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Jo Saxe is expected back in the office next Wednesday.

Bimal is tied up at a staff meeting & Mr. Sundrum suggested the following: (Mr. Sarma wants you to know he is in town & will be in the office about noon).

February 21 & May 5 Bank Reports on UNCTAD

Sarma's April 20 note on Cttee on Invisibles meeting NY (Suggested reading Dubey's memo on Brazilian Action Group with this).

Report of 2nd Session of Intergov't Group.

Where we are now:

See Mr. Frank's memo (with documents) for next meeting on SFS for Friday July 28 3 pm, your office.

Excerpt from Solomon's speech. (From Mr. Frank)
I will be sending shortly to you a memorandum which you may find useful in connection with the visit of the representatives of the UNCTAD Group of 77 on Thursday, and will circulate copies of this memorandum to those attending the meeting. However, in view of Mr. Knapp's report on Mr. Solomon's remarks to him on Prebisch's statement to the OECD on Supplementary Finance, I thought it was useful to check out what the U.S. position was at this time when stated more carefully and deliberately. Last night I ascertained the following on a strictly confidential basis:

(1) There is, as yet, no U.S. Government position. The position on Supplementary Finance being recommended by U.S. officials as the United States position for the UNCTAD Conference is that the U.S. should support a supplementary finance scheme but not tie itself to any precise provisions. There is a feeling that any scheme could be somewhat more simple than suggested by the Bank staff. To use more precise language the U.S. would advocate a supplementary finance scheme guided by, but not necessarily identical with, the Bank scheme. The proposed position also encompasses the thought that the monies for supplementary finance would be added to IDA resources in fiscal 1970 with a directive to IDA to spend it for the purpose of supplementary finance. The details would be sorted out by the IDA staff and Board some time after the UNCTAD Conference.

(2) The U.S. feels that having been a supporter of the original U.K./Swedish Resolution they had a moral commitment if nothing else to respond in a positive way to the widespread support by the LDC's as well as some other countries for supplementary finance.

(3) It would be made clear in all discussions that this has no implication for IDA replenishment, since it would not involve more money until fiscal 1970. In this way the stage would be set for a positive action by the UNCTAD Conference, but at the same time not an action that would jeopardize the IDA replenishment.

(4) At present this proposed U.S. position is being considered at the top level in the U.S. Government. Because of recent events the Cabinet officials concerned have not been able to focus on this proposed position. However, responsible officials are eager to get a U.S. position before the UNCTAD Conference. They are also motivated by a desire to make clear the U.S. position to various European countries, Japan and Canada, recognizing that until now they have deliberately not taken a clear position in order to cope with the problem of not having supplementary finance interfere with IDA replenishment. At this point no one knows what the various Cabinet officials will decide.

From other authoritative sources I would say that the attitude toward supplementary finance at the official level of the U.S. Government, also springs from the conviction that new ways have to be found to entice Congressional support for development finance and assistance. Both Gaud and Secretary Rusk, as well as others, have been free to express the view that bilateral aid is on a steady decline and have asked people around them to come up with new ideas involving
additional funds for multilateral institutions. I gather they have gone so far as to indicate their willingness to consider even new institutions as well as increasing the resources of existing ones. In this connection I am very pleased that the meeting at Algiers did not come out for new international institutions and endorsed the use of the World Bank Group as the central international financial institution. Needless to say once having crossed the bridge of having decided to use these institutions as the principal instrument for their countries' development, they have ideas as to how these institutions should be operated.

cc: Mr. Knapp
OFFICE MEMORANDUM

TO: Mr. George D. Woods
FROM: Irving S. Friedman
DATE: December 5 1967
SUBJECT: Supplementary Finance: Discussions with Delegation from Group of 77

A delegation from the Group of 77, headed by the Brazilian Ambassador to the United States will be here during December 7 - 8 to present and explain the main features of the Algiers Charter to the U.S. Government, the Bank and the Fund. While attending the UN Committee II meetings recently, we gathered from Mr. Amjad Ali, a member of this delegation, that Supplementary Finance Proposals would be one of the main subjects they would raise with Mr. Woods.

Recent developments in the discussion of this subject are as follows. The UNCTAD Intergovernmental Group on Supplementary Finance has now finalized its report, which will go directly to UNCTAD II in New Delhi. This report brings out the fact that there is a wide measure of international support to a Supplementary Finance Scheme, based on the Bank staff proposals. Regarding the position of individual donor countries, the Scheme is supported by the United Kingdom and Sweden (the original sponsors of the 1964 resolution) and other countries such as Switzerland and the other Nordic countries. France has taken a negative position. The United States, Germany and Japan have raised some questions and are not as yet prepared to take a position. LDC members of the Group support the Bank staff scheme fully, and have issued a joint statement strongly endorsing each essential element of the Bank staff scheme. This statement is to be circulated to UNCTAD II as a Conference document. This position of the LDC's has been stated in the Algiers Charter and reiterated in the UN Committee II last week. Also, at the 1967 Annual Meetings of the Bank and the Fund, the African Governors in their memorandum to the President of the Bank gave their support in principle to the idea contained in the Bank staff scheme and urged the President "to seek, through his good offices, broad international support for the recommendations contained therein."

It may be recalled that the Resolution on Supplementary Finance was sponsored at the first UNCTAD by Sweden and the United Kingdom, and was supported by virtually all other donor countries including the United States, as well as by LDC's. The Bank staff scheme as a means of implementing this resolution has been very widely supported. It is now clear -- to donors as well as recipient countries -- that a scheme of supplementary finance, broadly and essentially on the lines of the Bank staff proposal is very much alive and will come up for active discussions, and seems likely to be endorsed in principle, at UNCTAD II. Incidentally, it has also been clear in our discussions that the proposed scheme came from the Bank staff and not the Bank as such.

A crucial question relates to finance and additional commitments by donor countries for this purpose. It is now agreed generally that the scheme should have a fixed amount of resources at its disposal, at a level at which
the scheme might be reasonably expected to operate successfully. For various reasons, however, including especially the replenishment of IDA so urgently needed -- which we have constantly stressed -- some of the donor countries cannot consider providing funds for supplementary finance for some time. Thus, the question of timing becomes crucial. The supporters of the scheme have emphasized that no need for money will arise for this scheme until 1970 or even later. At the forthcoming UNCTAD, therefore, the question of finance can be set aside, for later consideration, if so desired. The developing countries themselves are fully aware of the need for such appropriate timing, to avoid any possible conflict between IDA replenishment and supplementary financing. In their joint memorandum at the Intergovernmental Group the LDC's state, "The working out of a supplementary financing scheme should not interfere with IDA replenishment since financial obligations under the scheme could not arise for some considerable time ahead."

When the report of the Intergovernmental Group on Supplementary Financing comes up before the next UNCTAD, it is to be expected that high level informal discussions and negotiations will result in an understanding, and a resolution may then be sponsored at the Conference embodying general agreement of governments in principle for a supplementary financing scheme. In his statement before UN Committee II on November 15, 1967, Mr. Prebisch said, referring to the supplementary financing scheme, "I think that at the Second Conference it will be possible to reach agreement at least on fundamental principles."

On the question of financing, it is likely that such an agreement will do no more than request donor countries to initiate discussions among themselves at the appropriate time, to determine the amount of contributions for a fixed sum for an initial period. Meanwhile, we on our part can continue to emphasize as long as necessary that IDA replenishment on a substantial scale is immediately needed, and we expect that financial commitments regarding supplementary financing can only be contemplated by donor countries at a later date. We believe that the developing countries will be quite understanding of our position and receptive to this view. They know that we are basically friendly and are not trying to create difficulties. The behavior of the LDC's in this matter has been restrained and responsible.

FROM: The Secretary

November 30, 1967

STUDY ON SUPPLEMENTARY FINANCING

Attached for information is a report on the Final Session of the UNCTAD Intergovernmental Group on Supplementary Financing, held from October 30 to November 13, 1967 in Geneva. The report has been prepared by the Bank delegation to the UNCTAD meeting headed by The Economic Adviser to the President.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC
The Final Session of the Intergovernmental Group on Supplementary Financing.

Geneva, October 30-November 13, 1967

1. The Intergovernmental Group, appointed by the Committee on Financing and Invisibles of the UNCTAD to "study and elaborate" the Bank staff scheme on supplementary financing, met in its third and final session in Geneva from the 30th October to 13th November, 1967. All the fourteen members of the Group (viz. Argentina, Brazil, Ceylon, Germany, France, Ghana, India, Japan, Poland, Sweden, U.A.R., U.K., U.S.A. and Yugoslavia) as also a number of observers (33 in number) were present. Mr. Mermolja of Yugoslavia was the Chairman of the Group and Mr. Jo Saxe of the United States its Vice-Chairman - cum-Rapporteur. The Bank staff was represented by Mr. Irving S. Friedman, Mr. N.A. Sarma and Mr. Bimal Jalan. The Fund was represented by Mr. Edgar Jones and Mr. Isobe of the Fund's Geneva office.

2. This final session was given mainly to drafting and approving the report of the Group on the Bank staff scheme. The report is being forwarded directly to the UNCTAD II in New Delhi.

3. The developing countries and some developed countries expressed support for the Scheme. A few developed countries have not as yet taken a position on the Scheme. One country indicated opposition. In view of the generally favorable attitude taken by most members of the Group, it is expected that the UNCTAD II will take concrete action on this proposal.

4. The less developed countries have also distributed to the Group a joint statement of their position on supplementary finance: this is referred to at page 1 of the Report and is to be circulated to UNCTAD II participants as a conference document. The text of this statement is enclosed. This statement strongly endorses all the essential characteristics of the Bank staff scheme. The statement also notes that "the working out of a supplementary financing scheme should not interfere with IDA replenishment since financial obligations under the scheme could not arise for some considerable time ahead."

5. The Report of the Group is in five chapters. Chapter I is "Introduction"; the first part of this deals with the terms of reference of the Group, and the second part with the General Assessment of the Scheme. Chapter II, which constitutes the bulk of the Report, deals with the Bank staff scheme and sets out the results of the Group's discussions on various aspects of the scheme. The discussion is organized under three sub-heads: section (a) briefly indicates the Bank staff views on each of these aspects; section (b) notes in some detail the comments expressed within the Group about features of the Scheme; and section (c) presents the conclusions which most of the members of the Group reached on each of these points. Three principal
points are: cost of the Scheme, prior policy understandings and export projections as essential elements of the Scheme. On Costs, the conclusion of the Group reads, "It was widely agreed that the estimate of $300-$400 million per year of the World Bank staff provided the basis for arriving at a figure with which Scheme might reasonably be expected to operate successfully in the initial period." The conclusion on Policy Understanding expresses general agreement that a policy understanding should be part of the Scheme. The scope, nature and the implementation of the policy understanding require further discussion; however, "most members also agreed that it should include export projections and a statement of the country's basic economic policies," and "it was generally agreed that consultations might be broadly along the lines of those conducted by international financial institutions." On export projections, most members of the Group agreed that "this would be an essential element of the Scheme, however amended."

6. Chapter III is a short one dealing with the question of the administering agency. It states that "there was general agreement in the Group that the creation of a new agency for the administration of the Scheme would be unnecessary, uneconomic, and would create considerable complications, and that among the existing international agencies the World Bank Group would be the most appropriate. It further agreed that the Scheme should be administered in close cooperation with the IMF. The specific arrangements which would be necessary would require further consideration." However, it may be noted that since the Report is addressed to the UNCTAD II for consideration by governments there, no action by the World Bank Group is requested.

7. Chapter IV is called "other proposals for avoiding the disruption of development programmes" and is divided into three sub-heads. (A) deals with a suggested alternative to the Bank Staff Scheme. Under this suggestion the scheme would be operated on an ad hoc basis without the need for export projections and any prior understanding on policy matters; section (B) suggests a scheme for refinancing of the IMF drawings; and section (C) deals with the proposal for organization of markets. Each of these proposals is followed by extensive comments representing the views of most members of the Group, and also a paragraph on each to the effect that "the suggested alternative found little support in the Committee." Most members thought that none of these suggestions would adequately meet the objectives of the UNCTAD Recommendation A.IV.18 on supplementary financing. Chapter V deals with organizational matters, e.g., adoption of the agenda, attendance, etc.

8. The Report is now being printed for distribution, and will be circulated to the Executive Directors as soon as it is made available.

The Economic Adviser to the President
November 28, 1967
Joint Statement of Developing Countries
Members of the Intergovernmental Group
on Supplementary Financing

1. The efforts of developing countries to accelerate the pace of their economic development are severely hampered by uncertainty regarding their export earnings. In view of the crucial importance of foreign exchange in economic development, uncertainty regarding foreign exchange receipts renders orderly planning extremely difficult. Export earnings usually being the most important source of foreign exchange, unexpected export shortfalls can seriously disrupt otherwise sound development programmes. The developing countries, therefore, wish to reaffirm their strong support of recommendation A.IV.18 and wish to state that in their view a scheme along the lines of that recommendation is both desirable and feasible.

2. The developing countries note that in its report the staff of the World Bank came to the conclusion:

(a) that the problem of adverse movements in the export proceeds of developing countries is a genuine one, because of the disruptive effect on development;

(b) that the existing international financial machinery does not include a mechanism designed to meet this problem;

(c) that a feasible scheme of supplementary financing could be worked out.

The developing countries strongly support this view, and note also that this view has received the support of several developing countries.

3. The scheme should embody the following elements:

(a) an export norm from which shortfalls may be measured;

(b) a policy understanding;

(c) provision for the use of other available resources;

(d) clearly limited financial commitments by donor countries to a fixed and adequate amount, such amount to be additional to that which donor countries are now providing by way of development assistance;

(e) compatibility with the compensatory financing facility of the International Monetary Fund.
4. It is indispensable for assistance under the scheme to be based on objective criteria. There is a general agreement in the Intergovernmental Group on the need for an export norm of some kind. The staff of the World Bank has proposed that the export norm be determined by export projections, and the developing countries support this approach as the appropriate method for interpreting "reasonable expectations". It may be noted that the drawing up of any development plan necessarily involves taking a view of export prospects, and under prevailing international practice the need for basic development finance is determined at least in part on the basis of prospective export receipts and foreign exchange expenditure. What the scheme implies is that in so far as export receipts fall short of the level foreseen in the development plan, as accepted by the international community, efforts should be made to make good the shortfall, so as to permit the accepted plan to be implemented.

5. The developing countries accept the view that it is necessary to ensure that supplementary finance is used for the purposes for which it is intended, namely to safeguard development plans against disruption due to export shortfalls that are beyond their control. To this end, they agree that countries should, at the beginning of each planning period, have a policy understanding with the Agency indicating the main lines of the economic policy that they intend to pursue. In addition, at the time of any shortfall, there should be a determination, by consultation between the Agency and the country concerned, of whether the drop in export income is due to circumstances beyond the control of the country concerned.

6. It has been suggested in the Bank Staff Study that consultation between the Agency and member countries should take place on a continuous basis so as to ensure a prompt determination in the event of a shortfall. The need for such continuous consultation requires further examination. In any event, consultation under the scheme, whether continuous, or whether limited along the lines of paragraph 5, would have to be consistent with the requirements of national sovereignty as defined by that country.

7. The staff of the World Bank recommend the prior use of other foreign exchange resources, including reserves and the compensatory financing facility of the Fund, if available. The developing countries accept this proposal. At the same time they wish to point out that countries suffering export shortfalls should not be compelled to resort to credit facilities which are subject to onerous terms and conditions, or to run down their gold and foreign exchange reserves below prudent levels.

8. The working out of a supplementary financing scheme should not interfere with IDA replenishment since financial obligations under the scheme could not arise for some considerable time ahead.
9. The developing countries fully endorse the view that the scheme must not be established in such a way as to give rise to an open-ended commitment on the part of donor countries. They are satisfied that workable scheme could be set up on the basis of a fixed commitment of $300-$400 million per annum for an initial five-year period as recommended by the staff of the World Bank. The developing countries accept the need for rationing as a method of last resort for reconciling claims upon the Agency with fixed resources. They are convinced that it is feasible to establish an equitable system of rationing on objective criteria.

10. The developing countries see the need for further liberalization of the International Monetary Fund's compensatory financing facility, but they believe that the objectives of the supplementary financing scheme cannot be secured through such liberalization. Nor can they accept refinancing of the Fund facility as the sole or main objective of the scheme.

11. On the other hand, the developing countries accept the view that the operations of the Agency should be compatible with those of the International Monetary Fund. This should be secured by consultation between the two institutions bearing in mind the views of the Fund on matters falling within its competence, such as the extent to which there should be recourse to the gold and foreign exchange reserves of member countries in meeting export shortfalls.
OFFICE MEMORANDUM

TO: Mr. George D. Woods
FROM: Irving S. Friedman
SUBJECT: Supplementary Finance: Discussions with Delegation from Group of 77

DATE: December 5, 1967

A delegation from the Group of 77, headed by the Brazilian Ambassador to the United States will be here during December 7 - 8 to present and explain the main features of the Algiers Charter to the U.S. Government, the Bank and the Fund. While attending the UN Committee II meetings recently, we gathered from Mr. Amjad Ali, a member of this delegation, that Supplementary Finance Proposals would be one of the main subjects they would raise with Mr. Woods.

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A crucial question relates to finance and additional commitments by donor countries for this purpose. It is now agreed generally that the scheme should have a fixed amount of resources at its disposal, at a level at which
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cc: Messrs. Knapp, Alderwereld, Demuth, Alter, Cope, Benjenk, Con solo, Goodman, Hoffman, Kamarrk, McIvor and Sarma.
Ministerial Meeting of the Group of 77

CHARTER OF ALGIERS

Adopted by the Ministerial Meeting
of the Group of 77 on 24 October 1967
CHARTER OF ALGIERS

The representatives of developing countries, assembled in Algiers in October 1967 at the Ministerial Meeting of the Group of 77, united by common aspirations and the identity of their economic interests, and determined to pursue their joint efforts towards economic and social development, peace and prosperity,

Having reviewed the work of the international community for economic progress since the adoption of the Joint Declaration of the 77 Developing Countries at the conclusion of UNCTAD I in 1964,

Have decided to chart a common course of action as conceived in the African Declaration of Algiers, the Bangkok Declaration of Asian countries and the Charter of Tequendama of Latin American countries,

Deem it their duty to call the attention of the international community to the following facts:

I

The lot of more than a billion people of the developing world continues to deteriorate as a result of the trends in international economic relations;

The rate of economic growth of the developing world has slowed down and the disparity between it and the affluent world is widening;

While the developed countries are adding annually approximately 60 dollars to the per capita income of their people, the average increase of per capita income in the developing world amounts to less than 2 dollars per annum;

The share of the developing countries in total world exports declined from 27 per cent in 1953 to only 19.3 per cent in 1966. In the first half of the 1960s total world exports grew at an average annual rate of 7.8 per cent and exports of developing countries, excluding oil exports, grew at an average rate of 4 per cent only. While the value of exports of manufactures from industrial countries increased between 1953/54 and 1965/66 by 65 billion dollars and from socialist countries by 10 billion dollars, the increase from developing countries amounted to only 3 billion dollars;
The purchasing power of exports from developing countries has been steadily declining. In the mid-1960's the developing countries have been able to buy, for a given volume of their traditional exports, one-tenth less imports than at the beginning of this period. The loss in purchasing power amounted annually to approximately 2 billion dollars, which represents nearly half of the flow of external public financial resources to developing countries;

This has aggravated the problem of the increasing indebtedness of developing countries. The external public debt alone has increased from 10 billion dollars in 1955 to 40 billion in 1966. While the debt service payments averaged half a billion dollars annually in the mid-1950's, these have already increased to 4 billion dollars and may offset the entire transfer of resources before the end of this decade if present trends continue; they already equal the entire amount of grants and grant-like contributions;

Although modern technology offers developing countries great possibilities to accelerate their economic development, its benefits are largely by-passing them due to its capital and skill intensive nature, and is drawing away from them such limited skills as are developed;

The virtual stagnation in the production of foodstuffs in developing countries, in contrast with the rapid increase in population, has aggravated the chronic conditions of under-nourishment and malnutrition and, combined with the distortion of production and trading patterns by artificial means, threatens to give rise to a grave crisis.

