible increase in productivity and its effects on manpower redundancy and absorption. On the other hand there are aspects of the question to which various subjective criteria apply. Thus, while it is possible to set a quantitative target for the mobilization of internal investment resources, the degree of intensity with which those resources are to be mobilized in relation to private and public consumption requirements is subject to different interpretations of what is socially desirable and politically feasible, and of what means are to be applied to achieve such mobilization. The same could be said of economic and social investments, for the allocation of resources to one or the other also depends on subjective criteria relating to the distribution of income.

121. In all these cases, however, the task will be easier if the strategy can be made to embody a dynamic, rather than a static, principle of distribution of income: namely that, the more resources can be channelled into investment today, the greater will be the proportion of a country's total income available for the consumer needs of the mass of the people tomorrow.

122. The choice between what is socially acceptable and politically feasible today and what might be achieved tomorrow involves a political decision of supreme importance; but this, like all political decisions, is exclusively a matter for the individual country. Even so, there is no denying that international financial co-operation has its significance - from the political as well as from other points of view - in that it helps to strike a balance between today's requirements and tomorrow's opportunities.

123. Because these considerations are not amenable to objective criteria, only experience and the frank and impartial discussion of such experience at the intergovernmental level will indicate how to solve these problems satisfactorily. It must be acknowledged that positive progress has been made in this matter over the past few years.
124. Another debatable point in the examination of the dynamic validity of a plan concerns foreign private investment. Attention has been drawn elsewhere in this paper to the need to include in the strategy new working principles on this subject in order to limit the scope of controversy.

125. Perhaps the greatest difficulty likely to arise in this connexion, however, relates to the population problem. The extraordinary rate of population increase which prevails in the developing countries is one of the greatest obstacles to faster economic growth. This rate of increase — in some cases as high as 3.5 per cent a year — creates, in the first place, a need for large-scale social investments and expenditures — on housing, education, health, etc. — which are far from being achieved in the developing countries; and in the second place, a need for large-scale economic investments when the additional population reaches working age. These investments too are insufficient, and are creating the serious problem of marginal population which was mentioned earlier.

126. But this problem cannot, of course, be considered solely from the economic point of view. It involves moral and religious considerations of great significance, which were set forth in a most important document a few days ago. It is thus an extremely delicate problem which every developing country must approach on its own terms, and in the light of such principles as it considers appropriate, until such time as general agreement is reached at the international level.

127. In any case, a policy of reducing the rate of population growth cannot be regarded as an alternative to a substantial increase in the supply of international resources to the developing countries, or as a substitute for the intensive mobilization of internal investment resources. These are not alternatives, but concurrent factors within a global strategy.

128. This consideration is very important because, when a country decides to impose a prudent restraint on its population increase, it should not be deprived of the international resources which it would otherwise have received under its economic and social development plan; nor should that country feel released from the obligation to undertake the intensive mobilization of its own resources. Instead, the country pursuing such a policy should be able to rely on resources sufficient to increase its rate of economic growth, and to expand its social investments and expenditure, much further than would have been possible if it had continued with a high rate of population increase.
129. These delicate problems which arise in an examination of development policy are not inherent in the strategy as it is being considered in these pages. They are problems which have already arisen, and which will continue to arise, in one form or another in connexion with both international financial co-operation policy and internal development policy, and they will become even more pressing if resolute action is undertaken to solve the common problem of development. The point is that the strategy should present these problems in explicit form so that clear political decisions may be taken on them.

The situation of the less developed among the developing countries

130. Although the marked differences between developing countries have been implicitly recognized throughout this report, they have not been given special consideration. However, the need to make distinctions by degree of development has been the subject of serious discussions in UNCTAD, and some elements of policy have already been laid down in that connexion, for example in relation to land-locked countries. There are very cogent reasons why such circumstances should be taken into account in formulating the strategy, and it is to be hoped that specific measures can be devised for inclusion in it.

131. It should be pointed out here that the idea discussed earlier - that of channelling financial co-operation into support for those development plans which offer the best prospects of effectiveness - is not incompatible with the differential policy mentioned in the last paragraph. One of the characteristics of the less developed among the developing countries is that they are less able to mobilize internal investment resources; consequently they need a higher proportion of international financial resources in order to increase their growth rate. As in other cases, the greater the country's determination to develop, the higher this proportion must be. Once this is realized, it is thus clearly possible to apply a combination of both criteria.

V. THE STRATEGY AND THE ORGANIZATION OF INTERNATIONAL TRADE

132. The strategy is concerned not only with the rate of economic and social development but also with the international setting in which that development is to take place.

133. Two main points of view are emerging on this subject so far as trade is concerned: one favours a multilateral system, while the other advocates division of the developing world into spheres of influence for the industrial countries.
134. Great progress has been made with the multilateral principle and with the entrenchment of the most-favoured-nation clause, which is being adapted to the requirements of the large economic groupings dictated by technology, both between industrial countries and between developing countries.

135. It is true that the idea of preferential treatment for the manufactures and semi-manufactures of the developing countries departs from the traditional interpretation of the most-favoured-nation clause. The consensus of opinion among industrial and developing countries, however, is that the idea in question is a temporary expedient which is prompted by recognition of the relative weakness of industrial products rather than by notions of exclusiveness in trade. Furthermore, once that weakness has gradually been corrected, the developing countries will be able to adapt themselves fully to the multilateral system. It is to be hoped that, by that time, the socialist countries will have become part of such a system through arrangements compatible with the evolution of their economic and social system.

136. The notion of spheres of influence is entirely another matter. It too is based on the idea of preferences: not, however, for all the developing countries, but for those belonging to a specific sphere of influence, to the exclusion of the rest.

137. Thus, under such a system, Latin America would for preference channel its trade towards the great industrial Power to the north, and the African countries towards the European Economic Community and other countries in Western Europe. Under this scheme nothing definite has yet been worked out regarding the possible division of the developing countries of Asia into other "vertical" spheres of influence running from north to south.

138. The continuation of the reciprocal preference system in the European Economic Community and the manner in which it is being extended to other African countries, besides the former territories associated with France, are encouraging the idea of hemispheric preferences between the United States and the Latin American countries.

139. Certain trends now making headway in the Latin American countries are undoubtedly significant, not so much in scope as by virtue of the position occupied by the proponents of the idea.
140. The same can be said of the United States. The idea of hemispheric preferences goes back a long way and is clearly encouraged by the persistence, and even intensification, of the preferential system adopted by the European Economic Community. The idea has been laid before Congressional Committees and has been brought up in the electoral contest now in progress.

141. The fundamental change thus advocated in the organization of international trade has economic and political implications of the utmost importance, and the development strategy cannot evade them.

142. Steps were taken at the first Conference which could have been regarded as the beginning of a multilateralist trend. The developing countries expressed their support for a temporary system of general, non-discriminatory preferences. They also expressed themselves in favour of doing away with vertical preference schemes on condition that the countries enjoying them were granted equivalent advantages when their special preferences ceased to exist.

143. Whether because the grant of equivalent advantages proved difficult or for other reasons, no specific steps were taken either in the intervening years or at the second Conference. However, the problem has now gained even greater importance in view of the renewal of the Yaoundé Convention.

144. It must be admitted that the problem is a difficult one, although not in all respects. It is wholly understandable that those developing countries which enjoy vertical preferences should be concerned about the damage they might suffer as a result of unwise decisions on this subject.

145. That, however, does not apply to the preferences which they have been obliged to grant to exports from the Community. In view of its economic power, the advantages to the Community are small. To the developing countries, however, which have to pay a higher price for such preferential imports, a very considerable cost is involved. It would not be surprising to find that that cost outweighed any advantages they gained. The elimination of such reverse preferences, apart from being a step on the road to multilateralism, would be a net gain so far as the developing countries are concerned.
146. With regard to vertical preferences, consideration might be given to a transitional policy which would allow the countries enjoying such preferences for their exports to the Community to maintain their relative position, but which at the same time would give third countries an assurance that, if their share of the market suffered badly, steps would be taken to correct the situation. This would be wholly in keeping with the commodity agreements, which should be extended wherever practicable.

147. During the transitional phase, technical and financial aid would be needed in order to increase productivity and thus establish competitive conditions.

148. The final solution, however, must go much further. The countries which now enjoy special preferences, like most other countries on the same continent, belong clearly to the category of the less developed among the developing countries. The policy of financial co-operation embodied in the strategy must be applied with maximum intensity to those countries, as to countries in the same category in other regions, with due regard for the dynamic validity of their development plans, so as to increase the rate of their economic and social development. The same holds true of international technical assistance.

149. Once these objectives were attained, the problem of vertical preferences would be greatly simplified and the transitional solutions could be followed by final ones.

VI. THE COURSE OF THE STRATEGY AND ITS INSTITUTIONAL ASPECTS

Economic and other elements of the strategy

150. This report, for obvious reasons, has been limited to a description of the economic elements of the development strategy. Fitting into it the social elements needed to give the strategy true global significance is an important task calling for the co-operation of those organizations which possess the necessary technical authority.

151. Again, this report has not dealt with such other aspects of the subject as systematic investigation of natural resources, the transfer of technology, the adaptation of technology to the special requirements of the developing countries or - a matter of special importance - investigation into the possibilities of applying intermediate forms of technology. Furthermore no reference has been made to the serious problem of urban concentration in the developing countries, or to the need for a clear-cut policy of decentralization. These are highly significant aspects which
must not be neglected in formulating the strategy. However, if their consideration should require more time than it takes to fit together the economic elements of the strategy, it would be possible to follow the same procedure as in other cases mentioned in the course of this report, by including in the strategy general guidelines for further work calculated to lead to the appropriate conclusions in due course.

152. For this purpose a distinction should be drawn between, on the one hand, the strategy laying down broad lines of action for Governments in the matter of international co-operation and development policy and, on the other, the plan of action to be drawn up by the United Nations specialized agencies, in their several spheres of activity, for the next decade. The two subjects are obviously related and must be approached together; but the approach must not be such as to subordinate the formulation of the strategy to the final adoption of each of those plans of specific action, all the more so since the task of reconciling the various aspects of economic and social development - and the human and technological factors on which it is based - must in essentials be performed in national development plans.

153. These considerations, as well as keeping within the limits of this paper and being consistent with the care taken in it to avoid straying into extraneous matters, also have a bearing on the institutional aspects of the strategy, which are considered below: for these aspects relate solely to the economic elements of the development strategy.

Formulation of the strategy

154. The institutional aspects call for consideration in two stages: the formulation of the strategy and its execution.

155. In formulating the strategy, the first necessity is to decide what scope to give it: that is to say, whether practical measures are to be worked out in detail as part of the strategy, or whether only the main points need be set down. In either case, the General Assembly would need the advice of the competent agencies. In the second case, however, especially if the econometric work was simplified as has been suggested in another place, the strategy could be formulated before the start of the second Decade. In the first case, on the other hand, it is possible that the necessity of working out a series of important points in detail would entail postponing the formulation of the strategy.
156. Be that as it may, the permanent machinery of UNCTAD will have a demanding task to perform if the Board is to reach final conclusions in September 1969, mainly - as already explained - on preferences and supplementary financing, and if the same objective is to be attained in relation to other topics on which work is not yet so far advanced or has not yet started.

157. It was pointed out earlier that internal development policy had not been systematically discussed in UNCTAD. However, there is an adequate stock of information and analysis for the United Nations regional economic commissions, the international specialized agencies and other regional bodies to draw upon in formulating proposals on the subject. The foregoing is said without prejudice to such more extensive studies as each of these bodies may submit to the Economic and Social Council in relation to its own field of activity.