The concern over these economic and social trends and the joint efforts of the developing countries to correct them have progressively led the international community to embark on a series of initiatives culminating in the Final Act adopted in 1964 by UNCTAD I; however, the promise held out by the Final Act has not been realised. In fact, in spite of the provisions of the Final Act of UNCTAD I:
- no new commodity agreement on primary products of interest to developing countries has been concluded;
- the standstill has not been observed by the developed countries and they have increased the degree of protection in many of those agricultural products in which developing countries are more efficient producers;
while the average prices for primary products exported from developing countries have decreased by 7 per cent since 1958, those for primary products exported from developed countries increased by 10 per cent in the same period;

heavy fiscal charges continue to be levied on products of export interest to developing countries;

the proliferation and promotion of synthetic substitutes in developed countries has resulted in shrinking markets and falling prices for competing natural products produced by developing countries;

insufficient progress has been made by developed countries in dismantling import tariffs on tropical products without prejudice to the interests of certain developing countries;

little or no progress has been achieved in the relaxation of quota restrictions that are applied particularly to industrial products imported from developing countries; nor did the situation improve for some temperate zone products whose access to the developed countries is governed by restrictive measures and policies applied by the developed countries;

the implicit discrimination in tariff policies towards developing countries has been further intensified as a result of the process of economic integration among some developed countries and also as a consequence of the Kennedy Round of negotiations;

no progress has been made by developed socialist countries on the recommended transferability of credit balances held with them by developing countries;

the wide disparity between domestic selling prices of goods imported by socialist countries from developing countries and the import prices of such goods creates unfavourable conditions for increases in consumption and import of such goods from developing countries;

in spite of the unanimously agreed target of 1 per cent of national income of financial resources to be provided to developing countries, actual disbursements have levelled off in absolute terms and declined as a proportion of gross national product of developed countries. While in 1961 the flow of development financing to developing countries amounted to 0.87 per cent of gross national product of developed countries, it came down to 0.62 per cent in 1966;
- with a few notable exceptions, the terms and conditions of development finance are becoming more and more onerous; the proportion of grants is declining; interest rates are increasing; repayment periods are shortening and development loans are becoming increasingly tied;
- discriminatory practices and arrangements in the field of shipping and increasing freight rates have aggravated further the balance-of-payments position and hindered the effort to promote the exports of developing countries.

III

The international community has an obligation to rectify these unfavourable trends and to create conditions under which all nations can enjoy economic and social well-being, and have the means to develop their respective resources to enable their peoples to lead a life free from want and fear.

In a world of increasing inter-dependence peace, progress and freedom are common and indivisible. Consequently the development of developing countries will benefit the developed countries as well.

Developing countries reiterate that the primary responsibility for their development rests on them.

Developing countries are determined to contribute to one another's development. However, a fuller mobilization and more effective utilization of domestic resources of developing countries is possible only with concomitant and effective international action.

Traditional approaches, isolated measures and limited concessions are not enough. The gravity of the problem calls for the urgent adoption of a global strategy for development requiring convergent measures on the part of both developed and developing countries.

The establishment of UNCTAD and the dialogue which has taken place within it constitute a step towards a new and dynamic trade and development policy. What is needed now is to move from the stage of deliberation to the plane of practical action.

Developing countries expect that UNCTAD II will concentrate on a common endeavour for accelerated economic and social development. The agreement which has recently emerged on the basic issues to be negotiated reflects the general feeling in this respect.

To this end the representatives of developing countries at the Ministerial Meeting of the Group of 77 have considered carefully the present state of affairs and suggest the following programme of action as the most urgent and immediate step to be taken by UNCTAD II.
Part Two

PROGRAMME OF ACTION

A. COMMODITY PROBLEMS AND POLICIES

1. Commodity Policy
   (a) Commodity arrangements
      (i) Commodity problems should, where appropriate, be dealt with by international commodity arrangements negotiated on a commodity-by-commodity basis;
      (ii) Producing developing countries should consult and co-operate among themselves in order to defend and improve their terms of trade by effective co-ordination of their sales policies;
      (iii) A Cocoa Agreement should be concluded before the end of 1967 and an Agreement on Sugar early in 1968;
      (iv) Commodity arrangements for oil seeds and vegetable oils, bananas, rubber, tea, sisal and hard fibres should be concluded at the earliest possible date
      (v) Appropriate action should be taken on an urgent basis in respect of iron ore, nickel, tobacco, cotton, wine, citrus fruit, manganese ore, pepper, mica, shellac and tungsten.
   (b) Buffer stocks
      Buffer stock techniques as a short-term measure for market stabilization should, where appropriate, be one of the methods adopted for international commodity arrangements, and international financing institutions and developed countries should participate in their pre-financing, while with regard to its regular income producing and consuming countries should devise a formula ensuring an equitable distribution of costs.
   (c) Diversification programmes
      Developed countries and the appropriate international financial institutions should make available additional financial and technical assistance to developing countries, including specific funds, in order to facilitate the carrying out of diversification programmes, highest priority being given to diversification in the programmes on inter-regional, regional and sub-regional levels in the process of trade expansion and economic integration among developing countries. These specific funds for diversification should be one of the features of commodity agreements.
   (d) Pricing policy
      The main objectives of pricing policy should be: (i) elimination of excessive price fluctuations; (ii) the highest possible earnings from the exports of primary products; (iii) maintenance and increase of the purchasing power of the products exported by developing countries in relation to their imports; and (iv) that developed countries undertake to assist in achieving more stable and higher prices for unprocessed and processed commodities from developing countries by applying adequate domestic taxation policies.
2. Trade liberalization

(a) Standstill

No new tariff and non-tariff restrictions should be introduced by developed countries and those introduced since UNCTAD I should be eliminated by 31 December 1968.

(b) Removal of barriers

(i) All restrictions and charges applied by developed countries to primary commodities including semi-processed primary products originating exclusively from developing countries should be removed;

(ii) A programme of specific commitments should be elaborated with a view to eliminating tariff and non-tariff barriers, including duties and revenue charges, on all products;

(iii) Pending the elimination of internal duties and revenue charges a system of partial refund should be introduced to lead progressively on an annual basis to full refund;

(iv) The tariff reductions offered during the Kennedy Round of negotiations on primary products of export interest to developing countries should be implemented without phasing and without reciprocity in favour of all developing countries.

(c) Preferences

The representatives of the developing countries at the Ministerial Meeting of the Group of 77, (i) bearing in mind the desire expressed by all members of the Group of 77 to apply recommendation A.II.1, Section II, paragraph 3 and 6 concerning the elimination of preferences, adopted unanimously at UNCTAD I, and noting that the abolition of preferences requires that the developed countries grant equivalent advantages to the countries which at present enjoy such preferences; (ii) noting that the developed countries have not so far taken effective measures for the implementation of this recommendation; (iii) considering that, in the case of certain commodities, the special preferences in force could be reduced or even abolished through international agreements:

Decided to request the Secretary-General of UNCTAD and the regional groups to undertake studies, commodity-by-commodity and country-by-country on the effect of the abolition of the special preferences in force and the steps necessary to ensure that countries which at present enjoy such preferences receive advantages at least equivalent to the losses resulting from abolition.
(d) **Minimum share of markets**

(i) Where products of developing countries compete with the domestic production of developed countries, the latter should allocate a defined percentage of their consumption of such products to developing countries; in any case, a substantial share of any increase in domestic demand for primary commodities in the developed countries should be reserved for the output of the developing countries. This allocation should be arrived at on a country-by-country and commodity-by-commodity basis, through multilateral negotiation; developed countries should agree to establish maximum ratios of domestic production so as to guarantee to developing countries adequate conditions of access for their exports;

(ii) The developed countries should adopt measures to discourage uneconomic production of commodities which compete with those originating from developing countries and should abolish subsidies on such competing products.

(e) **Surpluses and reserve stock disposal**

The existing machinery for consultation on surplus disposal should be widened and reinforced and suitable machinery should be established, where such arrangements do not exist, in order to ensure that disposal of production surpluses or strategic reserves does not result in the depression of international prices, and does not adversely affect the exports of developing countries or the intra-regional trade and agricultural development of developing countries and the position of developing countries receiving those surpluses as assistance.

(f) **Uses of escape clauses**

Objective criteria should be adopted under a multilateral institutional arrangement for identifying situations in which restrictions are applied by virtue of safeguard clauses and the unilateral application of restrictions should be avoided.

2. **Synthetics and substitutes**

(i) Special measures in the field of finance, technical assistance and marketing, including financing of research, abolition of subsidies and granting of preference should be taken to improve the competitive position of natural products of developing countries that are affected by the competition of synthetics and substitutes originating from developed countries;

(ii) The provision of Special Principle Nine of the Final Act of UNCTAD I on dumping should be implemented with special reference to the marketing of synthetic products.
1. Principles for a general system of preferences

The following principles should be adopted in order to implement a general system of preferences. They should be accepted simultaneously as complementary and indivisible measures.

(a) At UNCTAD II there should be negotiations which should lead to the conclusion of an agreement on a general system of tariff preferences on a non-discriminatory and non-reciprocal basis. The agreement should provide for unrestricted and duty-free access to the markets of all the developed countries for all manufactures and semi-manufactures from all developing countries;

(b) Without prejudice to the general provisions contained in paragraph (a) above, the escape clause actions as envisaged below may be taken; in particular special treatment may be granted by developed countries to the less developed among the developing countries;

(c) The manufactures and semi-manufactures covered by the preferential system should include all processed and semi-processed primary products of all developing countries;

(d) All developed countries should grant such preferences to all developing countries;

(e) The form of the escape clause action, the objective criteria which should govern the application of escape clause action by developed countries and the procedures that should be followed in such cases must be agreed upon internationally. Such action must however be temporary in nature and be subject to international consultation, approval and review;

(f) The preferential system must be conceived in such a way as to make it possible for the least advanced among developing countries to share in its benefits. Accordingly any time limits of the system should be flexible so that countries at present in very incipient stages of development will also be able to reap its advantages. Escape clause actions limiting or excluding particular exports should not apply to the less competitive products from less advanced countries. Specific commitments should be taken for technical and financial assistance in the establishment of export oriented industries in least advanced countries, with a view to markets both in the developed world and in other developing countries;

(g) The new system of general preferences should ensure at least equivalent advantages to developing countries enjoying preferences in certain developed countries to enable them to suspend their existing preferences on manufactures and semi-manufactures. From the beginning, provisions should be incorporated in the system of general preferences, for the developed countries to redress any adverse situation which may arise for those developing countries as a consequence of the institution of the general system of preferences;
In order to achieve the objective of the general preferential system the arrangement should last long enough to enable all developing countries to benefit from it. Initially the arrangement should last for 20 years and should be reviewed towards the end of this initial period. In any event the preferential treatment should not thereafter be abruptly terminated;

In order that the general system of preferences makes adequate contribution to the balance of payments of the developing countries, the developed countries should not reduce their aid to them or nullify or impair the benefits of preferences through other measures.

Suitable machinery within UNCTAD should be established to supervise and ensure the effective implementation of a general system of preferences in accordance with the foregoing paragraphs.

2. Liberalization of trade in manufactures and semi-manufactures

(a) The developed countries should implement immediately, without phasing, in favour of all developing countries, concessions agreed on during the Kennedy Round of trade negotiations, on products of export interest to the latter countries;

(b) The developed countries should state at UNCTAD II that all concessions agreed on during the Kennedy Round of trade negotiations on products of export interest to developing countries would be extended at the time of implementation to all developing countries whether or not members of the GATT, without reciprocity;

(c) At UNCTAD II both developed and developing countries should on the basis of the evaluation of the Kennedy Round being prepared by the UNCTAD and GATT secretariats and those prepared by governments themselves identify all outstanding issues for further negotiations. The principles of the most-favoured-nation treatment and reciprocity should in no way be introduced in these negotiations. In these negotiations all developing countries should be allowed to participate if they so desire;

(d) The developed countries should implement the agreements reached at UNCTAD I on liberalization for manufactures and semi-manufactures of export interest to the developing countries, particularly as regards the principle of the standstill;

(e) The developed countries should establish at UNCTAD II a concrete programme for the removal of quantitative restrictions at an early date, particularly those which are applied by them inconsistently with their international obligations, and also give an undertaking not to renew existing restrictions or impose new quantitative restrictions, nor adopt any other measures having equivalent effects on products of export interest to developing countries.
(f) Developed countries should supply all relevant information to the UNCTAD secretariat in respect of non-tariff barriers other than quantitative restrictions applied in the markets of the developed countries for examination at UNCTAD II;

(g) Objective criteria should be established for the application of restrictions to trade in products from developing countries under escape clauses relating to "market disruption" and other "special circumstances" applied by developed countries, so that such situations may be defined, provisions may be laid down specifying what measures restrictive of trade can legitimately be applied when such a situation is found to exist, and compensation may be fixed which corresponds to the loss or damage suffered by the developing countries.

Multilateral consultative and supervisory machinery should be set up for that purpose. The developed countries should undertake measures for anticipatory structural readjustments and other measures for bringing about such changes in their production patterns as to eliminate the possibility of resorting to restrictive trade policies or escape clause actions on ground of market disruption in relation to products of export interest to developing countries in order to establish a new international division of labour that would be more equitable. The developed countries should not promote the development in their territories of industries of particular interest to the developing countries. In those cases where developed countries have invoked escape clauses on grounds of market disruption, they should make the appropriate domestic structural adjustments;

(h) The developed countries should take appropriate action to carry out re-adjustments in the tariff nomenclatures of their countries so as to facilitate the granting of duty-free entry on products exported by and large by developing countries;

(i) The machinery which would be established to supervise the effective implementation of a general system of preferences should also supervise the programme for the elimination of tariff and non-tariff barriers, and the application of escape clauses, in particular any such barriers which prejudice or nullify the scheme of general preferences.

3. **Trade with socialist countries**

The socialist countries should grant concessions to the developing countries whose advantages are at least equivalent to the effects of preferences which would be granted by the developed countries with market economies.

The socialist countries should:
(a) Adopt and implement measures designed to increase the rate of growth of the imports of manufactures and semi-manufactures from developing countries, and to diversify such imports in consonance with the latter's trade and development requirements;

(b) Undertake to contribute to the maintenance of remunerative and stable prices for the exports of developing countries by the inclusion of suitable provisions in their trade agreements with these countries;

(c) In drawing up their national and regional development plans take due account of the production and export potential in developing countries;

(d) Abolish customs duties and other trade restrictions on goods imported from and originating in developing countries;

(e) Eliminate the margin between the import price and the domestic selling price of the goods imported from developing countries;

(f) Refrain from re-exporting the goods purchased from developing countries, unless it is with the consent of the developing countries concerned;

(g) Encourage conclusion of industrial branch agreements for the supply of plant and equipment on credit to the developing countries, accepting repayment of such credits in particular with the goods manufactured by such plant in the developing countries concerned;

(h) Multilateralize, to the extent possible, among the socialist countries of Eastern Europe, payments arrangements with developing countries to facilitate increase of imports from the latter;

(i) Grant preferential access conditions for products originating from developing countries. These conditions should include the establishment, in their international purchasing policies, of margins of tolerance in favour of the developing countries with regard to prices and delivery terms;

(j) Within the framework of UNCTAD to set up permanent consultative machinery through which socialist countries and developing countries may promote mutual trade and economic co-operation, and solve the problems and obstacles which may arise.
4. **Trade promotion**

(a) Diversification of production of manufactures and semi-manufactures of developing countries should be carried out within the framework of a new and more equitable international division of labour between developing and developed countries;

(b) Developed countries should abstain from harming the interests of developing countries by fostering production of commodities produced principally by developing countries, and, in that regard, they should encourage the establishment in the developing countries of export industries processing primary commodities produced by the latter;

(c) Developed countries and international agencies should channel more, and more effective, technical and financial assistance in order to improve the productivity of the developing countries' industries and their competitiveness in international markets;

(d) International co-operation should also be secured with a view to the dissemination of trade information, particularly with regard to the opportunities offered by the developed countries' markets. To that end, the developing countries should support the establishment of the joint UNCTAD-GATT trade promotion centre and obtain the financial and technical support of the developed countries for its operation. Also a close and continuing co-operation between UNIDO and UNCTAD should be promoted, on the general understanding that, as stated in General Assembly resolution 2152 (XXI), "the former shall be competent to deal with the general and technical problems of industrialization, including the establishment and expansion of industries in developing countries, and the latter with the foreign trade aspects of industrialization, including the expansion and diversification of exports of manufactures and semi-manufactures by developing countries". Furthermore, developing countries should take into consideration the possibility of the establishment of a single export promotion centre within the United Nations family under the auspices of UNCTAD.
C. DEVELOPMENT FINANCING

1. Flow of international public and private capital
   (a) Each developed country should comply with the target of a minimum 1 per cent of its gross national product for net financial flows, in terms of actual disbursements, by the end of the Development Decade. A separate minimum target, within this goal, and progressively increasing, should be established for the official component of aid flows, net of amortization and interest payments;
   (b) Any gaps remaining in the 1 per cent transfer each year should be made good by additional government transfers;
   (c) Resources of the International Development Association (IDA) should be immediately replenished and augmented;
   (d) Developed countries and financial institutions should extend and intensify their support to regional development banks;
   (e) The International Bank for Reconstruction and Development (IBRD) should be made a Development Bank for developing countries exclusively. Total repayment of current loans by developed countries in advance of maturity should be secured. Such released funds should be used to augment resources of IBRD and IDA to finance development of developing countries;
   (f) There should be no discrimination by international lending institutions against the public sector, in particular in industry;
   (g) Special consideration should be given to developing countries which have not so far received adequate international aid;
   (h) Private investments should be of permanent benefit to the host developing country. Subject to nationally-defined priorities and within the framework of national development plans, private investments may be encouraged by incentives and guarantees;
   (i) No developed countries should decrease the existing level of their aid to developing countries, especially those forms of aid granted through negotiations.
2. Terms and conditions of development finance

(a) By 1968, the norms of lending laid down by General Assembly resolution 2170 (XXI) and the Development Assistance Committee of OECD should be reached;

(b) Beyond a date to be internationally agreed, all development lending should be on terms currently applied by IDA. In regard to earlier loans or loans on other than IDA terms, the interest should be subsidized by governments of developed countries;

(c) Pending the general adoption of IDA terms, there should be a considerable lowering of interest rates and a considerable increase in maturities and grace periods;

(d) A Multilateral Interest Equalization Fund should be created to cover the interest margin between loans obtained on international capital markets and concessional development loans;

(e) Development finance should be rapidly and progressively untied, with a view to reaching the goal of total untying by a specific date; excess costs incurred through tying should be subsidized by creditor countries; procurement in developing countries should be freely permissible, especially within the same region;

(f) External finance should be made available both for programmes and for projects and should include local costs where necessary;

(g) Development finance commitments should be on a continuing basis to cover plan programmes over a period of years;

(h) Appropriate steps should be taken to improve the administration of development finance;

(i) An intergovernmental group with equitable representation of developed and developing countries should be established to deal with all aspects of commercial credits, including suppliers' credits.
3. **Problems of external indebtedness**

Suitable measures should be adopted for alleviating the debt-servicing burdens of developing countries by consolidation of their external debts into long-term obligations on low rates of interest. In case of imminent difficulties, speedy arrangements should be made for refinancing and re-scheduling of loans on "soft" terms and conditions.

4. **Mobilization of financial resources**

Developing countries recognize that they should to the fullest extent possible consistent with smooth economic growth and social stability continue to mobilize their domestic resources for financing their development process. They recall, however, that the utilization of these resources cannot be fully effective without the necessary external assistance.

5. **Supplementary financing**

UNCTAD II should negotiate an agreement for early implementation of a scheme of supplementary financing on the basis of a consensus to be reached after considering the report of the Intergovernmental Group on Supplementary Financing on the World Bank study.

In no case should the scheme involve internal policy commitments which prejudice the sovereignty of any member country as defined by that country, the means for achieving this objective to be further discussed at the forthcoming meeting of the Inter-Governmental Group on Supplementary Financing and negotiated at UNCTAD II. These discussions and negotiations should take account, *inter alia*, of the positions expressed in the regional declarations of the developing countries.

6. **Compensatory Financing Facility**

The developing countries ask that:

(a) drawings on the International Monetary Fund under the Compensatory Financing Facility should be immediately available up to 50 per cent of the countries' quotas in the Fund, and that such drawings are not subject to any conditions;
(b) the formula for calculating shortfalls be modified, taking as the basis the exports of each of the countries concerned either during three normal years or more, preceding the payment of compensation;
(c) due consideration should be given to refinancing debts incurred by developing countries during periods of persistent shortfalls in their export earnings, including a revision of current repurchase time limits.

7. **International monetary issues**
(a) Developing countries should participate from the outset in all discussions on international monetary reform and in the operation of the new arrangements for Special Drawing Rights in the International Monetary Fund;
(b) A link between development finance and additional liquidity should be forged as urged by the developing countries;
(c) The developing countries are intimately concerned with the policies of international financial organizations relating to use of their resources, voting power and the improvement of machinery for balance of payments adjustments.
D. INVISIBLES, INCLUDING SHIPPING

Developing countries reaffirm the competence of UNCTAD in shipping matters.

1. International shipping legislation
   (a) Developing countries ask that UNCTAD II should include "international shipping legislation" in the work programme of the Committee on Shipping which should use such technical and export advice as may be necessary;
   (b) In accordance with the obligations undertaken by the international community, all developed countries should give full co-operation to the UNCTAD secretariat by providing complete information for studies being carried out by it in the field of shipping including freight rates, conference practices, adequacy of shipping services, etc;
   (c) Those studies should take into account the implications of technical advances in shipping in respect of the organization and structure of conferences, cost levels, rate structure and techniques of port organization and operations as well as the implications of technical advances for the expansion of merchant marines of developing countries.

2. Freight rates and conference practices
   (a) Immediate steps are needed at UNCTAD II to provide a basis for future action on freight rates which are not only continuing to rise but are still discriminatory and restrictive vis-a-vis the developing countries;
   (b) Developed countries should press freight conferences and shipowners to abolish the widespread practice of fixing special high freight rates for the transport of non-traditional products of the developing countries and to lower freight rates applied to traditional exports of the developing countries;
   (c) Developing countries ask UNCTAD II to adopt the following principles:
      (i) the right of developing countries to take part in any freight conference affecting their maritime traffic on an equal footing with shipowners of developed countries;
      (ii) freight conferences to have representation in developing countries;
      (iii) publication of information, including advance publication of any proposed changes on freight rates and other cargo arrangements by freight conferences affecting the foreign trade of developing countries.
(d) Developing countries should intensify their co-operation amongst themselves, inter alia on a regional basis, to secure maximum benefits and better bargaining positions in the field of shipping, in particular regarding freight rates.

3. Expansion of merchant marines
   (a) Developing countries affirm their unquestionable right to establish and to expand their merchant marines in the context of rising freight rates and the prospects of their foreign trade;
   (b) Developed countries and international agencies should extend financial and technical assistance to developing countries for the establishment and expansion of national and regional merchant marines and related facilities. Such assistance should include the training of personnel in the economic, managerial, technical and other aspects of shipping. Financing arrangements should be in favour of national enterprises;
   (c) All countries should recognize the right of developing countries to assist their merchant marines, including the right to reserve a fair share of the cargo transported to and from those countries;
   (d) The regulations enacted by developing countries with a view to achieving the objectives aforementioned should not be considered justification for the adoption of retaliatory or other measures by the developed countries and their shipping conferences which may have the effect of rendering ineffective the measures taken by the developing countries;
   (e) Developing countries should be enabled to make the maximum use of their shipbuilding industries and expand them.

4. Consultation machinery
   (a) Specific action should be taken by UNCTAD in collaboration with UNDP and the regional economic commissions to give effect to the resolution of the Committee on Shipping on the establishment of national and regional consultation machinery in various parts of the world in accordance with the provisions adopted;
   (b) Financial and technical assistance should be given to developing countries for the establishment of such machinery where necessary.

5. Port improvements
   (a) Practical measures should be devised at UNCTAD II for financing and giving technical assistance to developing countries for port development and allied works and
programmes relating to port operation, taking into account technical advances in shipping;
(b) Measures should be devised at UNCTAD II for ensuring that savings achieved by the improvement of port facilities in shipping operations are utilized to the advantage of developing countries through reduction of freight rates in respect of the port achieving such improvement.

6. **Insurance and re-insurance**

(a) Developed countries should reduce the cost of re-insurance to developing countries;
(b) A substantial part of the technical reserves of the insurance and re-insurance companies should be retained in the countries where premium incomes arise for re-investment in those countries;
(c) Developing countries should be technically and financially assisted in building up their own insurance and re-insurance facilities.

7. **Tourism**

(a) Developed countries and financing institutions should extend credits on easy terms to developing countries for promoting tourism;
(b) Developed countries and international credit institutions should make investments in infrastructure in tourism in developing countries;
(c) Passenger fares to developing countries should be concessional and attractive and other facilities should be provided in order to encourage tourist traffic.
E. GENERAL TRADE POLICY ISSUES

1. Principles governing international trade relations and trade policies conducive to development
   (a) UNCTAD II should review the implementation of the principles governing international trade relations and trade policies conducive to development;
   (b) In compliance with recommendations A.1.1 and A.1.3 of the Final Act of UNCTAD I which leave open the completion of these principles, UNCTAD II may elaborate new principles. However, principles already adopted would not be subject to re-examination.

2. Trade relations among countries having different economic and social systems
   (a) The expansion of trade between developed socialist countries of Eastern Europe and developed market economy countries should not unfavourably affect the trading possibilities of developing countries but on the contrary should lead to a rising trade between them and the latter. In pursuance of this objective the socialist countries should provide in their economic development plans and trade policies measures for accelerated increase of their imports of primary commodities and manufactures and semi-manufactures originating from developing countries;
   (b) Socialist countries should also reaffirm the assurances given by them in UNCTAD I that they will refrain from re-exporting the goods purchased from the developing countries unless it is with the consent of the developing countries concerned;
   (c) Socialist countries should adopt the necessary measures to reduce the gap between import and sales prices of products originating from developing countries in order to promote the consumption of these commodities; the establishment in the import policies and trade programmes of the socialist countries of margins of tolerance with regard to prices, delivery dates and other conditions relating to exports from developing countries would greatly contribute to the increase of trade between these countries and the socialist countries;
   (d) Credit extended by socialist countries for financing public and private projects in developing countries should be adapted to the particular conditions of the countries concerned; and where possible provisions should be made for repayment by the export of the products of those or other projects;
   (e) In case of contracts, concluded between the enterprises in the developing countries and the relevant agencies in the socialist countries, due attention should be given to the periods covered by those contracts in order to enable the enterprises to plan and execute with greater efficiency their investment, production and delivery programmes.
3. **Impact of regional economic groupings**

(a) Regional economic groupings of developed countries should avoid discriminating against the exports of developing countries of manufactures, semi-manufactures and of primary products, particularly temperate and tropical agricultural commodities;

(b) The expansion of these groupings should not increase the incidence of any discrimination;

(c) Regional economic groupings of developed countries should take measures with a view to ensuring freer access of the exports of developing countries.

4. **International division of labour**

A new and dynamic international division of labour should be applied whereby developed countries avoid taking protective measures affecting agricultural exports of developing countries in fields in which they are more efficient and duplicating investments already made or about to be made by developing countries in industry. Conditions should be created for industrialization in developing countries to make the fullest use of their available resources. The diversification of production of developing countries should also be carried out within a framework of a division of labour that would enable the greatest flow of trade on the one hand among developing countries and on the other hand between these countries and others.

5. **The world food problem**

It was agreed that, in the light of the fact that the item had only recently been introduced, consultations would be pursued within the Group of 77 with a view to adopting a common position on the world food problem for UNCTAD II.

6. **Special problems of the land-locked countries**

A group of experts should be established in order to carry out a comprehensive examination of the special problems involved in the promotion of trade and economic development of the land-locked developing countries, with special reference to the high costs involved in the execution of their development programmes and trade expansion programmes. In the light of this examination, adequate financial and technical assistance should be extended by international financial institutions to minimize the cost of the factors involved. The international financing agencies should also give priority to such technical and financial assistance programmes as the land-locked developing countries may propose in connexion with the special problems of their trade and development and, in particular, with the development and improvement of their transport infrastructure.

7. **Transfer of technology, including know-how and patents**

(a) The developed countries should encourage the transfer of knowledge and technology to developing countries by permitting the use of industrial patents on the best possible terms which will enable products manufactured in developing countries to compete effectively in world markets;
(b) They should also promote the elimination of restrictive practices, relating to market distribution and price-fixing, which are imposed by enterprises in developed countries in granting licences for the use of patents and trade-marks in developing countries;
(c) The developed countries should provide guidance to their industrial entrepreneurs regarding investment opportunities in the export industries of the developing countries and familiarize them with legal, political, economic and other relevant information on the situation in the developing countries.
F. TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES

(a) The developing countries reaffirm that trade expansion and economic co-operation among themselves is an important element of a global strategy for development, and they are therefore determined to make their own contribution toward the fulfilment of the objectives of UNCTAD II by stepping up their efforts in this respect. Such action can in no way be regarded as a substitute for larger and more remunerative exports to developed countries or for a greater contribution by the latter countries. However, trade expansion and economic integration among developing countries raises special problems and difficulties as compared with similar processes among developed countries. Action with regard to trade barriers will therefore not be enough, but must be combined with suitable measures in other fields in particular investment matters and payments. In this connexion, the availability of appropriate external financing and technical assistance would be an important contribution for enabling developing countries to achieve more rapid progress in trade expansion and integration efforts. This international support should however be granted in a manner that would fully respect the determination of developing countries to follow their own methods of approach when expanding trade and advancing towards integration among themselves;

(b) The developing countries will inform UNCTAD II of the efforts they are making or planning to make, in order to increase their trade and strengthen their economic co-operation, particularly in the field of inter-regional, regional and sub-regional co-operation.

(c) Since the joint efforts of the developing countries cannot be fully successful without financial and technical aid from the developed countries, the latter should at the same time make a formal declaration of support for the developing countries' efforts at co-operation and integration, specifying the nature and the volume of financial assistance they are prepared to render to these efforts.

(d) At UNCTAD II a special working group should be set up to study the practical problem related to:

(i) trade expansion, economic co-operation and integration among the developing countries, including consideration of the special problems of the least developed countries;

(ii) the establishment or improvement of multilateral payments systems between developing countries;
(iii) the practical measures for the implementation of an international policy which would support these joint efforts with particular reference to financial and technical assistance.

Regional or sub-regional groups of developing countries should be invited to participate in the working group.

(e) UNCTAD II should establish a permanent Committee whose task would be to study all questions relating to trade expansion and economic integration among developing countries, with particular reference to ways and means of enabling the developing countries participating in such groupings to derive equitable benefits therefrom.

This Committee should, in particular, undertake the following activities:

(i) The study, centralization and dissemination of information and data on the experience acquired by developing countries in dealing with specific problems of sub-regional, regional or inter-regional co-operation and integration, and the organization of symposia on such problems for national and regional officials;

(ii) Studies relating to the possibility of establishing export and import groupings by commodity, or by group of commodities, among developing countries;

(iii) Studies for the improvement of the infrastructure of transport and communications among developing countries;

(iv) Study the possibility of establishing national and regional information and trade promotion centres in developing countries;

(f) Consideration should be given to the establishment under the auspices of UNCTAD, and of other specialized agencies, of a special centre to train experts, particularly from developing countries, in the field of economic co-operation and integration among developing countries;

(g) The international information and trade promotion centre which is being established under the sponsorship of UNCTAD and GATT should give due importance to the question of promoting exports among developing countries.
G. SPECIAL MEASURES TO BE TAKEN IN FAVOUR OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

Owing to the varying stages of economic development existing among the developing countries and to the varying factors responsible for their development, the trade and financial policy measures required to accelerate the pace of economic development would differ from one developing country to another. It is therefore essential to devise a global strategy of convergent measures in order to enable the least developed among the developing countries to derive equitable benefits so that all the developing countries would gain comparable results from international economic co-operation of member countries of UNCTAD, particularly that with the developed countries.

The individual measures recommended by UNCTAD I and those that would be recommended by UNCTAD II should be viewed as components of an integrated policy of co-operation for achieving the over-all objectives of trade and expansion and accelerated development. All these measures are inter-related.

While the appropriate mix of the convergent measures required for the least developed countries cannot be determined at this stage, these measures may be devised from the spheres of:

(a) commodity policy, including measures of financial and technical assistance for diversification programmes;
(b) preferences in trade of manufactures and semi-manufactures;
(c) development finance;
(d) regional economic integration;
(e) invisibles;
(f) trade promotion.

With regard to commodity policy the following actions should be recommended to be taken by UNCTAD II:
Special consideration of the need of the least developed countries in relaxing tariff and non-tariff barriers affecting access to the markets both in tropical and temperate products.

Temporary refunds, at least in part, of revenue charges and duties on commodities of particular interest to least developed countries.

With reference to manufactures and semi-manufactures, the recommendation on the general scheme of preferences contained in this document under section B, (Expansion of exports of manufactures and semi-manufactures) should be taken into consideration and adopted. This should take place independently of the principle in virtue of which substantial advantages may be granted to the least developed among the developing countries under systems of regional or sub-regional integration; while the latter, where appropriate, attain perfection in the matter of customs duties.

For the purpose of designing special measures for the least developed countries it does not seem to be desirable or convenient to attempt an abstract general definition of such countries nor, at this stage, an a priori strict listing of such countries applicable to specific measures considered. Hence this could be better undertaken, in due course, in a form agreed upon by the developing countries.

In order to give effect to the provisions of section G, the Ministerial Meeting decides to establish a working group. The function of the working group shall be to make a special study of the arrangements to be made on the matters referred to in the third paragraph of this section.

Composition of the working group: it is agreed that each regional group shall be represented on this group by five members.

The working group shall meet at Geneva on or about 1 December 1967. It shall submit its report to the countries members of the Group of 77 not later than 15 January 1968.
Part Three

A. FUTURE ACTIVITIES OF THE GROUP OF 77

The representatives of developing countries of the Group of 77 are firmly decided to maintain and further strengthen the unity and solidarity of the group of developing countries. They agree to maintain continuous consultations and contacts in order to further that objective.

The Group of 77 should meet at the ministerial level as often as this may be deemed necessary, and in any case always prior to the convening of sessions of the United Nations Conference on Trade and Development, in order to harmonize the positions of developing countries and to formulate joint programmes of action in all matters related to trade and development. It can also meet at any other level, as required by the needs of developing countries.

In all matters relating to the preparation for Ministerial Meetings of developing countries, and, during the intervals between these Ministerial Meetings, and for the formulation of joint positions on issues within the purview of UNCTAD, the competent authority of the Group of 77 is the Group of 31 developing countries. This Group of 31 is composed of the developing countries, members of the Trade and Development Board, and should normally meet concurrently with the Trade and Development Board. For all matters related to their specific fields of activities the developing countries members of the Committee of the Board are fully competent.

The Co-ordinating Committee of the Group of 77 as established in Geneva in October 1966, should be continued until the New Delhi Conference with the following terms of reference;

(a) to assist in making appropriate arrangements for visits of Goodwill Missions;
(b) to transmit to Member Governments of the Group of 77 the reports of the Goodwill Missions received from the President of the Ministerial Meeting;
(c) to undertake any other work that may be entrusted to it by the Group of 77 in Geneva.

Informal co-ordinating groups of the 77 should be established in all headquarters of the various United Nations specialized agencies.
B. GOODWILL MISSIONS

The representatives of developing countries participating in the Ministerial Meeting of the Group of 77 have decided to send high-level Goodwill Missions to countries belonging to other groupings of member countries of UNCTAD. These missions, entrusted with the task of informing and persuading, shall acquaint the respective governments of the countries to be visited of the conclusions of the Meeting so as to contribute to the creation of the best possible conditions for negotiations on the programme of action at UNCTAD II.

There will be six high-level Goodwill Missions to visit capitals of developed and socialist countries, composed of at least one, and if possible, two special envoys accredited by Heads of States from each of the three regional groups within the Group of 77. Each mission will be headed by one of its members so as to ensure that each regional group provides two mission leaders.

Necessary steps will be taken immediately to contact the respective Governments to fix suitable dates for the visits of the missions in such a way as to ensure the completion of all visits before the end of November 1967.

Each mission will submit its report to the President of the Ministerial Meeting who, in his turn, in co-operation with the Co-ordinating Committee, will forward these reports to all the developing countries members of the Group of 77 as soon as possible.

The President of the Ministerial Meeting of the Group of 77 was requested to present the Charter of Algiers to the General Assembly of the United Nations and to the Secretary-General of the United Nations. The President, of the Ministerial Meeting in his turn, invited the Rapporteur General of the Ministerial Meeting and the Chairmen of the four main Committees of the Meeting to accompany him on this mission. He also invited the Vice-Presidents of the Ministerial Meeting to accompany him if their duties permit them to do so.
OFFICE MEMORANDUM

TO: Mr. Andrew M. Kamarck
FROM: George Kalmanoff
SUBJECT: Latin American Position on UNCTAD Issues

DATE: October 19, 1967

During the period September 25-30, 1967, the Latin American countries held a meeting in Bogota, Colombia, designated as being at the expert level, at which resolutions were adopted formulating the Latin American position on issues to come up at UNCTAD II. These recommendations in the first instance are to be passed on to the Algiers meeting of the 77 developing countries. I obtained a copy of the document embodying these resolutions while in Bogota in connection with my recent mission there for the World Coffee Study. The group that met is known as CECLA (the Comision Especial de Coordinacion Latino Americana), and the document issued by the meeting is known as the "Carta del Tequendama".

Attached herewith is a copy of the section of the Carta del Tequendama dealing with "Monetary and Financial Problems related to Economic Development". The conference also adopted resolutions on: Primary Products Problems and Policies; Exports of Processed Goods from Developing Countries; Shipping Problems of Developing Countries; Expansion of Trade and Economic Cooperation among Developing Countries; and Expansion of Trade with Countries having Centrally Planned Economies.

The highlights of the recommendations on financial problems are as follows:

The UNCTAD 1 percent of national income recommendation - The recommendation was once again endorsed, and it was stated in terms of 1 percent of "gross product". It was also recommended that the proportion of public funds comprising the 1 percent be increased substantially, and that the industrial countries be requested to indicate the factors which have influenced their compliance with the commitment.

IBRD/IDA - It was recommended that the IBRD charter be revised so that its loans would be limited exclusively to developing countries. Pending such revision, the IBRD was called upon to introduce appropriate changes in its lending policy to bring about the same result. Industrial countries with IBRD loans still outstanding should repay the loans in advance of the due dates so that the proceeds may be available for new IBRD loans to developing countries and for new resources for IDA and for other concessional credits.

IDA replenishment by industrial countries was recommended at "adequate" levels.
Supplementary Finance - It was recommended that the Intergovernmental Group on Supplementary Finance prepare a draft charter for the scheme at its next meeting, to be considered at UNCTAD II. It was recommended that the administering agency avoid "interfering" in the economic policy decisions of the developing countries. Accordingly, there should be no consultations between the agency and developing countries concerning whether economic policies projected at the beginning of any given period had in fact been carried out. The decision concerning the granting of aid should depend exclusively on an analysis of the causes of the fall in income and not on the manner in which economic policies had been carried out; it would be determined through consultation whether the fall in income is due to circumstances beyond the control of the interested country (the sections dealing with this matter, viz. Item 5 (b) (i) and (ii) of the attached are apparently contradictory, and the statement above attempts to reflect faithfully what the sections say).

Horowitz Proposal - The prompt creation of the multilateral interest equalization fund embodied in the Horowitz Proposal is recommended.

Suppliers' Credits - The establishment under UNCTAD is recommended of an intergovernmental group of creditor and debtor countries, with the purpose of eliminating abuses and restrictive practices in this field and giving an opportunity to developing countries to present their recommendations on the practices that should be followed in the future by suppliers and creditors. International financial agencies should be invited to cooperate in this group. The UNCTAD Secretariat is called upon to facilitate the work of this group.

cc: Messrs. Friedman, Demuth, Alter, Schmidt, Stevenson, de Vries, Hulley (with enclosure)
III.- PROBLEMAS MONETARIOS Y FINANCIEROS RELACIONADOS CON EL DESARROLLO ECONÓMICO.