Execution of the strategy

158. It is now necessary to consider at some length the institutional aspects of the execution of the strategy.

159. It should be borne in mind that the strategy consists of a network of convergent measures which entail the adoption of important political decisions both by the industrial countries and by the developing countries, as well as the adoption of a series of very important decisions by the international credit institutions.

160. All these decisions and the action taken to give effect to them will require periodic examination at the international level.

161. Such examination is already being made in UNCTAD with regard to measures of international co-operation in matters of trade and finance.

162. However, the strategy covers a much more extensive and comprehensive range. Consistently with a new principle of international reciprocity, it not only deals with such measures of co-operation but, at the same time, outlines the internal development policy which should constitute the basic responsibility of the developing countries. The execution of the strategy, therefore, requires a reciprocal set of political decisions.

163. In a word, the countries prepared to take political decisions to stimulate their development should be given all the international co-operation needed to supplement their domestic efforts.
164. Accordingly, there is - and this should be stressed - a close connexion between internal development policy and international co-operation which is of paramount importance to the strategy, for reasons which have been explained in another place. However, a distinction must be made here which it is vital to keep in mind. Measures of commercial co-operation adopted to give exports from the peripheral countries freer access to the industrial countries must be extended to all the peripheral countries alike, in conformity with the principle of multilateralism on which great stress has been laid in another part of this report. It would be a mistake to relate the application of these commercial measures to such efforts as each developing country proves willing to make in order to seize the available opportunities of expanding its exports.

165. However, those efforts are one of the considerations to be taken into account, in each individual case, in fixing the supply of resources to the country arranging international financing for a development plan where domestic resources are insufficient. They are one of the several vital criteria on which to appraise the dynamic validity of a development plan.

166. The execution of measures of financial co-operation, then, is a different matter from the execution of measures of commercial co-operation. The amount of financial co-operation must be determined according to the individual plan of development.

167. To this end - as already stated - the broad outline of the internal development policy must be fitted into the strategy. However, this broad outline will not in itself provide sufficient guidance in the preparation of development plans or in their examination by the international credit institutions. More specific criteria, of the greatest possible objectivity, are needed. Those institutions and the technical organs of the United Nations and of regional organizations already possess enough experience to devise such criteria and to keep them adjusted to current requirements.

168. Apart from its economic significance, this matter has some political aspects which cannot be ignored. However carefully the criteria for evaluating development plans are defined, bilateral credit operations may involve the pursuit of economic
and political advantages foreign to the aims of development. This is a very weighty argument in favour of a gradual increase in the international and regional role of multilateral credit institutions. Until such time as a great advance has been made in that direction, however, it is desirable that the international financing of development plans should be effected through a consortium in which those institutions are the dominant partners.

169. Important as such an arrangement is, it obviously does not eliminate certain subjective elements from the examination of plans, or dispose of the sense of restriction which may be imparted by the scarcity of international financial resources. That sense of restriction may be eased if the 1 per cent target is attained without many years' delay. The fact is that, if that target is not attained, the very foundations of the strategy will be weakened to the point of collapse.

170. As to the need to reduce the effect of subjective criteria, if not to eliminate it altogether, consideration should be given to the possibility of entrusting the study of the plans to groups of experts who are not subject to instructions from the interested Governments or from the international financing institutions. There is a useful body of experience on those lines which should be given careful study.1/

171. Whatever solution to this problem may be preferred, it is highly desirable that the services of experts independent of Governments and of international credit institutions should be enlisted for the task of examining the execution of the strategy. A paper of great interest from this point of view was submitted to the Committee for Development Planning.2/ The paper advocates the formation of an international body of experts for this purpose.

1/ See the papers prepared by the Inter-American Committee on the Alliance for Progress (CIAP) (TD/65) and by Professor P.N. Rosenstein-Rodan (TD/7/Supp.15) and presented at the New Delhi Conference.

2/ See the paper submitted by Professor M.F. Millikan (E/AC.54/L.28).
172. In considering this question it would be desirable to take into account the experience gained by three regional commissions of the United Nations (ECAFE, ECLA and ECA), by the planning institutes which function under their auspices and by other regional bodies, including those which are performing a very important function in this connexion.

173. One vital question is whether the experts should serve at the international level, at the regional level, or at both levels.

174. It is possible that at the regional level, because of the experience gained there and the close collaboration between the staffs of the regional organizations, the experts will be able to come closer to actual conditions in the countries of the region and form a better idea of their distinguishing characteristics.

175. The reports of these experts might first be discussed in the economic commissions and the other regional bodies already performing such functions. This point will have to be gone into carefully in order to avoid duplication of effort and sterile jurisdictional disputes. The conclusions reached in discussion within the intergovernmental bodies at the regional level, together with the original reports of the experts, would then be taken up at the international level.

176. Consideration might be given to the idea of convening the regional experts at the international level as well, in order to make a comprehensive review of the results of the specific measures taken by the developing countries and the execution of the strategy, in their several spheres, by the developed countries and the international credit institutions.

177. In all this work, the various units of the United Nations Secretariat, both at Headquarters and in the regions, would have to make their technical services available to the experts and collaborate closely with them. The close collaboration of these Secretariat units with the experts would in no way prevent their members from submitting their own views to their respective intergovernmental bodies, as they do now.

178. The next step in examining the execution of the strategy should be taken by these intergovernmental bodies. Here it is necessary to make a preliminary observation of some importance. The global character of the strategy - even when
it is limited to these economic elements - requires that, in this examination of its execution, all these elements should be taken into consideration at the same time. However, as has already been noted, UNCTAD's permanent machinery has hitherto confined its attention to the policy of international co-operation. On the other hand, as has just been said, the regional bodies are well placed to examine the execution of the strategy in the countries of their regions. In view of the criterion of comprehensiveness which must govern the examination of the execution of the strategy, there might easily be some overlapping of jurisdiction unless this aspect of the institutional problem was correctly solved.

179. Whatever solution is found for this, the principle of unity of the United Nations Secretariat requires that its component secretariat units should participate jointly in servicing the intergovernmental body which is to examine the execution of the strategy. In tackling this new problem, care must be taken not to lose sight of the correlation between the economic, social and technical elements of the strategy and the manner in which it is being executed.
OFFICE MEMORANDUM

TO: Files
FROM: Irving S. Friedman
SUBJECT: Visit of Mr. Vilhjalmur Thor

DATE: August 28 1968

During Mr. Thor's visit today he raised two things:

1. The Swedes were going along with the idea of sending Part I of the Commodity Study.

2. Concerned that at the October meeting of UNCTAD on Supplementary Finance that delay on the Commodity Study should not be used as an excuse for delaying supplementary finance.

I assured him we agreed with him and he could so inform the Swedish Government.
Ref: TDO 2h3 Seventh Session

August 7, 1968

Dear Dr. Prebisch:

In a letter dated July 25, 1968, I informed you that the World Bank Group would be represented at the meeting of the Seventh Session of the Trade and Development Board by Mr. Federico Consolo, Special Representative for United Nations Organizations, and Mr. Fritz A. Steuber of the Bank's European Office.

This letter is to say that instead of Mr. Steuber, Mr. George C. Mihart, Chief Liaison Officer of the Bank's European Office will attend the meeting with Mr. Consolo. I should appreciate it, therefore, if you would arrange for any further documentation relating to this meeting to be sent to Mr. Mihart rather than Mr. Steuber at the Bank's European Office, 1, Avenue d'Isola, Paris 16e, France.

Sincerely yours,

Richard H. Dornith
Director
Development Services Department

Dr. Paul Prebisch
Secretary-General
United Nations Conference on Trade and Development
Palais des Nations
CH-1211 Geneva 10
Switzerland

cc: Mme. Friedman, Kamarek and Consolo
cc: Mr. Mihart - Paris

REDDAED AUG 9 1968
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

FROM: N.A. Sarma

SUBJECT: September meeting of Trade and Development Board.

The September meeting of the Trade and Development Board is likely to be concerned mostly with procedural matters. Mr. Demuth's proposal may therefore be accepted.
Mr. President,

I am grateful to have the opportunity of addressing the Economic and Social Council on this occasion. I propose to refer first of all to the recent past, and then I should like to put forward some views in regard to the future, i.e. to the global strategy of development. In speaking of the past I must, of course, refer to the New Delhi Conference, concerning which interpretations have been numerous, and in many cases exaggerated. I was pleased to hear Secretary-General U Thant, in his speech inaugurating this session of the Council, mention some of the conclusions in the report I had the honour to submit to him after the Conference. I stated there, in essence, that the New Delhi Conference had achieved positive, though extremely limited results, far short of what could have been obtained, despite the unfavourable international climate, if the Conference had really been regarded as the developing world had hoped it would be.

I have no desire to repeat the contents of my report here; what I want to do is to present another aspect. I personally have not the slightest doubt that New Delhi has sown the seeds of something very important. The question is whether, in the months to come, those seeds will receive the care they need to enable them to germinate and bear fruit. This is particularly true of three important questions which the Conference left unsolved: preferences; the transfer from the developed to the developing countries of resources equivalent to 1 per cent of their gross national product; and supplementary financing.
As far as preferences are concerned, it cannot be denied that the New Delhi Conference took a positive step forward, since it recognized, for the first time in United Nations history, that the developing countries need a policy of preferences granted by the industrial countries if they are to be able to export their manufactures and semi-manufactures. That principle was fully recognized, but the Conference could have gone further, since having admitted the principle, it failed to lay the actual foundations for applying such a system. And the reason why is at once a point in the Conference's favour and a defect. The seed was sown and the Conference decided that the permanent UNCTAD machinery should take the matter up again with a view to reaching a final solution at the Trade and Development Board's session in September 1969.

The same might be said of the transfer of financial resources. Considerable headway has been made: the change from the concept of national income to that of gross product represents a potential increase in volume of resources of 25 per cent. It cannot be denied that this is a positive achievement of the Conference but, unfortunately, for understandable reasons, no decision was taken as to the year in which this policy is to come into effect. I hope that by the time the Board meets in September 1969 it will have become possible to establish the year in which this aspiration on the part of the developing countries and of major sectors of the developed countries will be fulfilled.

I would say that the Conference's attitude towards the question of supplementary financing was more negative than might reasonably have been expected in view of the excellent report produced by the staff of the International Bank. Whatever the defects of the scheme, it is the first time that the problem has been tackled pragmatically. It had already been discussed for two years in UNCTAD with officials of the Bank and the Monetary Fund, and all of us in the secretariat were under the impression that the fruit was ripe and ready to drop; in the event, it proved otherwise. In fact there was a moment of backsliding when the solution sought was actually less satisfactory than that proposed by the United Kingdom and Swedish delegations at the First Conference. Fortunately, the danger was averted. A compromise resolution emerged which did constitute a modest step forward, and indeed at the same time meant that a seed had been sown in the hope that it would bear fruit at the Board's session in 1969.
For these reasons, I repeat, it will not be possible to make a final assessment of the results of New Delhi, modest enough in themselves, until the September 1969 session of the Trade and Development Board. A clear expression of political will is needed if final solutions are to be achieved. That will be the time - at the end of 1969 - to pass final and irrevocable judgment on the New Delhi Conference.

I shall not mention any other aspects of the New Delhi Conference, favourable or unfavourable, because I would rather make a few comments about the future. All I would say with regard to the past is that the New Delhi Conference once again demonstrated the ponderous and unwieldy character of the UNCTAD machinery. There was a crowded agenda and a proliferation of meetings, committees, sub-committees, working parties and so forth - a hundred of them. I think that if anybody wanted to destroy an international organization, all he would have to do would be to advocate this system and he would achieve his end in no time. But since that is not the purpose, I think it must be recognized that at this stage the problem of UNCTAD's internal machinery needs to be taken firmly in hand and UNCTAD must be given the effectiveness and negotiating capacity it requires. The secretariat is now consulting Governments along these lines, on the basis of the resolution submitted by India and Chile, and the Swedish draft, so that the matter can be dealt with in September at the next session of the Board, if the Board members agree. The secretariat hopes to submit some specific proposals, not with the idea of modifying the basic resolution which established this machinery, but to give it the efficiency, flexibility, and rational character it so badly lacks at present. What worried me greatly at the New Delhi Conference was the overcrowded agenda and the clear realization, as the Conference proceeded, that no major decisions were going to emerge. As a result, the Conference was unable to tackle the question of the global strategy of development, which is of such concern to the United Nations General Assembly and is included in the Council's agenda for this session. I had hoped that, by making headway in solving specific commercial and financial problems, the New Delhi Conference would be able to contribute to the formulation of the development strategy. I do not think that the cause is lost - far from it; and I hope that the Trade and Development Board, which can do anything that the Conference can do, will take up this very important aspect of our work.
Appreciable progress has been made in regard to a development strategy. This was evident when the General Assembly decided to work on the problem. There has been a notable advance in thinking since the early days of the first Development Decade when the first steps were taken in this direction. The first Development Decade has been fruitful in lessons if poor in concrete results, and it undoubtedly represents a trial period which will be of great value in shaping the second Decade and plotting a true development strategy in the course of it. If we look back over the last ten years or so, we realize the enormous progress that has been made in mental outlook. Ideas are now taken for granted which were formerly highly controversial subjects, and advantage must be taken of this intellectual progress when shaping a development strategy.

It seems to me that the notion of the development problem as not exclusively a matter for the developing countries, but the concern of everyone, regardless of economic and social systems and of degrees of development, has gained ground considerably. It is a problem common to all mankind, a problem that cannot be postponed, and I think that great progress has been made in this direction. The idea has likewise been crystallized that the responsibility of the developing countries in respect of the solution of this problem is very great, that it is they who must take the basic action. But it is also recognized that, without international co-operation in trade, finance and technology, what the developing countries can do is extremely limited.

It has already become apparent, I would almost say it is generally agreed, what the developing countries must do. It is agreed that only the implantation of modern technology can increase the per capita productivity and income of the developing countries. The implantation of modern technology calls, to a greater or lesser extent, according to latitude, history and present circumstances, for major reforms in the economic and social structure; for changes in the outlook towards development; for serious efforts to introduce the notion of family responsibility putting a brake on the serious phenomenon of a high population growth rate; for genuine development planning, both economic and social; for measures to promote social mobility; and for measures to deal with the growing disparity in income distribution in most developing countries. We do not believe it is enough to point out that the gulf between income in the developed countries and in the developing countries is widening when the gulf inside the majority of developing countries is also widening — a very serious factor which is preventing any speeding up of the development rate. But there is something which the
developing countries must do and in the main can do of their own accord: they can devise an intelligent policy of trade expansion among themselves leading to sub-regional or regional integration. Little has been tried out satisfactorily along those lines as yet. It must be recognized that, in the developing world, all that could and should be done has not in fact been done. I mention this point because I think it is one of the basic lessons of the first Decade. The world should not be given the distorted impression that speeding up the rate of development depends entirely on the policy of international co-operation. Though this is an essential factor it is neither the only one nor an exclusive one. The best laid plans for international co-operation in trade and finance will inevitably come to grief if the developing countries fail to adopt a vigorous policy of their own devising and on their own responsibility. This is the basis for a development strategy. No strategy can be conceived which is not based on the fundamental idea that convergent measures must be taken both by the industrial countries, whatever their social and economic systems, and by the developing countries, likewise irrespective of their social and economic systems, because there are hard facts, imposed by reality and by modern technology, which are independent of systems and constitute a common denominator for the whole developing world.

I think we have now reached a clear understanding and knowledge of the basic terms of this strategy. A few words are called for on this subject. We in UNCTAD, have been making strenuous and unremitting efforts to achieve greater access to industrial centres for the commodities of peripheral countries, to establish a new preference policy with a view to easier access for industrial products, and a gradual lowering of barriers, and to stabilize commodity prices to a relative degree. Little progress has been made. To go back to the seed metaphor, seeds have already been sown and we shall see what happens. But is this all that the problem amounts to? Are we going to solve the tremendous problem of the trade gap simply through action by the industrialized countries alone? Certainly not. I believe that action by the industrial countries can bridge only part of the trade gap, and that the other highly important part can only be closed by increasing trade among the developing countries themselves. These then are the two constituent parts of the convergent action entailed. Action by both the industrial and the developing countries is needed to bring about a solution to this aspect of the common problem, to overcome the imminent tendency towards trade imbalance which is typical of the development process. The truth of this is recognized today, whereas a few years ago it was not - a further proof of the considerable headway made in thinking on the subject.
How is the internal development problem, the structural reform of attitudes and policies, to be brought within this concept of the development strategy? I do not think that social or economic reforms can be imposed from outside or regulated by international decisions. I believe that the problem has to be faced in the context of a very different kind of strategy. As I have already stated, the need for such domestic economic and social policy measures has already been recognized, as has the need to steer a much larger volume of international financial resources in the direction of the developing world. What is lacking is a link between this increase in the volume of aid and improvement in the conditions of aid and of lending, and the measures taken by the developing countries themselves. In other words, I consider that the foundations for a policy of international financial and technical co-operation must be laid by the developing countries themselves. A developing country which is prepared to introduce such reforms and adopt a reasonable discipline of development must have the external financial resources to carry out its structural transformation and speed up its rate of development without major political and social upheavals. The bulk of international financial resources and facilities, whether multilateral or provided jointly in a bilateral form, must in my opinion be closely linked, within a single strategy, with what a country is prepared to do to infuse life into its economic system. A country which, for reasons of its own that we need not discuss, is not willing to follow this path but prefers to rely on traditional methods in regard to its development or lack of development, should not be cut off from international co-operation. Such co-operation can continue to be provided as at present, by financing specific projects, but not, in my judgement, by supplying vast sums sufficient to finance a development plan to speed up its economic growth rate. Here we must recognize that there are shortcomings on both sides. Many developing countries still pay only lip-service to the idea of planning, while donor countries often fail to recognize the clear need to finance development plans. Financial aid is being given in dribbles, to meet special contingencies or projects, and except in special cases, there has been no financing of a development plan, no agreement i.e. principle to finance such a plan if it is a sound one, for the whole of its four, five or six years duration.
Still less is it generally realized as yet in the industrial countries that the most disruptive factor in a plan is usually an external one. The perennial instability of export prices, the constant fluctuations to which the developing countries' products are subject are calculated to torpedo any plan. Those of us who have held positions of some responsibility in our countries know what these things mean for development policy, monetary policy and financial policy. Hence the virtue of the supplementary financing scheme. I make a point of stressing this because there are still misgivings on the subject. They were voiced in New Delhi; we heard it argued that if agreement were reached on commodity price stabilization there would be no need for supplementary financing. That is not so, first because not all commodities lend themselves to stabilization agreements, and secondly, because at best we shall not get 100 per cent stabilization. Let us take the case of cocoa, that frail child who gathered strength for a moment but is constantly languishing at conferences through inability to provide it with the necessary substance. In the case of cocoa, even if the child should grow and put on flesh, there will still be a margin of fluctuation between the 20 cents minimum price and the 29 cents maximum price. For producer countries, which are largely dependent on cocoa, the agreement, however excellent in itself, will not solve the problems completely; it will alleviate matters considerably but not resolve them. Supplementary financing is thus essential, even if we assume what is still highly unlikely but I hope will cease to be so, that a world of stabilized commodity prices will emerge. Even on this hypothesis, we shall not achieve the desired effect without supplementary financing. I have mentioned these matters, which are the most important and salient of all, to indicate that at least in our thinking, we are coming round to a new concept of development policy very different from that which was crystallized after the Second World War in the GATT Agreement. The whole concept of GATT was based on the principle of reciprocity. What an industrial country asked for in the way of customs concessions was conditioned by what it granted to others. This is a correct, an unexceptionable procedure from the standpoint of the large countries. This policy of reciprocity has yielded results in the industrialized world and has culminated in the splendid work - if somewhat in the doldrums at the moment - of
the Kennedy Round; but as we know full well, it has not been reflected in measures facilitating trade between the developing and the industrial countries. There is little or nothing of this. Why? Because the developing countries cannot reciprocate. The large countries, the developed countries, can grant one another reciprocal terms, but there can be no reciprocity in the case of the developing countries, a fact which has been recognized but has not yet been put into practice in the way and to the extent it might be. What then is the kind of reciprocity which would fit into the development strategy? Not the kind of reciprocity we have mentioned but another type consisting of measures to be taken by both sides. As I said before, if the industrial countries grant preferences, better access to markets, and price stabilization, the developing countries too must accept responsibilities within their own trade. If international financial aid is greatly increased and if the transfer of 1 per cent of the gross national product becomes a reality within three or four years, then such action will have to be linked with an effective policy on the part of the developing countries. These are the convergent measures. The development strategy means nothing more than the harmonization of measures to solve a common problem.

Some days ago in Bucharest, Philippe de Seynes explained, with his usual brio, what was being done under his direction with regard to the quantification of targets. I do not think it is enough in a concept of development strategy to mention, articulate and string together a number of disparate measures; a quantitative assessment must also be made, something which was not possible ten years ago. The Department of Economic and Social Affairs has in this connection, produced a remarkable econometric report which contains calculations on the mobilization of the developing countries' domestic resources, based on various growth-rate assumptions, and on the amount of the international contribution required. In the same way, further calculations of the extent of the trade gap are being made. The UNCTAD secretariat too has been working in these fields and a number of very carefully prepared reports were submitted at New Delhi. It was very encouraging to hear Mr. Boerman's comments a few days ago on the FAO indicative plan, which should be dovetailed into the other econometric exercises. I think that, when all these calculations, and indicative projections have been brought into harmony, it will be possible for the first time to determine the approximate size, I emphasize, the size of the international effort required, both in trade to expand exports from developing to industrial countries and among the developing countries.
themselves, and in international financial assistance. In short, I think that here again, appreciable headway has been made. Much remains to be done, and it is to be hoped that the Committee on Development Planning will make good use of the valuable material which the United Nations Secretariat and the specialized agencies is already preparing so as to fix a number of minimum targets. At this stage of our thinking and of co-operation policy, it is important to fix orders of magnitude and the dimensions of various measures needed to stimulate the growth rate. This is, perhaps, a rather modest conclusion coming from one who once suffered from econometric illusions which were rudely dispelled by hard facts that do not always fit. Hence in this sphere I favour an attitude of intellectual modesty and a gradual evolution of methods and feet finding. For this reason I wonder if in some sectors we are not splitting hairs. When I find that attempts are being made to establish universal per capita targets for calories, for reductions in the death rate, for the reduction of illiteracy by such and such a percentage per year, I wonder whether, in the econometric field, we are not indulging in fantasy. Not that I do not appreciate the need for each country to fix its targets. Every country must of course do so. The economic and social plan for each developing country has to contain targets for all these subjects. But I wonder why we try to find general formulas for all the developing countries in such matters. I think that general formulas have to be sought when it is a question of quantifying international co-operation, measuring the flow of financial resources from the developed countries to the developing countries or evaluating the increase in exports. All that is fruitful; but I do not think that in the present stage of knowledge and of world organization there is any great point in entering fields which are primarily a national concern. If national figures can afterwards be combined to produce world averages, so much the better; but the starting point in these subjects must be action at the national level. This is a problem I have more than once discussed with Philippe de Seynes, and I hope that UNCTAD will be able to co-operate in the great work he has in hand with a view to formulating the basis of this strategy in a report which, as he has stated, he proposed to submit to governments.
There is one point that should not be overlooked at this moment, and it is that if we proceed resolutely, as I think we must, with this formulation and approval of a strategy at the international level, permanent evaluation machinery will be needed to make an annual appraisal of what is being done both by the industrial countries and by the developing countries. I think that the problem cannot be arbitrarily broken up; I feel that the evaluation of the strategy, of its implementation, of the obstacles being encountered, and of the need to correct courses, should be carried out at the international level. Hence the global concept of strategy, global because it emphasizes every aspect. But let us not yield to a temptation which has recently reared its head because of the difficulties that some industrial countries are currently experiencing. The solution of these difficulties naturally requires resources and investments, and each industrial country will have to take them into account when defining its policy of financial or commercial co-operation; but these are matters for the country itself and do not call for international co-operation. Let us not further complicate an essentially complex strategy by introducing domestic measures which the developed, industrial countries are obliged to adopt. To do so would be to complicate the issue unnecessarily and divert attention from the problem of development.