El Grupo de Trabajo sugiere que la CECLA, habiendo considerado diversos aspectos del financiamiento para el desarrollo, reitere su preocupación frente a los graves problemas de la insuficiencia de los recursos financieros externos disponibles para el desarrollo, de las condiciones insatisfactorias de la ayuda y del creciente endeudamiento externo de los países en desarrollo, en su conjunto y especialmente los de América Latina. Al respecto confía en que se le preste atención especial a la Declaración Acordada tanto por los países desarrollados como por los países en desarrollo durante el segundo período de sesiones de la Comisión del Comercio Invisible y de la Financiación de la UNCTAD, en que se incluye un diagnóstico de los principales problemas del financiamiento del desarrollo. (TD/B/119).

Asimismo, en relación con los problemas del servicio de la deuda externa, señala la urgencia de que los países exportadores de capital, en cooperación con los países en desarrollo y los organismos internacionales especializados, estudien la aplicación de métodos adecuados para la consolidación, a largo plazo, de la deuda externa que los países en desarrollo tienen a plazos corto y medio.

A efectos de la Reunión de Argel y de la II UNCTAD, la CECLA presenta las siguientes recomendaciones:

1.- El aumento de las corrientes de ayuda:

a) Se recomienda que el "Grupo de los 77" insista ante la II UNCTAD en la gran urgencia de dar cumplimiento a lo dispuesto en la Recomendación de la I UNCTAD que figura en el anexo A, IV.2 del Acta Final de la misma, en cuanto a proporcionar recursos financieros a los países en desarrollo en una cantidad mínima que se apropíe lo más pr_
sible al 1% de su producto bruto, así como en la necesidad de que, dentro de esa meta, se aumente substancialmente la proporción de fondos públicos. A estos efectos se solicita a la Secretaría de la UNCTAD que cuantifique las corrientes financieras internacionales, de acuerdo con lo definido en el citado Anexo.

b) Se recomienda pedir a la Secretaría General de la UNCTAD que solicite a los países desarrollados informaciones sobre las causas que han influido para el cumplimiento del compromiso contraído a este respecto en la I UNCTAD.

c) Se recomienda la revisión de los estatutos del Banco Internacional de Reconstrucción y Fomento con el objeto de transformar este organismo en un banco mundial de desarrollo que limite sus créditos exclusivamente a los países en desarrollo. Se reconoce, sin embargo, que el cumplimiento de todas las formalidades que exige dicha revisión puede demorar, por lo cual se hace imprescindible que, mientras dure este período de transición, se introduzcan los cambios apropiados en la política de créditos del BIRF para permitir, a la brevedad posible, que sus recursos sean utilizados exclusivamente en la concesión de ayuda a los países en desarrollo.

d) Se recomienda a los países desarrollados que recibieron créditos del BIRF y que a la fecha tienen saldos pendientes de pago, que cancelen anticipadamente dichos saldos de modo que el producto de estos reembolsos quede disponible para la concesión de nuevos créditos a los países en desarrollo, nuevos recursos para la AIF y otras operaciones financieras en términos concesionales.

2. Los llamados créditos "concesionales"

Se recomienda a los países desarrollados miembros del BIRF, que provean con urgencia de nuevos y adecuados recursos a la Asociación Internacional de Fomento (AIF).
3.- **Fondo de nivelación de intereses**

Se recomienda apoyar la pronta creación del fondo multilateral de nivelación de intereses, a que se refiere la recomendación A.IV.11 del Acta Final de la I UNCTAD que permita movilizar recursos en los mercados internacionales de capital a las tasas de interés vigentes y utilizar estos fondos en la concesión de créditos a bajo interés y a plazos más largos que los convencionales, a los países en desarrollo. La diferencia entre el costo de los recursos y las tasas de interés sería cubierta con recursos de dicho fondo.

4.- **Créditos de proveedores**

Se recomienda establecer dentro del marco de la UNCTAD un grupo intergubernamental con participación equitativa de los países donde se originan los créditos de proveedores y de los países prestatarios, con el fin de eliminar abusos y prácticas restrictivas en este campo y dar oportunidad a los países en desarrollo de plantear a nivel multilateral sus iniciativas sobre las prácticas que deben seguir en el futuro proveedores y cobradores. Los organismos financieros internacionales serán invitados a cooperar en la labor de este grupo intergubernamental. Dicho grupo tomará en consideración la información que hayan preparado al respecto las organizaciones internacionales y la Secretaría de la UNCTAD. Se insta a la Secretaría de la UNCTAD a que siga estudiando todos los aspectos de los créditos de proveedores y otros créditos comerciales, con el fin de ayudar al funcionamiento eficiente del grupo propuesto, el que utilizará a estos efectos los diferentes estudios disponibles.

5.- **Plan de financiamiento complementario**

a) Se recomienda a los países latinoamericanos miembros del Grupo Intergubernamental sobre Financiamiento Complementario, que apoyen, durante su tercer período de sesiones, la preparación de un anteproyecto de estatutos de una agencia administradora del financiamiento complementario, para su consideración en la II UNCTAD.
b) Se recomienda que, con el objeto de evitar las ingre-
rencias de dicha agencia en las decisiones de la políti-
ca económica de los países en desarrollo, las condiciones para
la participación de dichos países en el Plan de Financiamiento
Complementario deberán limitarse a las siguientes:

i) A la elaboración conjunta por el país en desarrollo y por
la Agencia, de proyecciones de exportación para un período
determinado, que se acordará previamente, y a la indicación,
por el país interesado, de las líneas básicas de la políti-
ca económica que proyecte seguir durante dicho período; den-
tro de éste no se harán consultas para verificar la ejecu-
ción de la política general indicada.

ii) La decisión sobre la concesión de la ayuda dependerá úni-
mente del análisis de las causas de la caída de los ingre-
sos y no de la manera como hubieran sido ejecutadas las po-
líticas económicas indicadas, para lo cual mediante consul-
ta, se verificará si dicha caída de ingresos se debe a cir-
cunstancias fuera del control del país interesado.

6.- El plan de financiamiento compensatorio

Se recomienda:

a) Insistir en la necesidad de que los giros dentro del
plan de financiamiento compensatorio del Fondo Mone-
tario Internacional sean automáticos también entre el 25 y el
50%, en relación con las cuotas de los países en dicho organi-
smo.

b) Establecer la incondicionalidad de los mismos giros.

c) Modificar la fórmula de los cálculos de los montos -
compensables, tomándose como base las exportaciones
de los tres años inmediatamente anteriores al de la compen-
ción.

7.- La reforma del sistema monetario internacional

Teniendo en cuenta que este asunto está siendo conside
rado en la Junta Anual de Gobernadores del FMI en Río de Janeiro, se estima que por el momento no resulta oportuno formular recomendaciones de carácter técnico sobre esta materia. Los países latinoamericanos tendrán oportunidad, en la Reunión de Argel y en la II UNCTAD, así como en otros foros internacionales, de plantear los puntos de vista que consideren adecuados a sus intereses, tanto en lo relativo a los ajustes al sistema monetario internacional como a los aspectos vinculados con ellos, principalmente en materia de comercio, de financiación para el desarrollo y de integración financiera regional. Al respecto, las delegaciones latinoamericanas se proponen actuar coordinadamente entre sí y con las delegaciones de los restantes países en desarrollo, en los foros internacionales en que se consideren estos asuntos.

8.- Acción coordinada ante los organismos financieros internacionales.

Se recomienda que los países latinoamericanos orienten su acción en la Reunión de Argel y en la II UNCTAD de modo de unificar criterios con los demás países en desarrollo acerca de las políticas que siguen los organismos financieros internacionales, en aspectos como su facilidad de acceso a los recursos de tales organismos, su fuerza de votación y el mejoramiento del proceso de ajuste de la balanza de pagos. A estos fines, los países latinoamericanos se ajustarán, en lo pertinente, a la posición adoptada en las Asambleas Anuales del FMI y del BIRF.
October 12, 1967

Mr. Irving S. Friedman  
Economic Adviser to the President  
International Bank for Reconstruction and Development  
Washington, D.C.

Dear Mr. Friedman:

While in Rio for the last Annual Meetings, the Governors of the countries of the Group I represent i.e. Afghanistan, Algeria, Ghana, Indonesia, Laos, Libya, Malaysia, Morocco and Tunisia, held a series of meetings and adopted a Resolution expressing their common concern with regards to the problems confronting international financial aid.

Before distributing the Resolution to the delegations present in Rio, said Governors thought it would be useful to discuss it with Mr. Woods and exchange views with him on the recommendations listed in the text.

Unfortunately, the meeting could not be organized in time, and the Governors of the Group considered therefore advisable to communicate said Resolution to Mr. Woods by mail before distributing it to the representatives of the other countries.

Accordingly, on behalf of my Governors, I have distributed said Resolution to my colleagues of the Board and felt it would be useful to transmit to you a copy of it, for your information.

Sincerely yours,

Abderrahman Tazi

Enclosure
The Governors representing AFGHANISTAN, ALGERIA, GHANA, INDONESIA, LAOS, LIBYA, MALAYSIA, MOROCCO and TUNISIA, assembled on the occasion of the Twenty Second Annual Meeting of the World Bank

-- CONSIDERING that the financing of economic development is encountering more and more obstacles and poses a number of increasingly serious and urgent problems;

-- NOTING also that, on the one hand, the present volume of international aid is far from meeting the needs of the developing countries and that, on the other, the conditions under which this aid is granted are becoming less and less favorable, creating the risk of seriously compromising the efforts of growing economies;

-- EMPHASIZING further that the burden of their foreign debt aggravated by the uncertainty of their export earnings, reduces considerably their power to borrow and thus limits the flow of the foreign capital necessary for the carrying on of their development programs;

-- ALLUDING likewise to the different recommendations made by the international organizations and in particular by UNCTAD concerning the need for accelerating the development process by means of an increased transfer of resources to the developing countries under favorable conditions;

-- TAKING into account all these factors and expressing a deep concern regarding the aggravation of the present conditions, which would have the effect of reducing even further the effectiveness of this already insufficient foreign aid;

In order to meet this situation, recommend the adoption of two measures which appear to them both essential and urgent. These concern on the one hand the immediate problem of the conditions of World Bank loans and on the other hand the general need to explore further more efficient ways and means to expand financial aid to development.
CONSEQUENTLY, they recommend:

1. To reach a decision that the principles to govern the conditions for the granting of World Bank loans be adapted to the needs of the developing countries, and to relax, as much as possible, the systematic maintenance of a rigid relationship between the interest rate of its loans and the cost of money in the capital markets, taking into account the considerable reserves accumulated by our institution.

2. To envisage the creation within the framework of the World Bank of a permanent working party composed of representatives of both Part I and Part II countries to undertake a comprehensive study and a creative effort leading to a plan for the reform of the mechanism of financial aid to development.
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

DATE: October 12, 1967

FROM: Bimal Jalan

SUBJECT: Recent Statements on the Scheme for Supplementary Financial Measures

The following brings together some recent statements that have been made on the Scheme for supplementary finance:

(i) At the Second Session of the Committee on Invisibles of UNCTAD in April 1967, Argentina, Brazil, Ceylon, Chile, Congo, Ecuador, Ghana, India, Kuwait, Lebanon, Mexico, Sudan and Yugoslavia submitted a statement which re-affirmed the interest of the developing countries "in the early implementation of a scheme on Supplementary Financial Measures, based on the proposal of IBRD staff study..." (the full text of this statement is enclosed).

(ii) At the 1967 Annual Meeting of the Fund and the Bank, the African Governors in their memorandum to the President of the Bank and the Managing Director of the Fund gave their support, in principle to the idea contained in Bank staff study and urged the President "to seek, through his good offices, broad international support for the recommendations contained therein." Extracts from other statements by Governors which contained references to the Scheme are enclosed.

(iii) The 5th Annual Meeting of the Inter-American Economic and Social Council (held in June 1967) which approved the so-called "Action Plan of Viña Del Mar" (a plan for the Alliance for Progress for the Year 1967-68) requested the CIAP "to examine the present status of the study on supplementary financing prepared by the International Bank for Reconstruction and Development, and to report to the governments on the matter." (Document No. CIES/1306, English).

(iv) The Twelfth Session of the Economic Commission for Latin America held in May 1967 adopted a Resolution entitled "Financing" dealing with some aspects of development finance. Point 3 of this Resolution says that if supplementary financial measures are to be adopted, the resources used for that purpose should represent an effective addition to aid for development financing. Preamble to the Resolution gives the reason for this decision, "while the situation of a progressive deterioration in the terms and conditions of the international aid persists, the schemes that would compensate for the more or less persistent declines of the LDCs export income, will lead to a dispersion of resources without effective benefit for the countries of the region." (Document No. E/CN.12/78a, Spanish, p. 136-137)

(v) The Committee for Economic Development (which is composed of 200 leading businessmen and educators in the U.S.) in its statement on "Trade Policy toward low-income countries" (June, 1967) recommended that "the high-income countries should support a project such as that proposed by the World Bank for supplementary finance to prevent sound
plans for long-term development of low-income countries from being disrupted by unexpected export shortfalls beyond the control of the countries concerned."

(vi) Professor Mikesell in his study on "Inflation in Latin America" (September, 1967) prepared at the request of the Sub-committee on American Republic Affairs of the Committee on Foreign Relations of the U.S. Senate, has come out strongly in favor of the Bank scheme. In Professor Mikesell's view, inflation in the LDC's frequently originates with a sharp decline in export earnings or with some other type of balance of payments disequilibrium which is not always the result of policies followed by the country. In this context, he feels that the Bank proposal for supplementary finance would make a significant contribution by guaranteeing against unexpected export shortfalls, and recommends that the U.S. give it favorable consideration.

(vii) Mr. Anthony M. Solomon, Assistant Secretary of State for Economic Affairs in his statement on "United States foreign trade policy and the developing countries" (before the Sub-committee on Foreign Economic Policy of the Joint Economic Committee of the U.S. Congress) said, "we are also considering the feasibility of supplementing that facility (the IMF compensatory financing facility) . . . . The World Bank has developed a proposal for such a supplementary facility. The specifics of the Bank scheme raise a number of serious questions and we are not prepared to endorse it as formulated, but we are studying variants of the proposal that we may be able to support."

Enclosure

cc. Mr. Kamarck
Mr. Sarma

Bt/1cm
References to Supplementary Financing Scheme in Governors Speeches at the 1967 Annual Meeting of the Bank

1. Norway (Chairman of the Bank's Board of Governors) - "One important contribution the Bank has made in recent years has been through its studies of problems that are crucial to the growth of developing countries. Those concerning suppliers' credits and shortfalls in export earnings are of particular interest."

2. Yugoslavia - "The active participation of the Bank in preparing the scheme for supplementary financing contributed greatly to the clarification of the complex problems in this field and I hope that the support of the Bank will continue until practical measures are introduced. Here also, the full co-operation of the Fund would be desirable in seeking practical solutions."

3. Japan - "The proposal for a scheme of supplementary financing, which is expected to be on the agenda of the Conference, will, I think, require very careful study from all angles since it involves many problems, including its relationship to the Fund scheme for compensatory financing."

4. U.A.R. - "The amendments introduced to the procedure of compensatory financing constitute a step forward in the right direction. A complementary step which is necessary in order to strengthen the basic policy of compensatory financing is the concretization of the proposals concerning supplementary financing. It is hoped that the studies relating to this subject will bear fruit in the near future."

Reportedly the Governor for Pakistan also gave his support to supplementary finance, but unfortunately we do not yet have a copy of his speech in the Bank."
ANNEX IV (To Report of Committee on Invisibles II Session April 1967)

Statement on Supplementary Financial Measures

Submitted by the delegations of Argentina, Brazil, Ceylon, Chile, Congo (Democratic Republic of), Ecuador, Ghana, India, Kuwait, Lebanon, Mexico, Sudan, Tunisia and Yugoslavia

1. The second session of the Committee on Invisibles and Financing related to Trade has provided the opportunity for a review of the work done so far by the Intergovernmental Group on Supplementary Financing.

2. The developing countries take note with appreciation of the reports of the first and second sessions of the Intergovernmental Group and recognize the value of the efforts of the Group at clarification of the main features of the Scheme on Supplementary Financial Measures proposed by the IBRD Staff.

3. The developing countries reaffirm their interest in the early implementation of a Scheme on Supplementary Financial Measures, based on the proposal of the IBRD staff study, which will contribute effectively to protecting the development plans of developing countries from disruption due to unforeseen export shortfalls, in the light of the principles stated in Part A of recommendation A.IV.18 of the first Conference.

4. The developing countries express their conviction however that the effectiveness of the Scheme on Supplementary Financial Measures in whatever form it may ultimately be adopted will be enhanced by simultaneous action in the field of international trade and the provision of basic development financing which are necessary for the expansion and diversification of the external trade of developing countries and for the acceleration of their rates of economic growth.

5. It is the conviction of the developing countries that the scheme of supplementary financing should be based on the following main conditions:

   (a) Adequate resources should be provided to ensure the attainment of the objectives of the scheme, i.e. to
prevent disruption of the development programmes of the participating countries;

(b) Certainty and timeliness of the assistance which should be on terms and conditions not less favorable than the terms and conditions of assistance under the International Development Association (IDA).

6. The developing countries hope that the Secretary-General of UNCRAD convene the Intergovernmental Group as appropriate to ensure that its work could be completed in time for the second Conference.
Mr. Emmett J. Rice

Irving S. Friedman

Supplementary Finance

This is the material which I promised you some time ago on

Supplementary Finance.

Attachments:

Supplementary Financial Measures - A Study Requested by
The United Nations Conference on Trade and Development - 1964

Reprint from "The World Today" - In Defence of Development -
April 1966

SecM66-148 UNCTAD Meeting on Supplementary Financial Measures -
May 9, 1966

for Compensatory Finance and IBRD Proposals on Supplementary
Financial Measures - October 11, 1966

Draft of memo Jalan to Files - Lunch with Mr. Southard, et.al. -
November 15, 1966

TD/B/C.3/44 - TD/B/C.3/AC.3/17 - Trade & Development Board -
Second session Report - Intergovernmental Group on
Supplementary Finance - April 4, 1967

Memorandum from Sarma to Friedman - UNCTAD Committee on
Invisibles and Financing related to Trade: April 1967:
New York - April 20, 1967

EC/0/67 - 18 - Supplementary Financial Measures: Additional
Papers - January 31, 1967

International Problems of Economic Development - Address by
Irving S. Friedman to The Canadian Political Science
Association, Ottawa - June 7, 1967
OFFICE MEMORANDUM

TO: Miss Daphne McGregor
FROM: Bimal Jalan

DATE: September 13, 1967

SUBJECT: List of Documents

Here is a list of documents which may be sent to Mr. Merchant and Mr. Rice on Supplementary Finance:

A. Studies that the Bank has submitted to UNCTAD:
   1. The Study on SFM, November 1965
   2. Additional Papers on SFM, February 1967

B. Discussions at the UNCTAD:
   2. Report prepared by the Bank representatives on the first session of the Inter-governmental Group - Sec. M66-364
   4. Mr. Sarma's Report to Mr. Friedman on discussions at UNCTAD Committee on Invisibles and Financing related to Trade, April 20, 1967*

C. Relation between SFM and IMF facility
   1. A comparison - prepared by UNCTAD Secretariat; TD/B/C3/AC3/Paper 1*
   2. Minutes of lunch with Mr. Southard - November 15, 1966*

I am having copies made of documents marked *. I shall send two copies to you as soon as I have them.

Would you also want to send copies of Mr. Friedman's articles and speeches on supplementary finance? If so, I would suggest Chatham House article and the Canadian speech.
September 28, 1967

Dear Mike:


I now enclose Puttemans' report to files on this matter and if you need any further information, please let us know.