Lastly, I should like to make the following point. If the strategy is to be formulated and executed at the international level, the question will arise: how can the machinery of the United Nations family best be used to obtain maximum efficiency? Is the machinery as it now exists, with its system of organizations and meetings, the most effective possible? This is a question which must be asked with complete frankness after twenty years experience of international bureaucracy. And when I speak of the international bureaucracy, in which I too have had the honour to serve for almost twenty years, I do not use the term in any pejorative sense. On the contrary, I think - and these will have to be my closing words - that the basic notions of what the world must do in the matter of economic development have not come, over the last twenty years, from academic circles, but from the painstaking labour of the United Nations family. The work of this international bureaucracy has produced new ideas in various fields, and these ideas are today guiding the world in the context of an international strategy. Academic and scientific circles have come up in support, and it is very gratifying that they should have done so, but there is something which must be credited to the international bureaucracy: its power of imagination and initiative. I trust we shall not lose this power during the new Development Decade.
July 2, 1969

Dear Sidney:

I was glad to have your letter of June 26 in which you have been good enough to inform me of your discussions with some delegations regarding the further work of the Intergovernmental Group on Supplementary Financing.

It may be helpful to have another look at the cost estimates, though I would not want to promise it for the October session. Some of the other questions such as disruption to development, rationing of resources, the nature of policy understanding and consultation procedures, the adequacy or otherwise of refinancing the Fund Facility, and more generally, the relationship between Supplementary Financing and the Fund's Compensatory Financing Facility, have, of course, been dealt with by my colleagues and myself at earlier sessions of the Group, and I am not sure what additional work could be done at this stage. Maybe at the fourth session itself, it would be useful to decide on what further work, if any, could be done to facilitate a fruitful outcome at the fifth session at the end of June 1969.

Needless to add, we would continue to cooperate fully with the work of the Group, and participate in the deliberations as before.

With kind regards,

Sincerely,

(signed) Irving S. Friedman

Irving S. Friedman
The Economic Adviser to the President

Mr. S. Dell
Director
New York Office of United Nations
Conference on Trade and Development
United Nations
New York

cc: Mr. Sarma (with copy of previous letter)
I would be very happy if you could have a draft reply to the attached letter from Sidney Dell by our meeting tomorrow at 9:15. Thanks.
Dear Irving:

I have been having consultations with a number of delegations in connexion with the fourth session of the Intergovernmental Group on Supplementary Financing, scheduled for the week of 21-25 October, and I should like to convey to you some of the thinking which is emerging from these consultations.

The general expectation is, I believe, that this session will be primarily a planning meeting. In other words, it will briefly review the various proposals that have been made and decide what further work needs to be done in elucidating those proposals so as to come to a final conclusion on them at its fifth session, to be held at the end of June 1969. One issue that will be regarded as crucial by several delegations will be the question of the cost of any supplementary financing scheme. We discussed this briefly in your office recently, and I believe you felt that sufficient time has passed to make it worthwhile to reconsider the cost estimates and bring them up to date in the light of more recent data. If such a reconsideration of costs could be presented to the fourth session in October, this might considerably clarify the approach that donor governments might take, but I realize that this may not be feasible from your standpoint. In this case, the Group would certainly invite the Bank to present revised estimates to the June session.

Related to the question of the cost of the scheme is the issue raised in paragraph 4 of recommendation 30 (II) about determining in quantitative terms the disruption which has resulted from export shortfalls. We have been giving some thought to this matter, and have not thus far found any very satisfactory way of dealing with it. It really comes down to the question as to how essential imports are to a development programme, and how disruptive it would be if the imports had to be cut. This is bound to be a matter of judgement rather than of precise

Mr. Irving Friedman
Economic Adviser to the President
International Bank for Reconstruction and Development
Washington, D. C. 20433
quantification. On the other hand, if one concedes that precise quantification is impossible, the argument will no doubt be advanced that in that case the scheme could only be properly built on a discretionary basis, and not on the basis of shortfalls from projected exports.

It has further been suggested in the course of consultations that if the cost estimates of the World Bank remain essentially at the level previously reported, it will be necessary to consider whether it is practicable to reduce the potential liability of the scheme through the revision of estimates or through rationing. In other words, the Group would need to form a judgement on the minimum relationship of resources to requirements which would be needed to operate a scheme that would not encounter absurdly large demands.

If it is impossible to satisfy major donors along the above lines, we shall, of course, be asked to examine the possibility of operating a scheme on the basis of pre-established guidelines rather than on the basis of shortfalls from projected exports.

As regards the policy understanding, it has been suggested that the Group ought to obtain more information than it now has on the manner in which consultations are presently conducted by the international financial institutions with individual countries, and how these would need to be adapted in order to meet the objectives of the scheme. It is possible that our discussion of this matter in the Group has hitherto concentrated a little too much on the theoretical requirements of the Bank scheme in this respect rather than on the practices which are already followed, and which could presumably be readily adapted for the purposes of supplementary finance. It would be helpful if the World Bank observer at the October session could be ready to respond to questions in this regard.

Finally, the Group will certainly seek the guidance of the Bank and Fund observers on the relationship between supplementary finance and the IMF compensatory financing facility, and between the Agency and the Fund. Questions are likely to be raised on prior recourse to the Fund, the use of the scheme to refinance Fund drawings and the different bases on which claims may be assessed under the two schemes. Moreover, as you know, one of the alternatives to the World Bank scheme that was proposed at the last session of the Intergovernmental Group was a scheme that would be limited to the refinancing of the Fund facility: the Group will no doubt want to know how adequate such an arrangement would be.
If it were possible to give some quantitative indication of the extent to which such a scheme would respond to the purposes of the Conference's recommendation, this would certainly be most helpful.

I thought you might be interested in these advance indications of points that may be raised at the October session.

With kindest regards,

Yours sincerely,

S. Dell, Director
New York Office of UNCTAD
July 1, 1968

My dear Raul:

It has been brought to my attention that M. Majid Ali has been recommended to you for the post of Assistant Director of the New York Office. I have been asked to endorse this recommendation.

From what I know of M. Majid Ali he is a competent intelligent person. Perhaps more important the people whom I know in Pakistan and respect very much have a great regard for him.

I do hope we will be seeing each other soon -- there is much to talk about.

With warm regards,

Yours,

Irving S. Friedman

Dr. Raul Prebisch
Secretary-General
United Nations Conference on Trade and Development
Palais des Nations
Ch-1211 Geneve 10
Switzerland
June 2, 1968.

My dear Irving,

I write to you on a personal matter in regard to a young friend of mine who is a Joint Secretary in the Ministry of Finance here, M. Majid Ali. I believe you know him. His name has been recommended by the Government of Pakistan to UNCTAD for the post of Assistant Director of the New York office. Majid Ali worked with me for several years. I know him intimately and can say with complete confidence that he will do extremely well, if appointed. I do hope you can kindly speak to Prebisch.

Kindest regards,

Yours sincerely,

[Signature]

(M. Shoaib)

JUN 11 1968

Mr. Irving S. Friedman,
The Economic Adviser
to the President,
I. B. R. D.,
1818 H Street,
Washington, D.C.
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<tr>
<td>Mr. Friedman</td>
<td></td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>To Handle</th>
<th>Note and File</th>
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</tr>
<tr>
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<td>Send On</td>
</tr>
</tbody>
</table>

REMARKS

These are first preliminary data on aid flows for 1967. I have sent copies to Messrs. Kemper, Kocher, and Hulley.

From

Kahanoff
Dear Mr. Kalmanoff,

In response to your telex of 10th June, I have pleasure in enclosing, on a strictly confidential basis, document DAC(68)29, whose contents are self-explanatory, and I believe respond to your needs. The data are to be released by us to the press about 8th July. Until that date, it is, of course, essential to restrict the availability of the tables to the officers of the Bank directly concerned with the chapter on development financing.

As you will note, all aggregate data are estimated and there are blanks for some countries. We are preparing an updated version, hopefully available here about 25th June, and it is this which will serve as source for publication. I shall send it to you immediately on production, without further reminder, but felt you could use the preliminary version in preparing your textual materials.

Should you wish to request specific items not given in DAC(68)29, please do not hesitate to do so and we shall be as helpful as possible. I should add, however, that we are still three months or so away from processing the geographical breakdown by recipient of 1967 financing flows.

Yours sincerely,

[Signature]

E. C. Parsons

Mr. George Kalmanoff,
I.B.R.D.,
1818 H Street, N.W.,
WASHINGTON, D.C. 20433.
The attached tables incorporate latest available data on public and private flows for 1967, derived from material submitted for the Annual Aid Review.

In view of the fact that the High-Level Meeting will this year be held in October (instead of in July, as formerly), the Committee will be asked to APPROVE the release to the Press of these statistics at its meeting of 20th-21st June, 1968.

The statistics are taken from the tables in DAC/AR(68)4, which is circulated separately(1). Not all countries have yet submitted their 1967 data, and where necessary, Secretariat estimates have been included in the aggregates shown. These estimates are based on data on individual transactions supplied in the Joint O.E.C.D./I.B.R.D. Expanded Reporting System on External Lending, on forecasts for 1967 shown in DAC/FA(67)34, and other information made available to the Secretariat by individual countries.

The Secretariat is also preparing graphs and diagrams to illustrate the statistics, together with brief notes.

Contents:

I. Total Financing Flows:
   (a) From D.A.C. Countries.
   (b) Receipts of less-developed countries.

II. The Aid Target.

III. Efforts of Individual D.A.C. Members.
   (a) Outflow of Official and Private Resources.
   (b) Assistance Flows in Relation to National Income and G.N.P.

IV. Financial Terms of Aid.
   (a) Terms of Official Aid Programmes 1967.
   (b) Components of the Net Transfer of Official Resources.