With best regards,

Sincerely yours,

Arthur Karasz
Deputy Special Representative in Europe

Mr. Michael L. Hoffman
Associate Director
Development Services Department
International Bank for Reconstruction and Development
Washington, D.C.
Supplementary financing

In his oral statement, at the opening of the fifth session of the Trade and Development Board, Dr. Prebisch, referring to supplementary financing, said that "the greatest difficulty lay perhaps not so much in differences between industrialized and developing countries as in differences between the Bank and the Fund, which held two distinct views on development policy and international cooperation" (cfr. attached excerpt of summary record). This surprising statement was attenuated in the written version of Dr. Prebisch's speech, which was distributed subsequently (cfr. attachment) and which omitted any hint of basic agreement between developed and developing countries but merely said that "ideas have been sharpened and a clear understanding has been reached as to the best modus operandi."

A large number of developing countries (Ceylon, Philippines, Indonesia, Pakistan, Mexico, Brazil, Chile, Argentina, Uruguay, Yugoslavia, Spain) and some developed countries (Sweden, Denmark, Austria, as well as commodity producers such as Australia and New Zealand), hoped that the work of the Intergovernmental Group on supplementary financing would mature to the point at which a definite decision on a scheme could be adopted by the Conference. Several developing countries referred to the "statement on supplementary financial measures" (Annex IV of the Report of the Committee on Invisibles and Financing related to Trade IDB 118 - attached). Some developing countries insisted on the primacy of basic finance (Brazil, Philippines). Chile underlined the importance of an international fund for diversification. Brazil said that if a satisfactory solution was reached in supplementary financing (supplementary financing and compensatory financing) but no improvement was achieved in basic financing, no real progress would have been made. It considered supplementary financing as a useful device for helping developing countries through, and particularly the least developed countries, but it does not go at the root of the problem.

Several developing countries (Brazil, Uruguay, Pakistan, Iran) emphasized that three important conditions would have to be taken into account; (i) adequate resources should be provided; (ii) these resources should be additional to other commitments, and not merely involve a reallocation of assistance; (iii) terms should be more favourable than for current assistance.
Some countries (Germany, Austria, Brazil) stressed the connection between supplementary financing and IDA replenishment. Germany expressed hope that the Intergovernmental Group would be able to bring about a "rapprochement" of the views on the shaping of the system for supplementary financing. Austria felt that the scheme should be carried out through the Bretton Woods institutions, for reasons of administrative economy and because of their great experience in such matters. Switzerland thought that the Bank's proposals raised a fundamental question: the need for coordination among international financial organizations regarding decisions concerning development plans and economic policies.

Turkey felt that, after general principles had been defined at the Conference, formal negotiations could be organized, under UNCTAD auspices, jointly with such organizations as the World Bank, in application of paragraph 3 (a) of General Assembly Resolution 1995 (XIX) which empowered UNCTAD "to initiate action, where appropriate, in cooperation with the competent organs of the United Nations for the negotiation and adoption of multilateral legal instruments in the field of trade".

The Board approved the program of work of the Intergovernmental Group on Supplementary Financing as reflected in chapter VII of the report of the Committee on Invisibles and Financing related to Trade, including paragraph 131 (providing for a third meeting of the Group in the second half of October and, if necessary, for a fourth meeting perhaps early December), and authorized the Group to report directly to the Conference.
Turning to the question of supplementary financing, he praised the constructive contribution made by the International Bank for Reconstruction and Development (IBRD) to the discussion of that subject. The greatest difficulty lay perhaps not so much in differences between industrialized and developing countries as in differences between the Bank and the International Monetary Fund (IMF), which held two distinct views on development policy and international co-operation. On the one hand there was the concept that to enable a country to implement its economic development effectively, its plan for investment and mobilization of domestic resources must not be subject to disturbing external influences. On the other hand there was the concept that in such situations the country must adjust its economy and investment plans with a consequent decrease in its development rate. Whether with or without supplementary financing, that basic conflict of views must be resolved since it was fundamental to the orientation of a policy of international co-operation and the latter's relationship to domestic development policies.
I shall now refer briefly to supplementary financing. The World Bank, through its report on this subject, has made a major contribution, and the discussion which has been going on has been most constructive. Ideas have been sharpened and a clear understanding has been reached as to the best modus operandi; but an effort must still be made to reconcile the policy of the World Bank with that of the International Monetary Fund. Their respective positions on this point are not concerned only with supplementary financing but reflect different points of view on economic development policy and international co-operation. On the one hand the view is taken that if a country is to apply an economic development plan with some measure of efficiency, it is vital that its plan of investment and mobilization of internal resources should not be at the mercy of unforeseen external contingencies which have the effect of reducing its resources. All those of us who have had any experience in the matter know how disruptive this can be. On the other hand the view is taken that, when a situation of this sort arises, the country affected must make certain readjustments in its economy, some of which may lead to a contraction of its investment plan, to the detriment of the rate of development and the country's ability to generate its own resources. Fortunately the very requirements of the policy of international co-operation have in practice narrowed the gap between these different positions and I hope that, in the process, the two agencies will arrive at a common view of the development problem.
Annex IV

STATEMENT ON SUPPLEMENTARY FINANCIAL MEASURES

Submitted by the delegations of Argentina, Brazil, Ceylon, Chile, Congo (Democratic Republic of), Ecuador, Ghana, India, Kuwait, Lebanon, Mexico, Sudan, Tunisia and Yugoslavia

1. The second session of the Committee on Invisibles and Financing related to Trade has provided the opportunity for a review of the work done so far by the Intergovernmental Group on Supplementary Financing.

2. The developing countries take note with appreciation of the reports of the first and second sessions of the Intergovernmental Group and recognize the value of the efforts of the Group at clarification of the main features of the Scheme on Supplementary Financial Measures proposed by the IBRD staff.

3. The developing countries reaffirm their interest in the early implementation of a Scheme on Supplementary Financial Measures, based on the proposal of the IBRD staff study, which will contribute effectively to protecting the development plans of developing countries from disruption due to unforeseen export shortfalls, in the light of the principles stated in Part A of recommendation A.IV.18 of the first Conference.

4. The developing countries express their conviction however that the effectiveness of the Scheme on Supplementary Financial Measures in whatever form it may ultimately be adopted will be enhanced by simultaneous action in the field of international trade and the provision of basic development financing which are

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1/ Member of the Conference, not a member of the Committee, included in the list of signatories with the Committee's consent under rule 75 of the Committee's rules of procedure.
necessary for the expansion and diversification of the external trade of developing countries and for the acceleration of their rates of economic growth.

5. It is the conviction of the developing countries that the scheme of supplementary financing should be based on the following main conditions:

(a) adequate resources should be provided to ensure the attainment of the objectives of the scheme, i.e. to prevent disruption of the development programmes of the participating countries;

(b) certainty and timeliness of the assistance which should be on terms and conditions not less favourable than the terms and conditions of assistance under the International Development Association (IDA).

6. The developing countries hope that the Secretary-General of UNCTAD convene the Intergovernmental Group as appropriate to ensure that its work could be completed in time for the second Conference.
Mr. Kamarock

Michael L. Hoffman

Trade and Development Board - Your Memorandum of Today

If the text you quote is all that Prebisch said on the subject, I think it is even more misleading as a status report than Mr. Putteman's interpretation. The statement does not even mention that governments disagree on the desirability of supplementary finance. It almost implies that they do not. And the "but" clearly implies that what follows it describes the main obstacle. I am not sure Putteman's was so far off, but I am informing Arthur of your reading of the text.
I have just looked at the text of Dr. Prebisch's statement at the Trade and Development Board. It is as follows:

"I shall now refer briefly to supplementary financing. The World Bank, through its report on this subject, has made a major contribution, and the discussion which has been going on has been most constructive. Ideas have been sharpened and a clearer understanding has been reached as to the best **modus operandi**; but an effort must still be made to reconcile the policy of the World Bank with that of the International Monetary Fund. Their respective positions on this point are not concerned only with supplementary financing but reflect different points of view on economic development policy and international cooperation. On the one hand the view is taken that if a country is to apply an economic development plan with some measure of efficiency, it is vital that its plan of investment and mobilization of internal resources should not be at the mercy of unforeseen external contingencies which have the effect of reducing its resources. All those of us who have had any experience in the matter know how disruptive this can be. On the other hand the view is taken that, when a situation of this sort arises, the country affected must make certain readjustments in its economy, some of which may lead to a contraction of its investment plan, to the detriment of the rate of development and the country's ability to generate its own resources. Fortunately, the very requirements of the policy of international cooperation have in practice narrowed the gap between these different positions and I hope that, in the process, the two agencies will arrive at a common view of the development problem."

In this respect I think that the summary prepared by Mr. Puttemans on this subject goes beyond what Mr. Prebisch said. Mr. Puttemans' paragraph on this was as follows:

"Regarding supplementary finance, he pointed out that the remaining differences were between the IMF and the IBRD rather than between developed and developing countries. He added that it is essential for successful planning that the effects of outside fluctuations should be mitigated."

It seems to me that Mr. Puttemans, and Mr. Karasz who based himself on him, read quite a bit more into Mr. Prebisch's statement than Prebisch probably intended to say.

cc: Mr. Friedman
    Mr. Hoffman
Dear Mr. Friedman,

I am most grateful for your letter of 21 August, in which you confirm that the Bank will actively participate in the meeting of the Expert Group which I shall be appointing to discuss questions of planning the development of the tourist sector in developing countries, and for your agreement that relevant reports of Bank missions may be submitted as documentation for the meeting.

I appreciate that Bank studies in this field normally must be carried out in connexion with its general economic appraisal work and note that at the moment only Ceylon is likely to be covered in this way in the near future. Mr. Davis's contemplated study of Ceylon would, I am sure, constitute a useful addition to the documentation for the meeting, in an area we have not yet covered ourselves. I am grateful, too, for your intention to keep our interests in mind when deciding on further investigations in tourism and should like to express again my satisfaction with the excellent relations which have been established between my Division for Invisibles and Bank staff interested directly or indirectly in tourism.

Yours sincerely,

Raul Prebisch

Mr. Irving S. Friedman
The Economic Adviser to the President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

DATE RECEIVED.
SEP 7 1967
Dear Mr. President,

I am writing to inform you of an urgent matter that requires your immediate attention. The rapid increase in the number of reports of financial crises in developing countries, particularly in Africa, has alarmed me. It is critical that we take action to mitigate the impact of these crises on the global economy.

I have attached a detailed report outlining the current situation and the potential consequences. It is imperative that we work together to address this issue and prevent further exacerbation.

Please let me know if you require any additional information or if there are specific actions you wish to take.

Yours sincerely,

[Your Name]
August 21, 1967

Dear Mr. Prebisch,

I refer you to your letter to Mr. Woods of June 9, and his reply of June 23, concerning cooperation between UNCTAD and the Bank on questions relating to tourism and, in particular, the meeting of experts UNCTAD plans to convene in late 1968. I am glad to let you know that we are looking forward to an active participation in that meeting and that we hope that in the intervening period it will be possible for us to produce some of the related material to which you refer.

I am sure you will keep us informed as plans for the meeting itself progress.

So far as the series of studies of individual countries’ tourism sectors are concerned, we agree with you that Mr. Sydney Fairen’s report on Spain could constitute one and that Mr. R. David Davis' four tourism annexes to the Bank’s report on East Africa could constitute another. I understand Mr. Davis would want to collate the latter into a single document for this purpose and that this would entail minor editorial adjustments.

With respect to future country studies in this field, we are pleased to learn that UNCTAD is engaged in such work in the Mediterranean area. We have been considering your suggestion that the Bank carry out similar studies in appropriate countries in Latin America, the Caribbean and Asia.

To date, our studies of tourism sectors have been carried out in connection with the general economic appraisal work, which is a continuing Bank responsibility, in those instances where there has been a prima facie

Mr. Raúl Prebisch
Secretary General
United Nations Conference on Trade and Development
Palais des Nations
Geneva, Switzerland
case for including a special look at tourism. The Spain and East Africa missions, referred to above, are examples. While it is difficult to foresee all the need for investigating tourism sectors in future general economic appraisal missions, the presumption is that such a need is likely to arise in a few instances. In fact, Mr. Davis may shortly be visiting Ceylon to appraise its tourism sector in connection with the Bank's economic work. His report would be available early in 1965 and could constitute an additional study for UNCTAD use and in an area for which you still require coverage. But we have no definite prospects at this time for other tourism studies to be carried out farther into the future. We shall, of course, keep your interests in mind, when deciding on further investigations of the tourism sector.

Yours sincerely,

* (Signed) Alexander Stevenson

for Irving S. Friedman
The Economic Adviser to the President

cc: Mr. Woods, Mr. Kamarek, Mr. Alter, Mr. Gargill, Mr. Cope, Mr. van der Tak, Mr. K. D. Davis

Sent out during Mr. Friedman's absence in Europe.
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman
FROM: Andrew M. Kamarck
DATE: July 31, 1967

SUBJECT: Meeting of Experts on Role of Tourism in Developing Countries

We are still considering exactly how much work we can do for the proposed meeting which is not to take place until late 1968. There is no great problem involved since Mr. Malinowski and Mr. Fairmont of UNCTAD are in touch with Mr. David Davis of the Economics Department.
June 23, 1967

Dear Mr. Prebisch:

Thank you for your letter of June 9 and for inviting the Bank to co-sponsor a meeting of experts on the role of tourism in developing countries. I fully appreciate the importance of tourist earnings for some of the developing countries; however, I do not feel that the World Bank Group has such a central role in this field to justify our co-sponsoring such a meeting. But I appreciate your having asked us.

As far as our participation and preparation of material for such a meeting are concerned, we will be glad to consider what contribution we can make. Mr. Friedman will be writing you in the near future as to the extent to which we could be of help in this.

Yours sincerely,

(Signed) George D. Woods

George D. Woods

Mr. Raul Prebisch
Secretary-General
United Nations Conference on Trade and Development
Palais des Nations
Geneva, Switzerland

cc: Mr. King/Mr. Davis
Mr. Williams

AMKamarck/ser
June 19, 1967
Mr. Steckhan queried what further action had been taken on the attached. Checked with Kamarck's office & apparently no further action.
Please prepare a suitable reply.

From: Irving B. Friedman
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Remarks

Please handle.

G.D. Woods

Living - I have some views on this which I would like to discuss with you before you reply to my letter.
Dear Mr. Woods,

I am sure it is to our mutual satisfaction that co-operation between the Bank and UNCTAD in questions relating to tourism has been increasing. You will recall that last year Mr. Sydney Fairmont, Officer-in-charge of the Tourism Branch of the Division for Invisibles, participated in the Bank's economic mission to Spain in order to prepare the Annex on tourism to the mission's report. By the same token, Mr. H. David Davis, of the Bank's staff, has been in close touch with the Tourism Branch in connection with his preparation of the sections concerning tourism in the Bank's current report on East Africa.

At the second session of the UNCTAD Committee on Invisibles and Financing related to Trade which was held in New York last month many delegations emphasized the need for co-ordination between the various United Nations agencies working in this field and for avoiding duplication of activities. The close co-operation between UNCTAD and the Bank was welcomed and I am grateful for Mr. Davis's statement on behalf of the Bank indicating the nature of the Bank's interest in tourism.

The Committee on Invisibles and Financing related to Trade has requested me to convene a meeting in 1968 of a small group of experts in the planning of tourist development in developing countries. Such a meeting would attempt to clarify the role of tourism in economic development, explore methods of tourism planning within the framework of overall planning, and evaluate economic criteria frequently used in connection with the tourism sector. I hope that the meeting will have before it, as part of its documentation, a number of country studies which should throw light on these questions and cover such

Mr. George D. Woods,
President,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
Washington, D.C. 20433. (USA)
aspects as trends and prospects for tourism in the countries concerned, development strategy for this sector and indications of the appropriate resource allocation to the sector and likely returns from it.

The studies on Spain and East Africa, to which I refer above, could well constitute two of such a series, and are being complemented here by studies of one or two other Mediterranean countries.

Mr. Malinowski (Director of my Division for Invisibles), Mr. Fairmont and Mr. Davis have recently discussed co-operation in similar studies for appropriate countries in Latin America, the Caribbean and Asia. While it is possible that the UNCTAD secretariat arranges for one or two such studies before the meeting of the expert group, I believe it would be most valuable if the Bank could also undertake some, either as part of its general economic appraisal work or as specific tourism missions. In this way, we would have at least one country study in each region (and more in some) that would be ready for the meeting of experts, to be held possibly late in 1968. While such studies would presumably also serve other Bank purposes they would at the same time, if you agree to their being undertaken, constitute a valuable contribution to the objectives we seek to obtain from the meeting of experts.

In view of the close interest of our two organizations in the role of tourism in developing countries and in policies and planning for this sector, I would welcome the participation of the Bank as co-sponsors of the meeting of experts to which I refer above, if such a suggestion is agreeable to you.

Yours sincerely,

Raúl Prebisch
Mr. Raul Prebisch  
Secretary-General  
United Nations Conference on Trade and Development  
Palais des Nations  
Geneva, Switzerland  

Dear Mr. Prebisch:

Mr. Friedman, who has left for his trip to Europe, asked me to confirm what the two of you decided yesterday, July 6. This is in reference to your letter of June 12 in which you inquired about the possibility of the Bank being able to help in providing certain external debt data.

You and Mr. Friedman agreed that the best way of handling this would be for Mr. Dell and me to get together and discuss the problem and other matters. As far as I am concerned I would, of course, be glad to see Mr. Dell at any time whenever it is convenient for him.

With all best wishes,

Sincerely yours,

Andrew M. Kamarck  
Director  
Economics Department

AMK:ner
TWO-YEAR BONDS OF 1967

1. Mr. Poore reported that the issue of $100 million of Two-Year Bonds of 1967, the offering of which had closed the previous evening, had been oversubscribed by $38,450,000, and the question of allotment was being considered. Thirty-eight subscriptions had been received, compared with 44 for the March issue.

AFRICA N DEVELOPMENT BANK

2. Mr. Rist, reporting on the Annual Meeting of the Board of Governors of the African Development Bank in Abidjan, which he had attended as the Bank's observer, said that one of the chief issues discussed was that of ADB's resources. The capital so far subscribed represented a total of $107,500,000 callable in cash, of which about $72 million had actually been called by instalments. The payments of 19 of the 26 member countries were overdue, however, and of this $72 million only $44,600,000 had been received. An appeal was made to the shareholders to hasten their payments.

3. ADB had also appealed for additional resources to non-African countries in both West and East. Consideration was being given to ways in which such additional resources could be administered; one possibility was to sell shares to non-African countries, and another was to set up a special fund in which contributing non-members would have voting rights, but probably not a majority.

4. While ADB was thus short of funds, it was also short of "bankable" projects. Because the relatively developed members were more likely than the others to produce such projects in the near future, there was a danger that they would absorb most of ADB's resources, leaving little for late-comers. The Board of Directors had therefore proposed that 15% of the capital should be reserved for the latter but, after considerable discussion, the proposal had been withdrawn. A resolution endorsing existing cooperation with ECA, UNDP and the Bank had been passed without discussion.

5. Staffing and administrative problems were also slowing down ADB's activity. One of these problems lay in the facts that the delegation of powers to the directors was limited and that they did not yet reside at headquarters. A new Board had been elected for three years beginning in November, and it was hoped that its members would reside in Abidjan.
6. Mr. Rist said that the atmosphere of the meeting had been pleasant, and friendly towards the Bank; there had been a notable absence of political speeches.

7. Mr. Calika said that, in response to ADB's appeal to non-members for additional resources, the United Kingdom had offered to make $1 million available over the period up to 1970/71, in addition to its normal technical assistance. The form and conditions of this aid, which would presumably be on soft terms, had still to be negotiated.

STAND-BY FOR MALI

8. Mr. Calika reported that the IMF had announced a stand-by credit of $6.5 million for Mali as part of the series of measures being taken by Mali, France and the IMF to stabilize Mali's economy.

CIAP

9. Mr. Schmidt reported that the following week CIAP would begin its fourth series of annual reviews of the economic performance of Latin American countries. The series would begin with Paraguay and would occupy about five months. The findings would be reported to IA-ECOSOC and provide the basis for the latter's annual review - required under the Charter of Punta del Este - of progress towards attaining the goals of, and carrying out obligations under, the Alliance for Progress.

10. A problem encountered by CIAP in past years had been to obtain adequate attendance of CIAP members, who were all high officials in their own countries. To improve the situation, a schedule had been set up for the current series which, it was hoped, would ensure the attendance of at least three members at each meeting.

UNCTAD

11. Mr. Hoffman reported that, in his opening speech at the meeting of the UNCTAD Board which had begun in Geneva on August 15, Mr. Prebisch, the Secretary-General, had stressed failures in development in a way unlikely to encourage the developed countries to increase their contributions to the international development effort.

12. Mr. Prebisch had suggested that the second UNCTAD Conference, to be held in New Delhi in February-March, 1968, should concentrate on matters which were ripe for action. Under this heading he had assigned first place to supplementary financing adding, surprisingly, that the chief problems remaining in this connection were differences between the Bank and Fund.

13. Mr. Prebisch had revived a suggestion which, Mr. Rist recalled, had been discussed in the UN in 1946, to the effect that a neutral agency - a kind of world "CIAP" - should be established to mediate, as a judge of economic performance, between the bilateral and multilateral financing agencies and their borrowers. He had also emphatically rejected recent
suggestions that there was little hope of setting up a world trade system embracing all the underdeveloped countries, and that they should therefore be divided among areas of preference dominated by North America, Western Europe and the Eastern bloc respectively.

14. Mr. Hoffman said that he would make copies of Mr. Prebisch's speech, which could be obtained from the Development Services Department. He added that the Bank would not be represented at a meeting of the 77 less developed countries to be held in Algiers in September in preparation for "UNCTAD II".

ADJOURNMENT

15. The meeting adjourned at 10:10 a.m.

C. H. Davies
Secretary
OFFICE MEMORANDUM

TO: Mr. N. A. Sarma
FROM: Paolo Leo
SUBJECT: Dr. Giovanni Sacco - Supplementary Finance

DATE: August 23, 1967

1. Attached is Dr. Sacco's letter of July 7, 1967 (arrived when I was on home leave) and my translation of it. I acknowledged by simply saying that Mr. Friedman was not here.

2. I doubt whether we need to comply with Dr. Sacco's desire, but I wonder whether you wouldn't mind taking care of this matter?

Attachments

For info, please. No further action seems needed.
Caro Leon, ho atteso inutilmente l'arrivo di Mister Friedman preannunciatomi dal Suo telegramma.
Non solo io personalmente, ma anche la mia Amministrazione, è sempre interessata al problema dei finanziamenti supplementari che continuo a studiare.
Sono arrivato però ad un punto in cui mi è impossibile andare avanti perché mi sarebbe necessario confrontare con i dati e la esperienza della BIRS la validità dei miei concetti intorno:

--- alla funzione dell'Agenzia come intermediaria amministrante i fondi per i finanziamenti supplementari;
--- alle caratteristiche degli schemi d'attuazione;
--- agli elementi obiettivi per determinare l'opportunità ed il momento dell'intervento.

Ho chiesto al mio ministero di farmi venire a Washington, ma mi hanno fatto difficoltà per il costo del viaggio.
Le sarei grato se potesse convincere Friedman a farmi venire costà per completare il lavoro iniziato a spese della BIRS e col medesimo trattamento accordato ai frequentatori dei corsi organizzati ogni anno nell'ambito del Training Program.
In attesa di un cenno, La saluto cordialmente

Giovanni Sacco
Certo, doo, a fera intonente I'm a riva di Miller.

I tredens dieurnumtomoy, a fer e sopari.

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Ola arritutu for! lonti, eno intonente soparnentat.

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Grosenat, nono

16 jul, 10 AM 8:57
Rome, July 7, 1967

Dear Leon

I awaited without success the arrival of Mr. Friedman, which you had told me about in your cable.

Not only myself, but also my Service, is always interested in the problem of supplementary financing, which I continue to study. However, I have now reached a point from which I cannot go forward, because it would be necessary for me to check with data and the IBRD experience the validity of my concepts on:

a) the function of the Agency as a channel for the administration of supplementary finance;

b) the characteristics of implementation schemes;

c) the objective elements necessary to determine the reasons for, and the timing of, the provision of finance.

I have asked my ministry to let me come to Washington, but they find it difficult to pay for the travel.

I would be grateful if you could persuade Mr. Friedman to let me come there to complete the work, at IBRD's expense and with the same treatment afforded to those who attend the yearly courses organized within the training program.

Waiting for an answer,

Yours sincerely,

Giovanni Sacco
August 23, 1967

Note:

Mr. Leon is taking this matter up with Mr. Sarma.

To, Seventy Lean
Please tell me the status. Thanks
Chitiere (Vaud)
Switzerland - August 21, 1967

Dear Irving:

I am writing to you, partially from memory, and I hope that this brisk and tonic alpine air will help me. You may remember from a memo of mine that one of the Italian Delegates at the spring session of UNCTAD committee on Invisibles, had given me a report he had written (on the whole favorable to your study on "Supplementary Financing") and had asked for comments. With your agreement, I passed the matter to Paolo Leon who cleared either with you or with Sarma his reply. The Delegate (Mr. Sacco) is now asking for more information and apparently expects a visit from you. Leon has passed this letter to me attached to a memo of August 16 (forwarded to me here) with copy to you. This is a purely technical matter - I happened to be a casual intermediary. I have written to Leon sending him back Sacco's letter and asking him to "carry on" or pass it, with your approval, to Sarma who, I believe is directly involved with this matter. It is useless for me to do anything because (a) I am not competent; (b) it is much better to strike any iron whilst it is hot or "tepid"; and (c) I won't be back in Washington until September 25! Sorry to trouble you. I see you are travelling about on IDA: Geneva was interesting, and IDA successful, as far as it went; Dick will have told you the French (i.e. Didier Cugh, one old friend) were particularly and unusually pleasant.

ECOSOC left me terribly tired: I have been here in a lovely chalet for 11 days and the day after tomorrow we fly to Sicily to stay with a cousin in a castle perched on top of cliffs - then a fortnight in the country near Milan (to visit my 88 years old mother), then a brief stop over in Paris to be briefed by Arthur Karasz on UNCTAD Trade and Development Board (now in session) and I should be back in the office on September 25 - when you will all be in Rio. I read in the newspapers here that henceforth UNCTAD will be known as CNUCED - i.e. UNCTAD in French: how ridiculous can one be!!!

Rytia wishes to be warmly remembered to Edna and to you and I add my sincere souvenirs to you both.

Ever yours

(Signed) Fred
Dear Dr. Bauer, I am writing to you, partially from memory, and I hope that this breath and tonic advice will help me. You may remember that I visited the World Youth Festival in Moscow, and I saw some of the delegates and leaders of various communist countries. I was very impressed by the enthusiasm and energy of the delegates. I have been advised by Dr. Bauer that the United Nations Economic Commission for Europe (UNECE) has recently published a report on the need for increased industrialization in Europe. I have been asked by Dr. Bauer to study this report and to prepare a memorandum for consideration. I have been informed that the UNECE will be holding a conference in September to discuss this issue. I have been advised that this conference will be held in Paris and that many important delegates will be attending. I have been advised that the conference will be a very important event and that it will have a significant impact on the future of Europe. I have been informed that the UNECE will be holding a meeting in September to discuss the report on the need for increased industrialization in Europe. I have been advised that this meeting will be held in Paris and that many important delegates will be attending. I have been informed that the meeting will be a very important event and that it will have a significant impact on the future of Europe. I have been informed that the UNECE will be holding a meeting in September to discuss the report on the need for increased industrialization in Europe. I have been advised that this meeting will be held in Paris and that many important delegates will be attending. I have been informed that the meeting will be a very important event and that it will have a significant impact on the future of Europe.
لا يوجد نص يمكن قراءته بشكل طبيعي من الصورة المذكورة.
Personal

M. Irving S. Friedman
International Bank for Reconstruction
35 Rockefeller
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD
Fifth session
Geneva, 15 August 1967
Item 11 of the Provisional Agenda

TRADE EXPANSION, ECONOMIC CO-OPERATION AND INTEGRATION AMONG DEVELOPING COUNTRIES

Summary of comments from inter-governmental bodies on the reports contained in documents TD/B/68/Rev.1 and TD/B/85

Note by the UNCTAD Secretariat

GE.67-15183
I. INTRODUCTORY REMARKS

1. At the fourth session of the Trade and Development Board a preliminary discussion took place on the subject of trade expansion, economic co-operation and integration among developing countries. At that time, the Board, in adopting resolution 32(IV), considered that the two reports submitted to it on this subject (report of an UNCTAD committee of experts, document TD/B/68/Rev.1, the report of the UNCTAD Secretariat TD/B/85) require detailed study with a view to defining the action programmes that might be adopted by the time of the second session of the Conference and decided that a substantive discussion on trade expansion, economic co-operation and integration would take place at the Board's fifth session. With a view to this discussion, the Board requested the Secretary-General of UNCTAD to transmit the reports to the regional economic commissions, the United Nations Economic and Social Office in Beirut, the existing economic groupings of developing countries, the international and regional financial institutions and appropriate inter-governmental organizations offering them the opportunity to comment on the reports.

2. Various of the financial institutions and inter-governmental organizations (the World Bank, the Food and Agriculture Organization, the African Development Bank, the Inter-American Development Bank, the Central American Common Market, the European Free Trade Association, the Maghreb Permanent Consultative Committee, The Council of Arab Economic Unity), offered such comments of a more or less detailed nature in writing and sometimes also orally, while other organizations expressed the hope to formulate more detailed comments after further examination, or submitted the reports to their member Governments for consideration (OECD, GATT, Union douanière et économique de l'Afrique centrale, Union douanière de l'Afrique occidentale, Regional Co-operation for Development). As regards the secretariats of the regional economic commissions, their ideas had already been taken into account in the elaboration of the reports (see for instance annexes to document TD/B/68);

1/ United Nations publication, Sales No. 67.II.D.2
additional comments, particularly from the Economic Commission for Latin America, the Economic Commission for Europe and the Economic and Social Office in Beirut, were received later, and the close permanent contact which the UNCTAD secretariat maintains with them offered several opportunities for discussing with them the suggestions contained in the reports. The present document presents in summarized form the comments received from all sources. In appraising the comments, account should be taken of the fact that often a particular view was expressed by one institution only and that the summary is not, therefore, necessarily representative of the views held in all the institutions consulted.

3. In a general manner, it was considered by the bodies consulted that the reports covered comprehensively all the means for the expansion of trade and economic integration among developing countries and the problems arising in practice. It was recognized that the problems facing developing countries in forming a regional grouping were often very different from those encountered by developed countries in similar efforts. On the other hand, it was stressed that trade expansion and economic co-operation within a region could make a significant contribution to the strengthening of the countries' individual as well as collective bargaining position vis-à-vis the rest of the world. While it was pointed out that it would be for the developing countries to take the initiative for the necessary intensification of trade expansion and integration efforts among themselves, it was also regarded as probable that the general attitude of the industrialized countries toward such efforts might have some effect on the willingness of the developing countries to undertake such initiatives.

II. COMMENTS RELATING TO ACTION BY DEVELOPING COUNTRIES

Scope of co-operation

4. As to the general methods for intensifying trade, economic co-operation and integration among developing countries, it was pointed out that the approach to an integration scheme should be gradual and that over-ambitious objectives might hamper, rather than accelerate, the process. At the same time, it was considered that this process of co-operation should extend to as many fields as possible, an extension which might to a certain extent be reassuring; for should the negotiations on the removal of trade barriers or on the distribution of investments
continue over a long period without results; the existence of other fields where co-operation is being carried out successfully may lessen any sense of failure that would be detrimental to the regional effort as such. It was thought that an effort of co-operation extended to a variety of fields may also suitably be carried out in a geographically wider group of countries than is covered by the integration effort proper. One remark made in this connexion was to the effect that fewer difficulties seem to arise when a comparatively loose form - such as a free trade area which does not aim at harmonizing external tariffs, taxes, labour market conditions - is chosen. The European Free Trade Association was cited as an instance showing that it was not absolutely necessary that a regional grouping should form a geographical entity to achieve valuable results, although trade has expanded at a higher rate among the geographically contiguous members of that group.

**Trade liberalization**

5. With respect to the problems of trade liberalization, the experience of one group of developing countries was mentioned as showing that little progress could be made if reciprocal obligations were limited to the abolition of tariffs; if at the same time, countries in the grouping maintained quantitative restrictions on items not previously traded among the countries concerned. It was also mentioned that the commitments should be conceived in such a way as to bring equivalent advantages to all members of a group. A group of developed countries refers to its experience as showing that a common external tariff is not a prerequisite for successful trade liberalization among a group of countries; for this group's practical experience of the operation of rules of origin shows that the problems of origin can be resolved. To take into account different levels of development within that group, the one less advanced member country of the group has been authorized to apply a slower timetable of tariff reductions and to increase tariffs in connexion with its establishment of new industries. Opportunities of access to a regional market without trade barriers are thus given to industries which at the same time continue to enjoy protection in their home market. If, however, an industry exports for three consecutive years more than 15 per cent of its production, the country in question is expected to
apply a faster timetable of tariff reductions to the imports of the product concerned "from other members of the group". As to the means for solving the problems of revenue losses from tariff abolition, this group refers to its practice of allowing a member State not to eliminate tariffs on the so-called revenue items that is those not produced domestically as well as to the replacement of import duties through internal taxes which are equally applied to imported and home-produced products.

Investment policy
6. With respect to the question of investment policy arising in connexion with trade liberalization, the reply from one developing region regards the harmonization of investment or production programmes as a fundamental requirement. The reply states that, in spite of resolutions by the Governments to this effect, similar industries are being established in the various countries without taking any account of possibilities of division of labour according to comparative advantage in the region. A reply from a developed country group states that the establishment of free trade on a regional basis generally results in a rational allocation of resources in that group, the promotion of investments being left to each individual member State. With reference to the view expressed in document TD/B/85, chapter III, paragraph 26, that an integration process consisting of the mere elimination of trade barriers would support or stimulate the tendency of investments to concentrate in the more advanced countries or areas, the experience of EFTA is mentioned as showing to the contrary that there has been a growing tendency in recent years for industries in highly industrialized member States to make new investments in less developed regions of the group. At the same time, it is recognized that technical assistance will be required, and this assistance is given by the more advanced countries of the group if a less advanced member country wants to develop a particular industry which has already achieved a high standard in other member countries; regional efforts among developing countries on the other hand would mostly have to be supported by assistance from outside the particular group.
Agricultural products

7. It was recognized that with respect to the liberalization of trade in agricultural products, the techniques suitable for manufactured products did not readily apply, and agreement was expressed with the view of the UNCTAD reports that the rate of progress in the industrial sector should not depend on the results achieved in regard to agricultural products. But attention was also drawn to the danger that, unless an effort was made to devise ways and means of including agricultural trade in the relevant arrangements, they would prove too limited in scope because of the predominantly agricultural character of the developing countries. Moreover, they might produce undesirable effects on the direction of investments. Accordingly, it was stated that the existing tendency in developing countries to underestimate the essential role of agriculture in the development process might be accentuated if the pressure for industrialization was increased by the creation of a larger market basis and if, consequently, essential investments were diverted from agriculture to industry.

Payments arrangements

8. The need for multilateralizing existing payments arrangements was stressed in one comment which referred to the need for considering also forms of financial co-operation among developing countries other than a payments union. While (according to this comment) it would be desirable to introduce such sophisticated mechanisms, the insufficient readiness of Governments to accept such schemes should accordingly also be taken into account. In this respect attention was drawn to the procedures employed by the Economic Commission for Europe for multilateral compensation of bilateral clearing balances and to the fact that developing countries have resorted to these procedures in recent years. It is suggested that the expansion of trade among developing countries might be fostered by the adoption of such compensation procedures, modelled on the ECE system and based on existing bilateral clearings. When one party's credit balance exceeds the "swing credit" limit, payment would not be required from the debtor country in convertible currencies or gold (as is generally now the case) but instead could be made in the form of a transfer from a clearing balance held by the debtor country in a bilateral clearing account with a third country. If so
desired, a maximum amount for this "transferable clearing" tranche could be agreed upon in advance and transfers from certain third countries might be excluded from automatic transferability. The requirement for payment in convertible currencies or gold would then arise only after this "transferable clearing" limit had been exceeded. Transfers under such a supplementary tranche could be facilitated through use of a central agent or clearing-house procedure under the auspices of the United Nations Secretariat without any special expenses for the countries using this procedure. It is admitted that such an approach would not constitute a large step towards convertibility, but it is argued that it would have the advantage of requiring very little change in present practice while preparing the ground for more ambitious steps later. It would also enable developing countries to face with greater assurance the risk of unbalanced trade between them.

Expansion of trade among the developing countries as a whole

With respect to the expansion of trade among developing countries on an intercontinental scale, it is stated in one comment that while such efforts are likely to yield, for a variety of reasons, more limited results than moves toward regional markets, they deserve to be analysed further by UNCTAD. Among the products which might be imported in larger quantities from developing countries would be machinery and industrial equipment, particularly of those types not involving highly mechanized fabrication techniques and using a high labour input. India and some of the more industrialized Latin American countries have been exporting such products even to developed countries, and much more could be exported to other developing countries. One problem has, however, been that the offer has often not been stable; the rate of exchange in relation to the internal price level, the fiscal charges and the level of domestic demand have made it difficult to maintain such trade flows. Another problem may be that, for establishing such trade flows to less advanced developing countries, the more advanced ones would be expected to import in their turn from the former some goods which would presuppose a special effort on their part to identify such products. As for the trade in such goods among the more advanced of the developing countries, the similarity of the production programmes is an inhibiting factor. The view was, therefore, expressed that the big international firms might subdivide among their branches and affiliates in various countries the production of the parts and components of industrial equipment and installations; in Latin America there already exist examples of such action.
10. With respect to tariff concessions among developing countries in general, one comment suggested that UNCTAD, if possible with the collaboration of GATT, should explore further whether or not it would be appropriate that such concessions be extended to all developing countries or only to those which have given a counterpart concession. The principle of automatic extension of concessions may limit their scope because of the fear that a third developing country would benefit from them without granting adequate reciprocity; their non-extension, on the other hand, may lead to an extremely complicated net of bilateral and triangular exclusive concessions. A suggested partial solution was that the concessions negotiated between the more advanced developing countries should be extended automatically to the relatively less advanced ones.

The question of action programmes

11. With respect to the suggestion that developing countries should prepare, with a view to the second Conference, action programmes for the expansion of trade and integration among themselves, attention has been drawn to the following efforts that might form the basis of such action programmes:\footnote{A brief survey of what has already been done regarding the expansion of trade and integration among developing countries is contained in document TD/B/85, Chapter III, and in the "Review of International Trade and Development 1967" at present being prepared by the UNCTAD secretariat.}

(a) In Latin America, the Heads of State announced, at a meeting at Punta del Este in April 1967, their intention of negotiating concrete commitments for creating progressively from 1970 a Latin American common market.

(b) In Africa, at the Lagos session of the Economic Commission for Africa in February 1967, its members formally recognized "that the determination of the developing countries to play their own part in the fulfilment of the objectives of UNCTAD should be underscored in a particularly manifest way by their presenting to the second Conference a specific action programme agreed upon during the next meeting of the Group of 77, to expand trade and co-operate economically among themselves as recommended in resolution 32(IV) of the Trade and Development Board". At the same session, it was agreed that in the West African and the East African sub-regions, the possibilities for trade liberalization on an item-by-item basis should be explored with a view to negotiations among the countries concerned.

(c) In Asia, the Ministerial Conference of the ECAFE countries in April 1967 requested the Executive Secretary of the ECAFE "(i) to constitute immediately a Study Group of Government representatives for preparing urgently a practical plan of action in different fields of regional economic co-operation
particularly expansion of trade among the countries of the region within the framework of the principles internationally agreed upon, taking into account also the recommendations of the Group of Experts on regional economic co-operation in Asia held in 1961 and 1963 and the recommendations of the two Ministerial Conferences on Asian Economic Co-operation relating to the expansion of trade in the region; and (ii) to convene a ministerial conference of the countries of the region as soon as possible before the next UNCTAD Conference to examine the report of the Study Group for consideration of suitable arrangements for implementing the proposals for regional economic co-operation with special reference to the expansion of trade in the region".