V. Structure of Aid Programmes (selected components).

VI. The Geographical Distribution of Aid.

(1) As in past years, an updated version of DAC/AR(68)4 will be prepared for the autumn meeting.
I. TOTAL FINANCING FLOWS

(a) TOTAL ASSISTANCE FLOWS FROM D.A.C. COUNTRIES, 1960 - 1967

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL OFFICIAL</td>
<td>4,941</td>
<td>6,042</td>
<td>5,975</td>
<td>6,070</td>
<td>5,855</td>
<td>6,192</td>
<td>6,477</td>
<td>(6,970)</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bilateral</td>
<td>4,329</td>
<td>5,277</td>
<td>5,423</td>
<td>5,707</td>
<td>5,476</td>
<td>5,753</td>
<td>5,970</td>
<td>(6,200)</td>
</tr>
<tr>
<td>To multilateral agencies</td>
<td>612</td>
<td>765</td>
<td>552</td>
<td>363</td>
<td>379</td>
<td>439</td>
<td>507</td>
<td>(770)</td>
</tr>
<tr>
<td>TOTAL PRIVATE</td>
<td>3,161</td>
<td>3,116</td>
<td>2,586</td>
<td>2,549</td>
<td>3,282</td>
<td>4,226</td>
<td>3,928</td>
<td>(4,190)</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bilateral</td>
<td>2,957</td>
<td>3,125</td>
<td>2,339</td>
<td>2,580</td>
<td>3,144</td>
<td>3,979</td>
<td>3,900</td>
<td>(3,910)</td>
</tr>
<tr>
<td>To multilateral agencies</td>
<td>204</td>
<td>91</td>
<td>247</td>
<td>31</td>
<td>138</td>
<td>248</td>
<td>28</td>
<td>(280)</td>
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<tr>
<td>TOTAL OFFICIAL AND PRIVATE</td>
<td>8,102</td>
<td>9,258</td>
<td>8,561</td>
<td>8,619</td>
<td>9,137</td>
<td>10,418</td>
<td>10,405</td>
<td>(11,160)</td>
</tr>
</tbody>
</table>

(1) Gross disbursements minus repayments on earlier lending.
### 1. TOTAL FINANCING FLOWS

#### (b) ASSISTANCE RECEIPTS OF DEVELOPING COUNTRIES FROM ALL SOURCES, 1960 - 1967

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DAC member countries (1)</td>
<td>7,285</td>
<td>8,352</td>
<td>7,762</td>
<td>8,287</td>
<td>8,620</td>
<td>9,732</td>
<td>9,870</td>
<td>(10,140)</td>
</tr>
<tr>
<td>Other industrial countries (2)</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>11</td>
<td>9</td>
<td>10</td>
<td>(10)</td>
</tr>
<tr>
<td>Centrally planned countries</td>
<td>(200)</td>
<td>(300)</td>
<td>(400)</td>
<td>(375)</td>
<td>(375)</td>
<td>(325)</td>
<td>(350)</td>
<td>(350)</td>
</tr>
<tr>
<td>Multilateral agencies</td>
<td>263</td>
<td>252</td>
<td>412</td>
<td>654</td>
<td>792</td>
<td>899</td>
<td>(929)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>TOTAL RECEIPTS OF LESS-</td>
<td>7,775</td>
<td>8,909</td>
<td>8,580</td>
<td>9,323</td>
<td>9,798</td>
<td>10,965</td>
<td>11,159</td>
<td>(11,500)</td>
</tr>
<tr>
<td>DEVELOPED COUNTRIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Official and Private.

(2) Finland, New Zealand, South Africa.
### II THE AID TARGET

**D.A.C. Member countries Assistance Flows related to National Income and Output**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assistance Flows, net</td>
<td>6.3</td>
<td>7.6</td>
<td>7.3</td>
<td>7.2</td>
<td>8.1</td>
<td>9.3</td>
<td>8.6</td>
<td>8.6</td>
<td>9.1</td>
<td>10.4</td>
<td>10.4</td>
<td>11.4</td>
<td>..</td>
</tr>
<tr>
<td>% of National Income (1)</td>
<td>6.0</td>
<td>6.3</td>
<td>6.4</td>
<td>6.8</td>
<td>7.3</td>
<td>7.7</td>
<td>8.3</td>
<td>8.9</td>
<td>9.7</td>
<td>10.5</td>
<td>11.4</td>
<td>12.1</td>
<td>(17.0)</td>
</tr>
<tr>
<td>% of Gross National Product (2)</td>
<td>7.4</td>
<td>7.8</td>
<td>8.0</td>
<td>8.4</td>
<td>9.1</td>
<td>9.6</td>
<td>10.4</td>
<td>11.1</td>
<td>12.1</td>
<td>13.1</td>
<td>14.2</td>
<td>15.1</td>
<td>(21.2)</td>
</tr>
</tbody>
</table>

(1) Net National Product at factor cost.
(2) Gross National Product at market prices.
III. EFFORTS OF INDIVIDUAL D.A.C. MEMBERS.


<table>
<thead>
<tr>
<th>Net disbursements</th>
<th>Million U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>59</td>
</tr>
<tr>
<td>Austria</td>
<td>6</td>
</tr>
<tr>
<td>Belgium</td>
<td>182</td>
</tr>
<tr>
<td>Canada</td>
<td>145</td>
</tr>
<tr>
<td>Denmark</td>
<td>38</td>
</tr>
<tr>
<td>France</td>
<td>1,325</td>
</tr>
<tr>
<td>Germany</td>
<td>625</td>
</tr>
<tr>
<td>Italy</td>
<td>298</td>
</tr>
<tr>
<td>Japan</td>
<td>246</td>
</tr>
<tr>
<td>Netherlands</td>
<td>250</td>
</tr>
<tr>
<td>Norway</td>
<td>10</td>
</tr>
<tr>
<td>Portugal</td>
<td>(37)</td>
</tr>
<tr>
<td>Sweden</td>
<td>47</td>
</tr>
<tr>
<td>Switzerland</td>
<td>157</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>860</td>
</tr>
<tr>
<td>United States</td>
<td>3,818</td>
</tr>
<tr>
<td>D.A.C. Member</td>
<td>8,102</td>
</tr>
<tr>
<td>countries combined</td>
<td></td>
</tr>
</tbody>
</table>

Note: Estimated data in parentheses.
III. EFFORTS OF INDIVIDUAL D.A.C. MEMBERS

(b) 1967 Assistance Flows Related to National Income and to G.N.P.

<table>
<thead>
<tr>
<th>Country</th>
<th>Per capita income</th>
<th>As % of National Income</th>
<th>As % of Gross National Product</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Official</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>1,700</td>
<td>0.83</td>
<td>0.05</td>
</tr>
<tr>
<td>Austria</td>
<td>1,090</td>
<td>(0.48)</td>
<td>(0.11)</td>
</tr>
<tr>
<td>Belgium</td>
<td>1,700</td>
<td>0.61</td>
<td>0.33</td>
</tr>
<tr>
<td>Canada</td>
<td>2,080</td>
<td>0.50</td>
<td>0.09</td>
</tr>
<tr>
<td>Denmark</td>
<td>1,920</td>
<td>0.30</td>
<td>-0.03</td>
</tr>
<tr>
<td>France</td>
<td>1,640</td>
<td>1.02</td>
<td>0.63</td>
</tr>
<tr>
<td>Germany</td>
<td>1,510</td>
<td>0.61</td>
<td>0.66</td>
</tr>
<tr>
<td>Italy</td>
<td>1,020</td>
<td>0.61</td>
<td>0.66</td>
</tr>
<tr>
<td>Japan</td>
<td>900</td>
<td>0.43</td>
<td>0.30</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,460</td>
<td>0.62</td>
<td>0.62</td>
</tr>
<tr>
<td>Norway</td>
<td>1,660</td>
<td>0.25</td>
<td>0.23</td>
</tr>
<tr>
<td>Portugal</td>
<td>390</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>2,200</td>
<td>0.35</td>
<td>0.35</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2,160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,570</td>
<td>0.57</td>
<td>0.54</td>
</tr>
<tr>
<td>United States</td>
<td>3,290</td>
<td>0.57</td>
<td>0.28</td>
</tr>
<tr>
<td>D.A.C. Member</td>
<td>1,990</td>
<td>(0.57)</td>
<td>(0.35)</td>
</tr>
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</table>
### IV. FINANCIAL TERMS OF AID

(a) **FINANCIAL TERMS OF OFFICIAL AID PROGRAMMES, 1967**

Commitments data

<table>
<thead>
<tr>
<th>Country</th>
<th>Grants as a % of total commitments</th>
<th>Loans</th>
<th>Total grant element(2) as a % of total commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grants as a weighted average</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maturity (years)</td>
<td>Interest rate (%)</td>
<td>Grace Period (years)</td>
</tr>
<tr>
<td>Australia</td>
<td>100 (a)</td>
<td>(a)</td>
<td>(a)</td>
</tr>
<tr>
<td>Austria</td>
<td>92 18.2</td>
<td>3.2</td>
<td>4.9</td>
</tr>
<tr>
<td>Belgium</td>
<td>49 30.9</td>
<td>3.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Canada</td>
<td>63 24.0</td>
<td>0.0</td>
<td>6.6</td>
</tr>
<tr>
<td>Denmark</td>
<td>73 15.1</td>
<td>3.7</td>
<td>(1.8) (b)</td>
</tr>
<tr>
<td>France</td>
<td>35 19.0</td>
<td>4.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Germany</td>
<td>38 16.6</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Italy</td>
<td>66 25.5</td>
<td>3.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>96 (16.0)</td>
<td>(3.0)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Norway</td>
<td>84 21.4</td>
<td>2.0</td>
<td>6.4</td>
</tr>
<tr>
<td>Portugal</td>
<td>57 24.1</td>
<td>1.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Sweden</td>
<td>56 28.2</td>
<td>3.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>55 (23.0)</td>
<td>(3.6)</td>
<td>(5.3)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>57 (23.0)</td>
<td>(3.6)</td>
<td>(5.3)</td>
</tr>
<tr>
<td>United States</td>
<td>56 (23.0)</td>
<td>(3.6)</td>
<td>(5.3)</td>
</tr>
</tbody>
</table>

1. Calculated using a 10% discount rate.
2. Total grant element in dollars = value of grants + grant element of loans.
3. No loans.
4. Based on incomplete data.
### IV. FINANCIAL TERMS OF AID

#### (b) COMPONENTS OF THE NET TRANSFER OF OFFICIAL RESOURCES 1967

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Austria</th>
<th>Belgium</th>
<th>Canada</th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross disbursements</td>
<td>170.6</td>
<td>-</td>
<td>98.8</td>
<td>231.1</td>
<td>28.1</td>
<td>908.9</td>
<td>680.8</td>
<td>414.8</td>
<td></td>
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<tr>
<td>- amortisation</td>
<td>-</td>
<td>-</td>
<td>18.1</td>
<td>0.1</td>
<td>77.8</td>
<td>131.5</td>
<td>24.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>= Net flow</td>
<td>170.6</td>
<td>-</td>
<td>98.8</td>
<td>213.0</td>
<td>28.0</td>
<td>831.1</td>
<td>549.3</td>
<td>390.6</td>
<td></td>
</tr>
<tr>
<td>- interest receipts</td>
<td>-</td>
<td>0.2</td>
<td>9.3</td>
<td>0.2</td>
<td>29.6</td>
<td>72.5</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>= Net transfer</td>
<td>170.6</td>
<td>98.6</td>
<td>203.7</td>
<td>27.8</td>
<td>801.5</td>
<td>476.8</td>
<td></td>
<td>365.6</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Netherlands</th>
<th>Norway</th>
<th>Portugal</th>
<th>Sweden</th>
<th>Switzerland</th>
<th>United Kingdom</th>
<th>United States</th>
<th>D.A.G. total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross disbursements</td>
<td>114.5</td>
<td>15.6</td>
<td>60.9</td>
<td>572.8</td>
<td>4130.0</td>
<td>(7.870)</td>
<td>(9.000)</td>
<td>(6.970)</td>
</tr>
<tr>
<td>- amortisation</td>
<td>1.0</td>
<td>0.1</td>
<td>1.0</td>
<td>78.2</td>
<td>407.0</td>
<td></td>
<td></td>
<td>(500)</td>
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<tr>
<td>= Net flow</td>
<td>113.5</td>
<td>15.5</td>
<td>59.9</td>
<td>494.6</td>
<td>3723.0</td>
<td>(6.970)</td>
<td></td>
<td>(500)</td>
</tr>
<tr>
<td>- interest receipts</td>
<td>(3.5)</td>
<td>0.1</td>
<td>0.1</td>
<td>75.5</td>
<td>265.0</td>
<td></td>
<td></td>
<td>(500)</td>
</tr>
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<td>= Net transfer of resources</td>
<td>110.0</td>
<td>15.4</td>
<td>59.8</td>
<td>419.1</td>
<td>3458.0</td>
<td>(6.470)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V. MAIN COMPONENTS OF TOTAL FINANCIAL FLOWS, 1957</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL NET FLOWS (£ million)</th>
<th>Australia</th>
<th>Austria</th>
<th>Belgium</th>
<th>Canada</th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>OF WHICH (in %)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICIAL</td>
<td>94</td>
<td>64</td>
<td>84</td>
<td>113</td>
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<td>63</td>
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<td>41</td>
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<td>DIRECT AND PORTFOLIO INVESTMENT</td>
<td>6</td>
<td>13</td>
<td>6</td>
<td>-13</td>
<td>27</td>
<td>22</td>
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<td>MULTILATERAL AGENCIES</td>
<td>-</td>
<td>4</td>
<td>7</td>
<td>-13</td>
<td>11</td>
<td>51</td>
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<td>EXPORT CREDITS</td>
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<td>19</td>
<td>3</td>
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<td>11</td>
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<td>28</td>
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<table>
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<tr>
<th>TOTAL NET FLOWS (£ million)</th>
<th>Netherlands</th>
<th>Norway</th>
<th>Portugal</th>
<th>Sweden</th>
<th>Switzerland</th>
<th>United Kingdom</th>
<th>United States</th>
<th>D.A.C. Total</th>
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<tr>
<td>OF WHICH (in %)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>14</td>
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<td>8</td>
<td>7</td>
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<td>17</td>
<td>38</td>
<td>28</td>
<td>28</td>
<td>6</td>
<td>6</td>
<td>(7)</td>
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<tr>
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<td>50</td>
<td>49</td>
<td>50</td>
<td>50</td>
<td>48</td>
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<tr>
<td>DIRECT AND PORTFOLIO INVESTMENT</td>
<td>47</td>
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<td>27</td>
<td>27</td>
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<td>(26)</td>
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<td>-</td>
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<td>10</td>
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<td>(5)</td>
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<td>44</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>1</td>
<td>(3)</td>
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</table>

Note: Components may not add to totals because of rounding.
VI THE GEOGRAPHIC DISTRIBUTION OF OFFICIAL AID
Less-Developed Countries Receiving $50 million or more
under D.A.C. Bilateral and Multilateral Aid Programmes Combined

<table>
<thead>
<tr>
<th>Main Recipient Countries</th>
<th>Total Net Official Receipts ($ million)</th>
<th>Population (million)</th>
<th>Official Aid ($ per capita)</th>
<th>as % of G.N.P.</th>
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</thead>
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<tr>
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<td>1,630.0</td>
<td>4.0</td>
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<td>1,240</td>
<td>489.9</td>
<td>2.5</td>
<td>2.3</td>
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<td>Pakistan</td>
<td>485</td>
<td>115.5</td>
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<td>Vietnam</td>
<td>357</td>
<td>16.1</td>
<td>22.2</td>
<td>15.0</td>
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<td>Brazil</td>
<td>238</td>
<td>80.8</td>
<td>2.9</td>
<td>1.2</td>
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<tr>
<td>Korea</td>
<td>202</td>
<td>28.1</td>
<td>7.1</td>
<td>6.3</td>
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<td>Turkey</td>
<td>180</td>
<td>31.4</td>
<td>5.7</td>
<td>2.2</td>
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<tr>
<td>Algeria</td>
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<td>11.7</td>
<td>14.3</td>
<td>5.8</td>
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<td>U.A.R. (Egypt)</td>
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<td>29.5</td>
<td>4.8</td>
<td>2.6</td>
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<td>Chile</td>
<td>134</td>
<td>8.6</td>
<td>15.6</td>
<td>2.3</td>
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<td>Yugoslavia</td>
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<td>19.5</td>
<td>6.6</td>
<td>1.4</td>
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<td>Israel</td>
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<td>48.1</td>
<td>3.6</td>
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<td>7.6</td>
<td>9.2</td>
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<td>Morocco</td>
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<td>13.3</td>
<td>7.8</td>
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<td>Columbia</td>
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<td>18.0</td>
<td>4.8</td>
<td>1.4</td>
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<td>Philippines</td>
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<td>32.4</td>
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<td>1.6</td>
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<tr>
<td>Nigeria</td>
<td>82</td>
<td>(41.6)</td>
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<td>2.2</td>
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<tr>
<td>Papua and New Guinea</td>
<td>80</td>
<td>2.0</td>
<td>39.5</td>
<td>2.3</td>
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<tr>
<td>Tunisia</td>
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<td>18.0</td>
<td>8.5</td>
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<td>1.8</td>
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<td>15.8</td>
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<td>0.6</td>
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<td>Kenya</td>
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<td>7.7</td>
<td>7.8</td>
<td>19.1</td>
</tr>
<tr>
<td>China (Taiwan)</td>
<td>59</td>
<td>12.4</td>
<td>4.8</td>
<td>2.1</td>
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<td>11.7</td>
<td>5.0</td>
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<tr>
<td>Dominican Republic</td>
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<td>3.6</td>
<td>14.4</td>
<td>5.2</td>
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<td>Afghanistan</td>
<td>50</td>
<td>15.1</td>
<td>3.3</td>
<td>3.8</td>
</tr>
</tbody>
</table>
June 14, 1968

Michael L. Hoffman

Aid Coordination

I had a call today from Mr. Kramish who is in the Aid Coordination Section of the USAID, formerly headed by Jo Saxe. He said that one of his current assignments was back-stopping the U.S. representatives in the DAC discussions of problems of evaluating country performance. I told him that we were following these discussions very closely and that our Paris Office had already sent us several reports. He said USAID has talked a great deal about the importance of performance but has not done very much to clarify what this really means or ought to mean. He also said that the U.S. wants to encourage DAC to do useful work in this area but is not very clear about just where DAC ought to fit into the picture. He referred to two particular suggestions that are now under discussion. The first is the notion of attempting to categorize in some detail groups of developing countries according to various performance measures. The second is the idea of evaluating work that has been done or is being done to relate performance to aid flows, notably in consultative groups, consortia and UNCTAD.

With respect to the first of these exercises, I explained the Bank's reservations about being associated with any general grading of countries on the basis of standard performance criteria and referred to Mr. Karass's recent statement along these lines before the Working Party on Financial Aspects.

I said we were much more interested in the second type of exercise, because it seemed to us that this was exactly the sort of thing that DAC ought to do, namely, to look critically at various efforts at coordination and relating performance to development assistance. I said that I was pretty sure that if DAC really went into this, the Bank would be forthcoming in terms of communicating our own experience. I reminded him that we had had two general meetings on aid coordination at the Annual Meetings of 1966 and 1967 at which governments had reviewed the Bank's activities in the field of coordination, the records of which had been sent to the U.S. Government. He knew about these. I said that this year we would not have a similar general meeting but that we did hope to submit a report to our own Board on the year's developments in coordination activities which would try to point up the difficulties and issues. If this idea is carried out, that report would also of course be available to the U.S. Government.

I explained to Mr. Kramish some of our doubts about the usefulness of new international machinery designed to carry out performance evaluation exercises, although I said we did not have a closed mind about this. I asked if he had seen Max Milliken's proposal submitted to the Addis Ababa meeting of the U.N. Committee on Development Planning. He said he had not. I told him that we suspected that any country whose performance was really important enough to more than one or two DAC countries to warrant a sophisticated (and expensive) performance evaluation exercise was probably a country that ought to be the object of attention by something like a consultative group or consortium.
I encouraged Mr. Kramish to keep in touch with us as the DAC discussions go forward.

MLHoffman

cc: Mr. Demuth/Mr. Rivkin
    Mr. Friedman
    Mr. Kanarck
June 7, 1968

Mr. George C. Wishart
Chief Liaison Officer
IBRD
4 Avenue d'Iena
Paris 16e, France

Dear George:

I refer to Fritz Steuber's note on the recent meeting of the DAC Working Party on Assistance Requirements, especially paragraph 6(b) and (c) concerning institutional arrangements for evaluating economic performance of the LDCs. As you will know from Dick's letter of May 21, 1968, we are glad that you are keeping close watch on developments in DAC under this general heading.

We are not quite clear about one or two matters covered in Steuber's memorandum, particularly in paragraph 6. Perhaps it is the use of the word "might" in 6(c) that raises questions. One could infer from this that the members of the Working Party are not aware that the two functions mentioned are in fact being performed, although we would by no means claim that they are being done as effectively in all instances as we would like. The "examination and appraisal of the performance of less developed countries" is a regular function of the Bank with respect to all its LDC member countries, with special emphasis given to those which are the subject of concern to some coordinating group, whether under our leadership or that of others. Also efforts to arrive at "a common policy by a group of donors aimed at eliciting improved performance" are the very essence of what we try to achieve in consultative groups and consortia. Naturally, anything that DAC can do to strengthen the resolve of its members to use the groups more effectively for this purpose is welcome. But if, in the course of discussion, you should feel that members of this Working Party are not aware of the extent to which their own governments are participating in "evaluation of performance" exercises, or of the Bank's role in providing facts and judgments to assist them in these matters, you might take the opportunity to acquaint them with what we are trying to do.
Mr. Wishart

Here generally, we suspect that any "institutional arrangements" designed to deal with these problems would, to be effective, probably have to take the form of a consulting-coordinating type of group supported by governments and the appropriate multilateral agencies. We doubt if examination of "performance" in the abstract or by some sort of group not representing the major sources of development finance would be very useful. One might almost say that if a country and its problems are not important enough so that governments are willing to participate in that kind of exercise, it probably isn't important enough to warrant any systematic evaluation of its performance at the international level.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department
OFFICE MEMORANDUM

TO: FILES

DATE: June 4 1968

FROM: Irving S. Friedman

SUBJECT: UNCTAD Resolution on Terms and Conditions of Aid

Mr. Jo Saxe of the State Department came to have lunch with me on May 20 to discuss various matters. (Mr. Saxe was formerly Assistant to Mr. Kristensen, the Secretary General of the OECD, then worked with David Bell and Bill Gaud on policy matters in AID, and is now working on similar matters with Tony Solomon at State. His major areas of concern had been international finance and policy, including such matters as UNCTAD and Supplementary Finance. He was one of the principal members of the U.S. delegation at the recent UNCTAD meeting in Delhi. He is a notoriously cautious person!)