(d) In connexion with the suggestion that among the developing countries as a whole, whether or not they are Contracting Parties to GATT, negotiations on tariff concessions that would be applicable to all of them be organized in a suitable multilateral framework, it should be noted that about twenty developing countries which are Contracting Parties to GATT have initiated tariff negotiations among themselves.

III. COMMENTS RELATING TO THE POSSIBILITIES OF INTERNATIONAL ACTION IN SUPPORT OF THE DEVELOPING COUNTRIES' JOINT EFFORTS

The principle of international support action

12. The comments generally recognize that international action could effectively support the developing countries' efforts to expand trade and move toward integration among themselves. The World Bank group of institutions stated that they would view with great sympathy the efforts of developing countries towards regional co-operation, that the Bank had long encouraged regional groupings and would not only welcome but seek out similar opportunities in the future. With respect to Latin America, reference was made to the action programme adopted by the Heads of State of the member countries of the Organization of American States at Punta del Este in April 1967, in which it was agreed that outside financial and technical assistance should be mobilized with a view to contributing to the solution of specific problems that may arise in the eventuality of an accelerated move by the Latin American countries toward a common market. As for Africa, reference was made to the efforts undertaken for setting up under the African Development Bank a special fund for integration purposes. It was also pointed out that the banks mentioned as well as the Asian Development Bank had the advantage of pooling a limited amount of funds
and talents from the region and of being able to mobilize additional amounts of aid with a view to identifying and financing projects of regional interest, in spite of differences in political philosophy, resources and economic development among the countries concerned. As far as the Middle East was concerned, the view has been expressed that it does not seem that the countries in that region prepared to co-operate with each other were too few or collectively too poor for creating a suitably endowed financing agency.

The question of a formal declaration of support

13. The suggestion that in connexion with the second session of the Conference a policy declaration of international support for trade expansion and integration efforts among developing countries be adopted was welcomed by several of the bodies consulted. It was regarded as a possible means for spreading the awareness of the importance of such efforts and for contributing to the diversification of the sources of external support for specific regional efforts. It was, however, pointed out that it might be more realistic to mention support for "joint efforts" rather than to stress mainly "integration". For instance, efforts between countries to build a multinational infrastructure or to lower trade barriers among themselves to a reasonable level would in themselves be measures worthy of external support. It was thought that the specific difficulties arising in efforts of economic co-operation among developing countries might in many cases be approached more resolutely and with greater assurance of success if, as a result of the second session of the Conference, an international policy were to emerge that would be favourable to joint efforts by developing countries even in connexion with less far-reaching steps than integration. The view was expressed that Africa would appear to be particularly interested in a steady improvement of the climate with regard to regional efforts because most African countries are so small that multinational co-operation is a vital condition for accelerating African economic development. It was, however, also mentioned that a policy declaration of support might be of little value if it did not contain indications as to the types of problems for the solution of which support could be envisaged. On the other hand, it was pointed out that financial support for integrated economic development should not be conceived as a substitute for the improvement of the prices and conditions of access for the traditional exports from the developing countries to the markets of the developed countries. Such improvement would be particularly
important for the less advanced developing countries because it would allow them to earn the additional financial resources that are indispensable if they are to participate successfully in an integration effort with more advanced developing countries.

**Increased regional emphasis in aid programmes**

14. With respect to the suggestion for an increased regional emphasis in aid programmes, it was pointed out in some answers from the developing part of the world that this emphasis should generally take the form of additional resources being provided for this purpose. Attention was drawn to the need to avoid giving the impression that the object was to reduce the amounts of aid to individual countries. It has, therefore, been suggested that any general declaration should stress the positive aspect, in the sense that countries engaging in joint efforts could, in dealing with a series of specific problems, look forward to a positive attitude on the part of the international community.

15. Regional banking institutions were recommended as suitable channels for achieving an increased regional emphasis in aid programmes. It was pointed out furthermore that also bilateral aid might be given to such regional institutions rather than only to national governments. Attention was, however, drawn to the need to ensure that in consequence of the greater number of intermediaries, interest rates on the credit received would not be higher than on credit granted directly. This problem may arise if there exist both a sub-regional integration movement with its own integration bank and programme for a wider region which is supported by a continental development bank. One view was that in such cases the credits from the outside for sub-regional infrastructural and industrial projects should be granted directly to the sub-regional banking institution.

**Assistance for achieving balanced development**

16. Various comments stress the importance of outside assistance to enable integrating areas to achieve balanced development. The regional banking institutions are regarded as a most suitable instrument for ensuring balanced development. According to many of the comments received, outside assistance would be necessary for the building of a regionally balanced infrastructure. So far as the World Bank was concerned it was stated that, if approached by a group of countries, it would be prepared to examine the investment programme of the group and to provide financial assistance for specific projects in accordance with the Bank's policies.
and procedures. In comments from other bodies it was emphasized that international support should be given for the establishment and financing of productive activities in the relatively less advanced countries because such support would enhance the interest among those countries in participating in trade liberalization and integration schemes. Reference was made in this connexion to the continuing nature of the regional institutions' task to prevent and correct tendencies toward greater disparities in the course of an integration process. With respect to the suggestion concerning outside assistance for compensating revenue losses resulting from trade liberalization efforts, it was stated that developed countries generally did not wish their aid to be used for filling budget deficits. According to a comment from a group of developing countries, resources available for supporting integration might be limited and therefore consideration of forms of support other than compensation for revenue losses deserved priority; according to this comment, developing countries might be expected to make good fiscal losses by tapping other sources of revenue.

**Assistance in connexion with investment policy**

17. The bodies consulted recognized that outside assistance would be needed for pre-investment or feasibility studies for multinational projects, either in the field of infrastructure or of productive activities in the developing countries. With respect to Latin America, a special fund under the Inter-American Development Bank has already been established for this purpose. It was pointed out in some comments that national planning authorities quite naturally tended to pay attention to the investment opportunities existing in their own countries. If, on the other hand, regional institutions were endowed with the necessary financial and human resources for seeking out and, as the case may be, promoting - in co-operation with the countries concerned - multinational projects, these institutions would be able to play a valuable part in facilitating the emergence of a larger than national framework of economic co-operation.

18. With respect to the suggestion for an explicit international declaration to the effect that support should be given above all to projects of multinational interest, it was stated so far as the World Bank was concerned that it endeavoured to encourage such projects. It was pointed out, however that projects of this kind were often difficult to arrange, the problem being usually not how to find the necessary finance but how to secure agreement between the countries concerned. However, it was stated that every effort to secure the necessary agreement for such
projects would continue to be made. The same institution expressed reservations as to whether multinational projects should receive priority over other projects. It stated that, while some priority might be given to such projects in terms of efforts spent upon them, they would nevertheless have to be appraised by the same criteria of economic soundness as are applied to all projects; it would be a mistake to attempt to bring about economic integration by establishing uneconomic projects.

19. In another comment, attention was drawn to the measures which developing countries might take to avoid duplications of investments. It was recognized that such measures should be limited to large projects which would depend vitally on access to the whole regional market. In these cases, it should be provided that external resources would not be made available for promoting unilateral national actions.

20. As to the suggestion that outside support would be needed to enable existing industries to become competitive in a wider multinational market, attention was drawn to the fact that assistance for modernizing existing industries and for retraining the workers had been accepted at the Punta del Este meeting in April 1967. More generally, it was thought that developing countries might be more willing to undertake trade liberalization commitments among themselves if they could count on such assistance. The responsibility for applying the assistance received to the individual firms might be taken over by the national development banks.

21. It was recognized in some comments that integration efforts would increase the need for strengthening domestic firms of the developing countries in order to enable them to benefit from the enlargement of the market. It was thought that one way of contributing to a solution of this problem would be to provide - as in the case of various regional banking institutions - that such banks could take equity participation in enterprises established with a view to the regional market. Outside assistance to these regional banks would enable them to act in this way. One comment refers to the suggestion that the International Finance Corporation should promote joint ventures of enterprises forming part of an agreed programme of regional integration, and states that there is no reason why IFC should not participate in such ventures provided that they are economically sound and fall within its normal lending rules. With regard to the implication in one of the reports that IFC's resources need to be increased, one comment pointed out that
these resources had recently been increased by means of a substantial loan to the IFC from the IBRD. Another reply mentioned that the expansion of the activities of domestic firms to the whole regional market would be facilitated if the risks of double taxation were eliminated.

22. In one comment the opinion was expressed that, in view of the limited external financial resources available, it might be necessary to indicate which of the many measures suggested in TD/B/85 would be likely to have the greatest positive impact upon development in the context of an integration programme. According to this view, priority should be given to support measures in the field of investment policy, i.e. for pre-investment studies, for a multinational investment programme designed to ensure a balanced development of the countries concerned, for adjustment measures in relation to existing industries and for action to enable regional institutions to take equity participation.

23. One comment suggested that the developed countries should guarantee, by means of an endorsement, bond issues which regional banks would want to place in the developed markets. In many cases, such an endorsement would make it much easier to obtain promptly resources which would, moreover, come from private investors and this fact might be regarded as an advantage.

Financing related to trade

24. With respect to the solution of the problem of balance of payments deficits that might result from temporary imbalances in regional trade expansion schemes, some comments recognized the need for outside assistance. One of the means mentioned was the payment of contributions into a reserve fund which would form part of the payments arrangement. But it was stressed that criteria should be established for the operation of such an arrangement, in order that resources provided for this purpose would not be used to solve problems resulting from inadequate internal monetary and fiscal policies.

25. The suggestion that aid should be "untied" at least as regards imports from other developing countries was also supported in some comments.

26. With respect to credit for exports from developing countries, reference was made to the scheme of the Inter-American Development Bank for financing the trade in capital goods among Latin American countries. It was pointed out that, with outside assistance, it should be possible to extend such credit mechanisms to manufactures in general, to exports from any developing country, as well as to short-term financing. Such a measure would enable exporters from developing countries to compete on equal terms with firms from developed countries.
Technical assistance

27. Some comments referred to technical assistance to foster the expansion of trade, economic co-operation and integration among developing countries. As far as EFTA was concerned it was stated that it was ready to assist both the UNCTAD secretariat and developing countries on how to draw up appropriate provisions for regional groupings and how to administer such arrangements. In this connexion, the view was also expressed that one of the most urgent tasks of the United Nations would be to train, possibly at a special training centre to be set up under the auspices of UNCTAD, national and international experts in the general problems of integration, including the various possible approaches and the ways of negotiating agreements. In support of this view, it was stated that the shortage of experts capable of assisting countries wishing to participate in integration schemes was seriously hampering the progress of integration. It was said that many mistakes which occurred during the early stages of an integration scheme could be avoided if advice from experienced experts were available. Account would also have to be taken of the fear of newly independent countries that experts might be biased or linked to certain interests (e.g. shipping lines, petroleum companies). It is stated that the history of regional economic co-operation throughout the world has taught the lesson that this co-operation depends much on the quality, devotion and independence from national instructions of the teams entrusted with its promotion at the working level. Training of such teams is thus regarded to be essential.
August 21, 1967

Dear Mr. Eckenstein,

I have just returned to the office today and wish to thank you for the document TD/B/137 Trade Expansion, Economic Cooperation and Integration among Developing Countries, which I am looking forward to reading.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Mr. Christopher Eckenstein
Special Adviser on Policy Matters to the Secretary-General of UNCTAD
UNCTAD
Palais des Nations
Geneva 10,
Switzerland
Dear Mr. Friedman,

On behalf of Dr. Prebisch, I am sending you the document in which the comments received on the UNCTAD reports on trade expansion, economic co-operation and integration among developing countries are summarized. The comments contained in your letter of 19 January, 1967 are incorporated in this document.

Thanking you again for your valuable contribution.

Yours sincerely,

Christopher Eckenstein
Special Adviser on Policy Matters to the Secretary-General of UNCTAD
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman
FROM: George Kalmanoff
SUBJECT: U.S. Position on Supplementary Finance Scheme

DATE: August 7, 1967

Thank you for sending me a copy of the statement of July 12, 1967 by Mr. Solomon, the U.S. Assistant Secretary of State for Economic Affairs, to the Subcommittee on Foreign Economic Policy of the Joint Economic Committee of the U.S. Congress, on "United States Foreign Trade Policy and the Developing Countries".

Mr. Solomon commented briefly on the supplementary finance scheme, expressing his comment as follows (page 13): "The specifics of the Bank scheme raise a number of serious questions and we are not prepared to endorse it as formulated, but we are studying variants of the proposal that we may be able to support."

cc: Messrs. Kamarck, Frank, Sarma, Sundrum, Macone, Jalan, Adams
Mr. President, representatives and observers, Mr. Under-Secretary for Economic and Social Affairs,

As everyone knows, this meeting of the Board is important because it is going to prepare for the New Delhi Conference. I thought it appropriate to take the opportunity you have kindly given me to make a few remarks about the seriousness of the times through which the developing countries are now passing.

Since the early nineteen-fifties a great deal has been written and said, and recommendations have proliferated at both the international and the national levels, on the subject of economic development. For all that, the economic growth rate of the developing countries has been declining from one five-year period to the next, and in the last few years has averaged barely more than 4 per cent. No one is any longer in doubt that the so-called United Nations Development Decade may turn out to be a decade of frustration. Very few developing countries have managed to exceed the minimum growth rate of 5 per cent per annum which was set as an objective for the Decade. Most of them have barely attained extremely modest rates representing a slight increase in per capita income.
This should lead us to delve into the reasons why even that modest objective has not been attained. Why is it that very few countries have managed to exceed this rate? Why is it that most of them are still adrift, and have not reached the growth objective which had been set for them? The more I think about this, the more convinced I become that the world is confronted with a new problem: a problem new in kind, in characteristics and in dimensions. It is the problem of taking a technology which has evolved gradually in the developed countries - and which has already reached fantastic heights there - and transferring it to an environment which is not yet quite ready to absorb it. Although scientific and technological advances represent the developing world's best hope for a rise in its level of living and for the eradication of poverty and its inherent evils, they also bring with them severely adverse consequences for the developing world, and confront it with vast contradictions. Unless we go thoroughly into this problem, unless we analyse these adverse consequences and these contradictions, we shall not succeed in formulating an enlightened policy of development and international co-operation.

I should like now to refer to these adverse consequences and these contradictions. The adverse consequences are well known. From year to year we see the effects of scientific and technological progress on the demand for primary commodities; the effects of the introduction of new production methods which permit a saving in raw materials; the ever-growing effects of the development of synthetic or artificial products which are increasingly replacing natural products. The effects of rising income on the demand for primary commodities are also known. Hence there are very few primary commodities which seem to have promising prospects. The projections of future demand for primary commodities which are being made are generally very pessimistic; and this, in so far as it is not due to certain restrictive policies, is essentially a result of the advances of present-day technology.
Not only that, however, but we find increasing evidence of the impact of the impressive progress in mass communication techniques, which seem to be drawing the various parts of the world closer together, while the economic, social and demographic differences between the advanced countries and the developing countries are constantly increasing. With artificial satellites we see the possibility of a progressive unification of the world, since ways of life, emotions and even passions and ideologies can be transmitted rapidly from the industrial centres to outlying areas; but production methods are not so easily transmitted. It is becoming increasingly evident that there is a growing desire in the developing countries to adopt the consumption habits of the developed countries, and this is also a result of scientific and technological progress. The impressive reduction of mortality in the developing countries, which is leading to incredible rates of population increase that may even be approaching the biological limit — is this not also an effect of the scientific and technological advances in medicine? While the birth rate in the great countries which are prosperous today has been dropping as mortality diminishes, in the developing countries medical progress is causing a sharp drop in mortality without, as yet, any social and economic transformation which would naturally lead — as in the experience of the great industrial centres — to a decline in the birth rate and a slackening in the rate of population increase.

To this must be added a phenomenon by which I am struck increasingly as the underdeveloped world comes under examination — namely, the contrast between, on the one hand, the advanced technology which the developing countries are attempting to absorb and which requires a high per capita rate of investment, and, on the other hand, the extremely low capacity for capital formation which these countries possess. This contrast is unquestionably being further accentuated by a number of phenomena resulting from the kind of policies which have frequently been applied both in industrial centres and in the developing countries. As the developing countries have been compelled to industrialize and to undertake all kinds of economic activities within relatively small markets, there have been many cases where industrialization has taken exaggerated forms requiring large per capita investment in countries whose resources are not yet sufficient to provide it. Besides, the poor distribution of income
Prevalent in many developing countries is a factor which also deprives of stimulus the mass consumption industries, which are precisely the ones which have the least capital, even though they can absorb a great amount of manpower.

All this results in two kinds of bottleneck, which were discussed at length at the first conference. On the one hand, there is the external bottleneck resulting from the slow rate of increase in the developing countries' traditional exports of primary commodities, in contrast with their steadily and ever-more-rapidly increasing demand for the imports they require, not only of capital goods but also of intermediate goods and consumer goods. At the first conference we presented estimates of the magnitude of this potential imbalance which is arising in the process of development; and the Secretariat was asked to make a broader and more detailed analysis defining more clearly the basis of these estimates. All this has already been done, and we have come to the conclusion that the original calculations were not rash; they reveal the existence of a very serious imbalance between the trend towards a rapid increase in imports and the slowness in the growth of exports, which is one of the most formidable obstacles to the development of the peripheral countries. The secretariat will be submitting the relevant report in a few weeks' time, and I believe that it will help to put an end to a controversy which has sometimes been rather pointless. It has been said, for example, that there is no real trend towards imbalance in trade - or trade gap - and that the problem is rather one of shortage of foreign exchange; just as though they were not one and the same. What there is, is specifically an actual and potential shortage of foreign exchange, which is retarding development. The trade gap is basically a consequence of the unequal progress and penetration of contemporary technology in the developing world, to which I have already referred.
The second bottleneck is due to the inadequacy of saving - another basic consequence of this modern technology which requires large amounts of capital and which constantly stimulates consumption not only by the higher income groups in the developing countries but also by the masses as a whole; it is also, of course, a consequence of the striking increase in population. The savings deficit is primarily due to this combination of factors, which has to be tackled in one way or another. In addition, most of the developing countries are faced with the need to assimilate this modern technology in the absence of an economic and social structure capable of absorbing it. For example, we are all concerned at the slowness with which agricultural production is increasing in many of the developing countries, and in some of those countries this may soon become a gigantic problem if it is not checked by timely, positive action. And what is the basic reason for this? In many cases it is due to the system of land tenure, which is ill suited to the application of technology, and to the out-of-date attitudes of the administrative machine, which is not prepared to encourage technological research or to adapt technology to rural environments in the peripheral countries. The lack of social mobility characteristic of many developing countries is also a formidable obstacle to the assimilation of contemporary technology. The introduction of technology requires social mobility; it demands active measures to train manpower at all levels and a steady process of popular education; and there are very few developing countries in which this has been undertaken with a vigour and drive consonant with the growing requirements of modern technology. As to the process of industrialization itself, this is accompanied in many developing countries by a tremendous waste of resources in the comparatively narrow markets in which it is taking place; it is not directed outwards, no reciprocal trade has been instituted with the other developing countries, and it lacks the bracing stimulus of competition which must be applied in order to promote technological progress, industrial productivity and better use of existing capital. It should be noted in passing that even the socialist countries are also recognizing the need for competition as an important factor in putting the available resources and technological progress to the best use.
Another problem which frequently arises in the developing world is that of the prevailing system of income distribution. The existence of certain privileges in income distribution in many of the peripheral countries, and the new forms of privilege which have been added, precisely because industrialization is being carried out in watertight compartments without adequate competition, are also disincentives to economic and technological progress.