Mr. Saxe said he wished to give me the background to the resolution adopted at the UNCTAD Conference regarding terms and conditions of aid. In this resolution, a request is made to the Bank to prepare a study of possible improvements in techniques of lending, in consultation with UNCTAD and the IMF. The study is to consider, among other things, conditions and schedules of repayments, and in particular take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency.

He said that this resolution had been proposed after most careful talks and in some detail before the UNCTAD Conference with the U.S. Treasury, Germany, the French, the British and to some extent with the Swiss and Canadians. It had also come up in preparatory meetings of the DAC. These had been confidential discussions but official.

He informed me that there had first been ideas proposed that the UNCTAD staff be asked to do this job but then the governments concerned had decided that it was desirable to ask the IBRD. The resolution had been modified to cover anything within this area that the Bank would find suitable. Mr. Saxe noted that in previous periods of time flexibility and great diversity in terms of repayment and interest on international loans had prevailed because of the great diversity of lending institutions and the predominance of lending through private channels. At present the dominant importance of governmental institutions tended to lead to stereotyped lending and failure to re-examine existing practices to see whether they were the best and only possible ones.

One example of conditions given was the circumstances under which it might be regarded as appropriate for a country to postpone all interest and amortization, citing the Anglo-American Financial Agreement of 1947 as an example where special provision had been written into the Agreement in anticipation of possible balance of payments difficulties. Mr. Saxe said that the DAC secretariat had been exploring how to work on the different kinds of conditions of this sort, which were now being practiced by major lenders and he was certain that the DAC secretariat would be happy to cooperate with the Bank effort. A study could be done in three parts:

1. Recent experience.
2. Techniques which might be employed to make lending more flexible.
3. Which devices might be applied to what countries and for what reasons.
Mr. Saxe stressed that he thought such a study should involve discussions in advance with the major lenders to get some idea of what they might find acceptable.

The World Bank accepted this assignment at the UNCTAD II in New Delhi. I informed Mr. Saxe that we had begun to think about it and that Mr. Kamarck informed me that a certain amount of exploratory work had been done on this matter in the Economics Department. (The responsibility for this assignment has been given to Mr. Sacchetti.)

cc: Mr. McNamara
    " Demuth
    " Kamarck
    " Sacchetti
    " Sarma
Irving S. Friedman

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cc: Mr. McNamara
    " Demuth
    " Kamarck
    " Sacchetti
    " Sarma
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

FROM: N.A. Sarma and Patrick de Fontenay

DATE: May 8, 1968

SUBJECT: Studies requested from the Bank at UNCTAD II

Two studies and a report were commissioned from the Bank at UNCTAD II:

1. A "study of possible improvements in techniques of lending"(in consultation with UNCTAD and IMF).

("The Conference considers that further study is necessary of possible improvements in techniques of lending, having to do among other things with conditions and schedules of repayments, and requests the IBRD to prepare such a study in consultation with the Secretary-General of UNCTAD and IMF. In particular the study should take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency. The results of this study should be presented to the next session of the Committee on Invisibles and Financing related to trade." ) (TD/II/RES/29)

2. A study of commercial credits as a means of assisting developing countries to increase their exports (UN Secretariat and IBRD, in consultation with other institutions).

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

The IMF was requested to consult with the Bank and others over its study of commercial credits extended by developed countries. The IMF representative conveyed to the Conference the Fund's acceptance of the study.

3. A progress report on the multilateral investment insurance scheme.

("The Conference expresses the hope that progress can be expedited in the study undertaken by the IBRD on multilateral investment insurance and requests the Secretary-General of UNCTAD to invite the IBRD to submit a progress report and any other relevant material which the Bank considers it appropriate to release to the next session of the Committee on Invisibles and Financing related to Trade." ) (Ibid.)

The Secretary-General of UNCTAD is to "seek the advice of the IBRD" regarding access to capital markets by developing countries and multilateral development institutions.
The Bank should normally agree to undertake the studies requested by UNCTAD. Mr. Karasz (informally) mentioned to Messrs. Everts and Dell that we would have no objection to undertaking the studies.

cc: Messrs. Stevenson, Kalmanoff, Hulley

PdeFontenay:mk
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

LDC Brunei 1967

A Y

Brazil
Philippines
Mexico
Panama
Peru

Europe (Euro + main mkt)

Argentina
Israel

Portugal

London + Antalya + Manila

B Check destruct

Also relative yields (lower
also variety

Correlation
Finding: A2/478
Over extension pulling failure

1) Repaired interest
2) Ms. Davey - 70691
   - 1st request
   - 2nd request
   - 3rd request
   - 4th request
   - 5th request
   - 6th request
   - 7th request
   - 8th request
   - 9th request
   - 10th request

2) Q/A - also for dem jargon terms
   on "contacts" not clear regard collect
   for payment
   $117.92

3) Mrs. Delia - seems regular to "intermediate class"

4) Time pull, present

5) Flexible schedule
   report of test (adding all onto, please)

6) A shift in data (ow, the
   SWP changed back to 3850)

7) Plans to come about anything else now
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

FROM: N. A. Sarma

DATE: May 21, 1968

SUBJECT: Report on UNCTAD II (Sec M 68-136)

The paragraphs on Supplementary Finance are alright, summing up a Resolution that in any case was a disappointing one.

However, two additions would have been useful (I had suggested their inclusion, in commenting on an earlier draft).

(i) The Resolution states: "Any additional proposals clearly responsive to the recommendation should receive due attention ..." (This is rewritten in our report thus: "... due attention should be given not only to the Bank Staff Scheme, but also to other proposals having the same objective ...")

(ii) Paragraph 2 of the Resolution refers to "... reasonable assurance of help to protect a country's development plan or program against the effects of export shortfalls ...". This is considered a crucial paragraph of the Resolution, in which the basis of the Bank Staff Scheme was stated to be recognized. (This is not referred to in our Report).

You may like to know the proposed schedule of meetings:

The Inter-governmental Group on Supplementary Finance is to meet briefly during 21-25 October '68, and then during June 23 - July 4, '69.

The Resolution instructs the Group to work out measures for Supplementary Finance, and to report thereon to the Trade and Development Board as early as possible, and not later than its ninth session.

The ninth session of the Board will convene from August 26 to September 12, 1969. This session of the Board may prove significant. At UNCTAD II several important issues were left over to continuing machinery of UNCTAD. Supplementary Finance measures, preferences arrangements and others are likely to take definitive shape at this session of the Board, which may be held as a Ministerial meeting.
Are you satisfied with what was written about Supplementary Finance in the UNCTAD II report? (SecM68-136)

From

Irving S. Friedman
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman
FROM: N. A. Sarma
SUBJECT: Final Report on UNCTAD II

DATE: May 6, 1968

You may like to see these pp: Report on UNCTAD II received from Mr. Demuth; copy of the factual comment I sent him today.
OFFICE MEMORANDUM

TO: Mr. Richard H. Demuth

FROM: N. A. Sarma

DATE: May 6, 1968


The following factual comment may be of some use:

Page 1 - para. 2

The Committees held several meetings during February also, concurrently with plenary sessions.

Para. 3

The five Committees themselves were committees of the whole. The composition of the Working Groups and of the informal contact groups is a different matter.

Para. 5

The final day of the Conference (March 29) was devoted to adopting the Report of the Conference and certain formalities. The compromise formulas were agreed upon and adopted by the Conference in the previous three days; the package of Resolutions on financial matters was adopted on the 28th.

Page 3 - para. 1

Committee II dealt with exports of manufactures and semi-manufactures (of developing countries): the preferences issue was the major one on the agenda. The question of reverse preferences was yet another main point of disagreement, especially between the U.S.A. and France.

Para. 2

The Conference only noted the hope expressed by many countries that the arrangements should enter into effect in early 1970.

Committee III -(pp 3 - 8)

a) The aid volume target (1 percent of GNP) is in terms of endeavoring to provide a minimum net financial resource transfer, and in terms of actual disbursements.

b) The Conference noted with satisfaction the continued progress in development planning and the increasing recognition of effective implementation.
c) Tied aid is an important element of this Resolution, and reference may be made to paragraphs 17 and 18 of the Resolution.

d) Supplementary Financial Measures - The Resolution reaffirms the objectives of the recommendation on supplementary finance adopted at UNGTAD I. Also, "Any measures desired to meet this need should . . . . provide reasonable assurance of help to protect a country's development plan or program against the effects of export shortfalls, to the extent that they cannot be met by short-term balance of payments support" (the basis of the Bank staff scheme was stated to be recognized in this). As for other proposals, the Resolution states (in para. 5): "Any additional proposal clearly responsive to the recommendation should receive due attention, with the aim of working out the most effective measures possible."

Page 7

World Bank: A note by the Chairman of Committee III on World Bank Group matters was placed before the Conference, and was transmitted to EB for further consideration, together with a draft resolution that had been submitted to the Committee on the subject by the developing countries.

A few very minor corrections, please:

1) The first extension of the Conference was suggested by the President not on March 25 but on March 24;

2) Role of the Bank Group was the subject of a note by the Chairman of Committee III, not a (draft) Resolution, and the text of the note is available.

3) Working Group I: In the declaration on world food problem, it is the developed nations (not developing ones) that are urged to strengthen their aid . . .

4) On streamlining, there were two drafts - one by India and Chile, and the other by Sweden - that were forwarded to the continuing machinery.
**Routing Slip**

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**Remarks**

For comment please.

Please see comment below:

N. A. 5/28

From:

Irving S. Friedman
To:        FILES (cc Messrs. McNamara, Demuth, Kamarck, Sacchetti, Sarma)  
From: ISF  
Subject:  

Mr. Jo Saxe of the State Department came to have lunch with us Monday to discuss various matters. (Mr. Saxe was formerly Assistant to Mr. Kristensen, the Secretary General of the OECD, then worked with David Bell and Bill Gaud on policy matters in AID, and is now working on similar matters with Tony Solomon at State. His major areas of concern had been international finance and policy, including such matters as UNCTAD and Supplementary Finance. He was one of the principle delegates among the U.S. delegation at the recent UNCTAD meeting in Delhi. He is a notoriously cautious person!)

Mr. Saxe said that he wished to give me the background to the resolution at the UNCTAD Conference calling on the Bank to do studies on techniques and international finance (CHECK WITH SARMA: A better way of describing this?)

He said that this resolution had been proposed after most careful talks with the U.S. Treasury, Germany, the French, the British and to some extent with the Swiss and Canadians. These had been confidential discussions but all knew it had also come up in preparatory meetings of the DAC. At New Delhi he had spoken to the Indian delegates and this explained some of their interventions in favor of a reconsideration of the various conditions - i.e., terms of international finance agreements other than interest and amortization. He hoped that by giving us this background it would help the Bank consider the seriousness of the suggestion. He hoped that it would have been one small thing UNCTAD II would have accomplished and give to the World Bank to do in the expectation that they would do a serious and a good job.
He informed me that there had first been ideas proposed that the UNCTAD staff be asked to do this job but then the governments concerned had decided that it was desirable to ask the IBRD. The resolution had been modified to cover anything within this area that the Bank would find suitable. Mr. Saxe noted that in previous periods of time flexibility and schedules of repayment and interest had prevailed because of the great diversity of lending institutions and the predominance of lending through private channels. At present the dominant importance of governmental institutions tended to lead to stereotyped lending and failure to re-examine existing practices to see whether they were the best and only possible ones.

One example of conditions given was the circumstances under which it might be regarded as appropriate for a country to postpone all interest and amortization, citing the Anglo-American Financial Agreement of 1947 as an example where special provision had been written into the Agreement in anticipation of possible balance of payments difficulties. Mr. Saxe said that the DAC secretariat had been exploring how to work on the different kinds of conditions of this sort, which were now being practiced by major lenders and he was certain that the DAC secretariat would be happy to cooperate with the Bank effort. A study could be done in three parts:

1. Recent experience.
2. Techniques which might be employed to make lending more flexible.
3. Which devices might be applied to what countries and for what reasons.

Mr. Saxe stressed that he thought such a study should involve discussions in advance with the major lenders to get some idea of what they might find acceptable.

The World Bank accepted this assignment at the UNCTAD II in New Delhi. I informed Mr. Saxe that we had begun to think about it and that Mr. Kamarck informed me that a certain amount of exploratory work had been going on in this work in the Economics Department.
My own thoughts are go give the responsibility for this assignment to Mr. Sacchetti and possibly ask Mr. Nespoulous-Neuville who has had experience with the Suppliers credits and joint financing questions to work with him.
Mr. Saxe said he wished to give me the background to the resolution adopted at the UNCTAD Conference regarding terms and conditions of aid. In this resolution, a request is made to the Bank to prepare a study of possible improvements in techniques of lending, in consultation with UNCTAD and IMF. The study is to consider, among other things, conditions and schedules of repayments, and in particular take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency.

I would suggest omitting the latter half of para 3: "At New Delhi...good job."

(When the subject of terms and conditions of aid and problems of external indebtedness came up for consideration in Committee III, Mr. Swaminathan of India raised the question of waiver of interest in times of balance of payments difficulties for a debtor country - citing a provision of this nature in post-war loans from USA and Canada to U.K. (so-called 'bisque' clause). This was an important innovation in international finance, and he felt such a provision would be most relevant to development finance. There was wide interest in the Committee in this suggestion. Mr. Saxe, on behalf of U.S., thought this was an interesting suggestion; in fact, the question of loan techniques deserved thorough consideration.)

Yes; the Bank accepted this assignment (not in a statement at the Conference, but informally with Messrs. Everts and Dell).
In Bonn on May 10 Herr Hanemann referred to the World Bank proposal on this subject and said that it had not been favoured by the U.S., French or German delegations at the recent UNCTAD conference. The United Kingdom who, together with Sweden, had favoured the idea at the first UNCTAD Conference felt that the scheme needed substantial modification, including more convincing calculations of the likely export shortfall.
FROM: The Secretary  
May 24, 1968

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Reference is invited to SecM68-136, dated May 13, 1968 with which the final report on the New Delhi Session was distributed.

At the Sixth Session of the Trade and Development Board of UNCTAD held in Geneva on May 7, attention was drawn to the fact that a recommendation on Bank and IDA activities had been omitted from the final text of a resolution, though the recommendation had been previously approved. The resolution referred to is TD/II/RES/29 (Annex 6 to SecM68-136) and the omission is the following:

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

The Trade and Development Board requested the Secretary General to write to the States members of UNCTAD that had participated in the Second Conference and to ask them to indicate whether they had any objection to the restoration of this paragraph in the text of the resolution. This should be a mere formality.

Distribution:

Executive Directors and Alternates  
President  
President's Council  
Executive Vice President, IFC  
Vice President, IFC  
Department Heads, Bank and IFC
TRADE AND DEVELOPMENT BOARD APPROVES REVISED CALENDAR OF UNCTAD MEETINGS:
ELECTS 10 VICE-PRESIDENTS

(The following was received from the United Nations Information Service, Geneva.)

The Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD) this morning approved a revised calendar of UNCTAD meetings for the remainder of 1968 and a tentative calendar of UNCTAD meetings for 1969.

At its meeting yesterday afternoon, the Board unanimously elected 10 Vice-Presidents, thereby completing the election of its Bureau for 1968. Yesterday morning, it elected Jaroslav Kohout (Czechoslovakia) as President and Akhtar Mahmood (Pakistan) as Rapporteur.

The 10 Vice-Presidents are: Adoum Aganaye (Chad), Jerzy Bohdanowicz (Poland), Djim Nomar Gueye (Senegal), Enrique Lopez Herrarte (Guatemala), Alfonso Palacio Rudas (Colombia), Giorgio Sipiquina (Italy), Jon-Alexandre Tziras (Greece), Pentti U. Sivirta (Finland), Walter Maria Weber (Federal Republic of Germany) and Umarjadi Njoto Wijono (Indonesia).

Revised Calendar of UNCTAD Meetings

The revised calendar of UNCTAD meetings for the remainder of 1968, as approved by the Board, is as follows:

Trade and Development Board, sixth session, 6-7 May, Geneva.

(more)

* General Agreement on Tariff and Trade
Trade and Development Board, seventh session, 2-20 September, Geneva.
Joint UNCTAD/FAO* Working Party on Forest and Timber Products,
23 September-4 October, Geneva.

Intergovernmental Group on Supplementary Financing, fourth session,

Permanent Group on Synthetics and Substitutes, second session,
22-29 October, Geneva.

Committee on Commodities, third session, 28 October-8 November, Geneva.
Special Committee on Preferences, first session, 29 November-17 December, Geneva.

In addition, the 1968 calendar, as approved, provides -- at dates to be determined -- for sessions of the Working Group on Tungsten (3-4 days); the Advisory Committee to the Board and to the Committee on Commodities (one week); the Committee on Tungsten (as required, one week); the Permanent Sub-Committee on Commodities (if required, one week); eight intergovernmental or expert groups (as required, two weeks each); and intergovernmental consultations on individual commodities (a total of seven weeks, as required).

Tentative Calendar for 1969

The tentative calendar of UNCTAD meetings for 1969, as approved, is as follows:

Committee on Invisibles and Financing Related to Trade, third session,
17-23 February, Geneva.

Committee on Shipping, third session, 9-25 April, Geneva.
Special Committee on Preferences, second session, 28 April-9 May, Geneva.
Intergovernmental Group on Supplementary Financing, fifth session,

Trade and Development Board, ninth session, 26 August-12 September, Geneva.
Committee on Manufactures, fourth session, 16 September-5 October, Geneva.
Permanent Group on Synthetics and Substitutes, third session, 6-10 October,
Geneva.

Committee on Commodities, fourth session, 13-24 October, Geneva.

The 1969 tentative calendar also provides for the holding, as required, of two commodity conferences, for various consultations on commodities, for meetings of 10 intergovernmental or expert groups and of certain other bodies.

* Food and Agriculture Organization
National Income and GNP of DAC Countries in 1967

1. In accordance with your request, we have made some very rough estimates of national income and GNP in DAC countries, including Portugal, in 1967.

2. The relevant estimates, in current 1967 US dollars, are as follows:

   National income - $1,200 billion

   GNP at market prices - $1,500 billion.

3. Partial information was available for GNP only. On the basis of this information, we arrived at a nominal increase of 6.2% over 1966. In the absence of any information on national income, the same percentage increase was assumed.

Evan Levy

cc: Mr. I.S. Friedman
OFFICE MEMORANDUM

TO: Mr. Andrew M. Kamal

FROM: Irving S. Friedman

DATE: April 29, 1968

SUBJECT: UNCTAD Committee Meetings

Thank you for your memo on the UNCTAD Committee meetings.

I would like to say that I am planning to send Mr. Sarma to Geneva to meetings on Trade and Development to follow Supplementary Finance Measures. If you wish to send Mr. de Fontenay for other matters, I would be glad to entertain a recommendation. I do not intend to have him follow Supplementary Finance.

cc: Mr. Consolo
April 29, 1968

Mr. Andrew M. Kamarck

Irving S. Friedman

UNCTAD Committee Meetings

Thank you for your memo on the UNCTAD Committee meetings.

I would like to say that I am planning to send Mr. Sarma to Geneva to meetings on Trade and Development to follow Supplementary Finance Measures. If you wish to send Mr. de Fontenay for other matters, I would be glad to entertain a recommendation. I do not intend to have him follow Supplementary Finance.

cc: Mr. Consolo
Mr. Consolo and I discussed representation at UNCTAD Committee Meetings. We agreed that he would communicate directly with Mr. Kalmanoff when Committee Meetings were set and Mr. Kalmanoff would let him know who, if anyone, we wished to send to the meetings. This applies to all UNCTAD matters except supplementary finance. On supplementary finance matters, Mr. Consolo will notify Mr. Friedman directly.

Mr. Consolo said there was a great deal of interest in the UN on exploitation of the resources of the sea and the sea bottom. I said that we would have an interest in this and that he should send any papers to Mr. Kalmanoff.

On human resources and population problems, he is to send papers to Mr. Hawkins. Mr. Consolo mentioned that the Trade and Development Board of UNCTAD is to meet in Geneva on September 4-20. He hoped that we would send Mr. de Fontenay to attend this meeting. He and Mr. Karasz would attend some of the sessions. Both he and Mr. Karasz feel that in view of Mr. de Fontenay's background and expertise it would be useful for the Economics Department to have him there. I told Mr. Consolo that we would have to decide in the light of priorities at the time, but that I was glad to have his views.

cc: Mr. Friedman
    Mr. Stevenson
    Mr. Kalmanoff

AMK/whw
April 12, 1968

Richard H. Demuth

Visit by Dr. Prebisch

Dr. Prebisch visited Mr. McNamara today. I was also present.

The visit was largely in the nature of a courtesy call. Dr. Prebisch, however, made the point that his hopes for progress within UNCTAD now centered on the spring meeting of the Trade and Development Board. At that meeting, he hoped to obtain an agreement on a scheme of preferences and an agreement on supplementary finance. He also hoped to make progress toward agreement on a date by which the 1% aid target would be reached. If he succeeded on all three of these fronts, he would then try to make progress toward an agreement on a "Strategy of Development," which would stress the responsibilities of the developed and the developing countries alike. In each field covered by the Strategy, there would be proposals for action on both sides. There would also be some effort to establish long-term quantitative targets.

Mr. McNamara expressed strong agreement with the notion of a Strategy of Development. He explained what he was trying to achieve in terms of long-term programs for the major countries being financed by the Bank Group. He and Dr. Prebisch agreed to keep in touch.

In response to a question which I asked Dr. Prebisch after the meeting as to the division of functions in connection with the Strategy of Development between UNCTAD, on the one hand, and the Tinbergen group and the U.N. Secretariat, on the other, Dr. Prebisch said that the latter in their work on the Second Development Decade were stressing the econometric approach with a view to promulgating global quantitative targets. In UNCTAD, on the other hand, the emphasis of the work was on action to be taken by both the developed and the developing countries on a series of specific fronts.

cc: Messrs. Friedman, Kamarck, Consolo and Karasz
DATE AND TIME OF CABLE: APRL 5, 1968

LOG NO.: ITT 24/5

TO: INTBFRAD

FROM: GENEVA

TEXT:

S FRIEDMAN

HAVE CABLED MENAMARA PREBISCH DESIRE TO MEET HIM WASHINGTON NEXT WEEK. ON SAME OCCASION HE WOULD LIKE TO SEE YOU. REGARDS

CONSOLI

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021