All this demonstrates the complexity of the problem of development and its outward ramifications, which must be tackled without loss of time. There must be no loss of time because serious developments are taking place and setting up tremendous and increasing economic and social tensions in the majority of developing countries. It is essentially a matter of lack of dynamism in the economic system of those countries which, operating as it does, cannot productively absorb the manpower increment into the modern sectors of the economy. It would take a much higher rate of economic growth than that prevailing in recent years to give the economic system real dynamic validity: that is to say, not to leave an increasing proportion of the economically active population outside the modern sectors of the economy. The picture characteristic of most of the developing countries, especially those which have gone furthest in industrialization, is one of an increasingly uprooted rural population which, for lack of land, owing to the system of land tenure or owing to technological progress, can no longer find work in the fields. These people move to the towns, attracted by the larger income they hope to earn, but only some are absorbed into industry and skilled services, leaving a very considerable number in those shameful marginal settlements which increasingly typify the social picture in the peripheral countries. These masses of people are not necessarily unemployed. They often appear in the statistics as belonging to the "services" sector. But in a great many cases this means miserably paid, unskilled personal services, or else redundant personnel overstaffing the public services, industry and other activities at very meagre rates of pay.
In my opinion, this is the key problem to be solved. Larger investment resources must be mobilized until a rate of economic growth is reached that will make it possible to keep this factor from worsening, to absorb in a productive and satisfactory manner the entire increase in manpower from year to year, and at the same time gradually to absorb, over not too long a period, this residue, this Lumpenproletariat which is taking shape in so many developing countries owing to the lack of dynamism in the economic system at the present time. We all know that the main object of transferring financial resources from the industrial countries to the developing countries is to help the latter to mobilize their own resources more and more intensively, to speed up the growth of earnings and thus to succeed, over a period of years, in generating much larger resources and investments from within. However, if the waste of manpower caused by shortcomings in the present operation of the economic system continues, it will be one of the factors which may frustrate this growing application of domestic and foreign capital, because part of the income which could be generated by this mobilization of capital will be lost to the economy. It will not be reflected in an increase in earnings and a consequent increase in capital formation. Furthermore I have no hesitation in saying that a given sum of international financial aid applied in a developing country for let us say, a period of five years, should - if the receiving country's policy is an intelligent one - have a much greater impact than the same sum of foreign capital spread over a period of ten, fifteen or twenty years. The former measure can certainly contribute to a vigorous absorption of manpower and to an increase in earnings which will speedily lead to a rise in the domestic capital formation coefficient. The latter measure - that is to say the slow or, if you wish, "homeopathic" procedure of transferring international resources - does not fully solve the problem of manpower absorption and sets much further off the time when the developing country will be able to generate its own investment resources.
These developments are new, and it is no use seeking explanations or solutions to them in the economic literature of the nineteenth century, or of much of this century either. The optimistic economists of the nineteenth century could not have foreseen these developments because they assumed that all technological progress would spread not only within the country in which the advance was made but, through the steady fall in prices, throughout the world. No such thing had happened. We are well aware that a large share of the fruits of technological progress have remained in the countries in which the advance was first made. Nor could the critics of the economic system of those days have foreseen the phenomenon of uneven transfer of technology, because their whole attention was concentrated on the way the system worked in the large industrial countries, and on its possible evolution and final transformation; they had no means of perceiving this new problem, of adverse effects and tremendous contradictions, which is involved in the transfer of modern technology to the developing world.

I often have occasion to discuss this problem in industrial centres. When I mention that the economy, as it functions in the majority of developing countries, lacks the dynamism to absorb the increase of the economically active population, I have very often been asked why the developing countries do not control population, why no positive influence is exerted on the birth rate. I believe that this is a problem which must be tackled decisively and bravely - not, however, as the one and only solution but as one of the convergent measures, as one of the elements in that synchronized action to which the President has referred. In any case, measures of this kind should be regarded, not as an alternative to the contribution of international financial resources or as a pretext for reducing them, but as one of many measures which may help to increase the rate of economic and social development. On the other hand, whatever approach is made to this problem - which is basically a moral rather than an economic problem, although it has very considerable economic implications - it must be borne in mind that no population policy, however intelligent, is going to yield appreciable results for some twenty years.
yet with regard to the manpower to be absorbed. However, it is precisely in the next twenty years that we are going to see a striking increase in the economically active population; I am referring to people who are already born, and who consequently are beyond the reach of the pill or the devices so widely recommended as a solution to the development problem. Doubtless an intelligent policy on population could be effective in reducing the pressure on such problems as food and the investment needed to build schools and to train teachers. However, as regards the manpower that is going to exert constant pressure on the modern sectors of the economy for the next twenty years, no population policy in itself will solve that problem. It will, perhaps, solve it twenty years hence, but these very twenty years are the critical years for the developing world. Let us not indulge our fancy by thinking about what will happen afterwards; let us, instead, concentrate on what is going to happen in the coming years, during which this crisis is going to worsen and assume proportions as yet unsuspected, and perhaps gigantic, in the developing countries.

What is to be done? The fundamental lesson to be derived from the favourable and unfavourable experience of the last twenty years is that this development problem cannot be tackled by isolated, hesitant, inadequate, incomplete and sometimes inconsistent measures, by measures which, however understandably, are based on direct interest and do not take into account the kind and magnitude of the problem which will arise in the future. As is my wont, I shall quote the distinguished President of the International Bank, who analyses these problems with extraordinary clarity. In an interesting lecture which he gave at the University of Columbia a few months ago, Mr. Woods said:

"It is a paradox, too, to speak of development assistance as 'foreign aid'. In fact, as we all know, in the past much development assistance has been given in forms designed to benefit the immediate self-interest of the giver - forms rather different from those that would have been followed had economic development been the prime objective, and rather different also from those which would have been followed if performance by the developing country had been an important consideration."
In other words, Mr. Woods sees the two aspects of this problem: what the developing countries have to do and what the developed countries have to do. The measures employed should be complementary. All this serves to strengthen my conviction—

which is shared by my distinguished colleague, Philippe de Seynes—that, given the deep-seated nature of the problem, it has become necessary to work out a global development strategy at the international level—a strategy which is global from two points of view: because all countries, both industrialized and developing, must be included, and because all aspects of development and international co-operation must be encompassed.

In order to make my thinking on this subject clearer, I should like to refer specifically to the problem of food production. I said a moment ago that, in addition to the need for solving the land tenure problem, a systematic effort would be needed to introduce modern technology into the developing countries' agriculture, so as to increase productivity. The magnificent results that the large industrial countries are achieving in this respect is the best example to follow, but that technology, and its application, must be adapted to the developing countries. There is no reason to think, however, that when that technology is applied on an increasing scale and systematically, the developing countries will be able to elude the well-known universal law according to which, as technical progress makes headway, and the productivity of the land increases, the proportion of the working population engaged in agriculture declines. It is true that in some countries intensification of cultivation can absorb more labour, but the general movement will be away from agriculture towards industry and the services. The more intensive the technological penetration of agriculture therefore, the greater will have to be the growth of industry and the services capable of absorbing the manpower in question. If today, with the extremely slight technical progress which is being made in agriculture in the developing countries, we already have a congested labour force which cannot be absorbed with
high productivity, if we already have a problem of redundancy, what will be the magnitude of the problem when, as will inevitably have to happen, a whole range of measures are introduced to increase the productivity of the land? Industry will have to grow more rapidly. The choice between industry and agriculture which is so often put before us is therefore spurious. Both industry and agriculture are required, and the more agriculture progresses the more, generally speaking, will industry and the services have to progress in order to achieve an equilibrium of labour within the community. And as industrial growth accelerates, it becomes necessary to solve the problem of foreign trade. We must also, in order to intensify industrial progress and technical progress in agriculture, obtain a larger transfer of resources from abroad, so that there will be a larger mobilization of domestic resources. There can be no doubt, therefore, that the various aspects of the development problem cannot be dealt with in isolation and that we must deal with them globally. For instance, some people think that the solution would lie in the rapid spread of general and technical education. Of course, we agree; but if that process is carried out without speeding up the growth of the economy, we are going to have a phenomenon which redundant labour would make still more explosive, for there would be a greater popular awareness of the destiny of mankind and the right to better living conditions.

What could the New Delhi Conference do about the phenomena I have briefly summarized? A great deal, I think. I believe that at its second Conference, UNCTAD can make a contribution of the greatest importance, and I say a contribution because the work has to be shared with various United Nations bodies and with the specialized agencies. What role could UNCTAD play? A very important one, and this brings me to the fundamental point with which I wished to deal - what are the topics on which the next Conference should concentrate? A number of delegations have put questions to me on this subject, and I am going to explain my thinking, not as a dogmatic position, which I certainly could not assume before this body, but as the reflexions of one who has followed these problems with interest since the first Conference.
At the first Conference, there was a very great proliferation of problems, as was perfectly understandable. Organized international machinery existed for dealing, not yet with all of those problems, but only with some of them; and the Conference was therefore justified in covering a very wide range of matters. It was quite proper for it to do so, but I do not think this will be the case at the second Conference. First, because it would divert attention from the problems which I am about to mention, and, second, because permanent machinery already exists. For what purpose was the Trade and Development Board created, which meets twice a year? For what purpose were committees created which meet regularly and which can also be convened in cases of emergency? There is therefore no longer any need to cover every kind of subject at the Conference every three years. I believe that it is necessary to make a selection, not according to the importance of the subjects - I think that the importance of the subjects depends on the particular viewpoint and interests of the countries which make up this institution - but according to the following two criteria. First, there are those matters concerning which both general ideas and the possibility of a political decision have developed to a point where agreement can be reached as to how the problem should be tackled, and where a concrete solution can be adopted. Second, there are those matters concerning which that stage has not yet been reached. Or, to put it more clearly, the conditions in which the world is now living are not favourable for embarking upon any clear and well-defined course of action with regard to these subjects. But events are exerting such great pressure around these problems that it would be impossible not to consider them at the Conference, though they should be considered there not in an academic way, but with a view to clarifying our ideas and determining what kind of solutions might be adopted once there is a change in the international situation. It is in this context that I am going to mention certain subjects, although that does not mean that the others are less important but rather that they do not, at the present time, come under the two criteria to which I have referred.
We could, accordingly divide subjects into two major categories, those concerning trade and those concerning finance. In matters of trade, I would say that the items coming under the first criterion I have mentioned are the following:
- access of primary commodities to the markets of the great industrial centres;
- preferences for the manufactured and semi-manufactured products exported by under-developed countries;
- closer trade relations between the developing countries; and
- trade between the socialist countries and the rest of the world, and especially with the developing countries.

As to the first item, Mr. Chairman, I consider it very important to disregard general formulas and to make a concrete study of each product, with a view to obtaining easier access for it to the markets of the developed countries. This is what we are trying to do, for example, in the case of sugar, where overproduction is serious and is going to become considerably more so unless access to the big countries is improved and unless the expansion of production by the exporting countries is not checked for a certain time. I have come to believe more and more in the method of studying each case by itself in order not to fall into generalizations, which, as experience shows, do not lead to any concrete solution. This study should also include the problem of synthetics, concerning which a committee is now hard at work. I hope to deal with the problems of primary commodities under item 13, if I remember rightly, of our agenda, so I will not go into these matters any further at present.

The second item is preferences, concerning which I feel that the atmosphere has become much more favourable, or at least much less unfavourable, since the first Conference. President Johnson's very clear, although cautious, statement at the Punta del Este Conference shows that the United States is prepared to make a fundamental change in its attitude to world trade policy. And if there were ever any doubts, which I personally never had, about the significance of this statement, they have surely been dispelled by the excellent account recently given to the Joint Economic Committee of the United States Congress by Mr. Anthony Solomon, Assistant Secretary of State for Economic Affairs. Because of the significance which this document has for our
deliberations and the deliberations of the Conference, I should like to recommend all representatives to read it. Although the question of preferences was the weak point of the deliberations of the first Conference, I think that the prospects of arriving at a concrete and positive solution at the second Conference are by no means to be despised. It is undeniable, as was clearly to be seen in the Group on Preferences which met several weeks ago, that differences still exist between countries about the best way of applying the preferential system, but it is my modest opinion that with good will and a constructive spirit it will be possible to reach a compromise in this matter. That being so, the main thing is to get the machinery going without loss of time and to see that it adapts itself to the needs of the times. It is obvious that no preferential system, no matter how liberal - and I should like to see the complete abolition of Customs duties, that is, complete equality between the product exported by the under-developed countries and the national product of the importing country - will yield the fruits which it would be possible to show unless it is accompanied by a vigorous policy for the promotion of the developing countries' exports.

The systematic monetary overvaluation to which some countries resort is a severe brake on the export of manufactures. Administrative red tape, fiscal obstacles, the lack of proper organization - all these will make the process more difficult unless a determined approach is adopted. The international organizations undoubtedly have an important part to play in furnishing technical assistance to the countries which ask for it, and I am glad to state that we in the UNCTAD Secretariat, who are greatly concerned about the duplication with GATT which exists in this field, as in other fields, recently made a proposal to Mr. Wyndham White with a view, not to co-ordinating, but to combining our respective departments by establishing a single centre for the promotion of the developing countries' exports. In this way the resources of UNCTAD, GATT and the United Nations Development Programme would be harnessed to make our work on behalf of the developing countries as effective as possible. The relevant talks are proceeding in a very satisfactory way, and I hope that during the present session we shall be able to propose a concrete solution of this problem to Governments.
As regards trade between the developing countries, exploration of the vast field of action it offers has only barely been started with a few experiments, statements, proposals or initial formulations of policy. The secretariat has already submitted a detailed document on this matter, as well as the report of the group of experts convened to draw up recommendations on the subject. We are convinced that the developing countries' external trade imbalance cannot be corrected simply by a policy of straightforward growth of exports of manufactures and primary commodities to the industrial centres; and that a rapid intensification of trade between the developing countries themselves is also indispensable, whether it be achieved through regional or sub-regional integration agreements or through inter-regional agreements. All these possibilities must be systematically explored in order to arrive at action programmes. The success of such programmes, however, does not depend solely on the foresight and determination of the developing countries, but also on the technical and financial support provided by the developed countries. A number of suggestions have been clearly presented in the secretariat's report on the subject and we hope that some conclusions can be reached at the Board's present session with the help of officials who are working in this field in the various developing areas of the world. A clear example may here be seen of the possibility of adopting convergent measures. The developing countries are insisting on, and may possibly obtain, the adoption of preferential policy towards them; but they, in turn, should take part in this re-organization of international trade by adopting their own policy of strengthened trade, not as a legal obligation, but as an integral part of global joint action. So far as trade is concerned, therefore, while the industrial centres on the one hand could grant wider access to the developing countries' primary commodities and open the door to their manufactures the developing countries could themselves, on the other hand, reach agreements arrived at expanding and liberalizing trade among them by means of their own preferential schemes, the establishment of common markets or regional or sub-regional free-trade areas and other similar measures. At the same time, the industrial countries could lend technical and financial support to these efforts of the developing countries to strengthen trade between them. That, Mr. President, could be a concrete expression of your formula of synchronized action - action on both sides. Action on one side without action on the other would fail to produce the sought-after gradual alleviation and eventual elimination of the present external bottleneck from which the developing countries are suffering.
As regards trade with the socialist countries, the secretariat is going to submit a report covering the principal aspects of this problem, with particular reference to trade relations between the socialist countries and the developing world, which, as we all know, are promising. According to estimates made at the first Conference, the volume of trade between the socialist countries and the developing countries will reach about $10,000 million by 1970. At present, this trade amounts to some $6,000 million, which means that it has already doubled in the last five years. I think that not only the specific opportunities for these trade relations, but also the extremely interesting evolution taking place in the socialist world should be explored. It would be most interesting if, in the Board, we could enlighten ourselves as to the nature and possible impact on world trade of this evolution, which involves the adoption of some forms of competition. In other words, one of UNCTAD's aims in this field should be to search, together with the Economic Commission for Europe, for means of integrating and harmonizing trade with the socialist countries within the context of world trade especially so far as the developing countries are concerned.

Although the bilateral system may be useful in the initial stages of this type of trade, it raises in the long run obstacles which, though not insuperable, make it impossible to derive full benefit from the trade. Perhaps the Board could discuss the possibility of using the UNCTAD machinery for promoting these trade relations, trying to find a multilateral formula for trade with the socialist countries, carrying out exchanges of information and, in general, discussing relevant problems, especially so far as concerns countries which still maintain limited trade contacts with the socialist countries.

I now turn to financial matters. I shall not repeat what we all know about the drying-up of the flow of international financial resources from the big countries to the peripheral countries. It is a well known fact, and one to which attention has been called on many occasions; it will doubtless continue to provoke discussions such as those held at regular intervals in various settings. In the present circumstances I would not venture to predict how far it will be possible to go, but I do believe that great progress has been made in other ways. One of these is the liberalization of the terms and conditions for the transfer of resources. A measure of agreement has been reached on this matter, and on the need to ease the extremely heavy burden of debt service borne by many countries.

There are two matters concerning which we still have a long way to go, not in grasping the theory of the problem, but in taking specific measures to solve it.
One is reluctance to commit international financial resources for the entire duration of a development plan. As I say, some progress has been made from the theoretical point of view, because high officials of the International Bank for Reconstruction and Development, for example, have produced a series of studies in which this reluctance is clearly acknowledged as a defect in the international financial system. Also recognized as a defect is the reluctance to lend funds to developing countries for local investment expenditure when their savings are inadequate. I understand that a narrow view may be taken in relation to specific projects but I believe that, in rendering financial assistance for an economic development plan, it is essential to calculate what maximum quantity of means a country can mobilize from domestic sources under the best possible conditions, and what amount of supplementary external funds it will need to achieve a given rate of growth. Unless this is done, either the plan is doomed, or the country becomes a prey to inflation, or to a worsening of existing inflation caused by a scarcity of local funds. All these are points on which very down-to-earth discussions could be held at the Conference with a view to arriving at practical solutions.

So much for basic financing. I shall now refer briefly to supplementary financing. The World Bank, through its report on this subject, has made a major contribution, and the discussion which has been going on has been most constructive. Ideas have been sharpened and a clearer understanding has been reached as to the best modus operandi; but an effort must still be made to reconcile the policy of the World Bank with that of the International Monetary Fund. Their respective positions on this point are not concerned only with supplementary financing but reflect different points of view on economic development policy and international co-operation. On the one hand the view is taken that if a country is to apply an economic development plan with some measure of efficiency, it is vital that its plan of investment and mobilization of internal resources should not be at the mercy of unforeseen external contingencies which have the effect of reducing its resources. All those of us who have had any experience in the matter know how disruptive this can be. On the other hand the view is taken that, when a situation of this sort arises, the country affected must make certain readjustments in its economy, some of which may lead to a contraction of its investment plan, to the detriment of the rate of development and the country's ability to generate its own resources. Fortunately, the very requirements of the policy of international co-operation have in practice narrowed the gap between these different positions and I hope that, in the process, the two agencies will arrive at a common view of the development problem.
Although I propose to deal separately with commodity problems at a later stage, I should not like to give the impression of passing over a subject which is linked to that of finance. I refer to the financing of buffer stocks.

As everyone knows, the scarcity of funds with which to establish and operate a buffer stock was one of the snags struck in the negotiations on a cocoa agreement. I believe it will be possible to find an ad hoc solution to that problem, but it has once again drawn attention to one of the major shortcomings of the existing machinery for international financing, and one which was foreseen by Lord Keynes when he presented his famous scheme before Bretton Woods. On this problem too some progress has been made. Thus, at the last meeting of the Committee on Commodities, the representative of the International Monetary Fund said that the Fund was interested in studying the problem so far as its existing terms of reference allowed it to do so.

When the UNCTAD secretariat suggested in the Committee on Commodities that a small initial fund should be set up to begin financing buffer stocks, one of the objections raised was that it would be wrong to tie up funds in that way just in case a contingency arose with regard to a commodity. To be specific, this is the position of the International Monetary Fund, which has funds contributed by its members - funds that are brought into play when the balance of payments is disturbed. In many cases these imbalances are caused by a fall in prices. If part of the funds in question were used to mitigate such a fall in prices - in those cases where such a course was advisable - through the buffer stock machinery and other measures, there would be that much less need to use them to reduce external imbalances later on.

I now wish to bring up another point which is not specifically a matter of trade or financing but which has a great deal to do with these and other sectors that must be covered by any global strategy of development and international economic cooperation. I refer to the need to combine a number of measures that will take into account differences in degree of development between developing countries; a large number of such countries stressed this point - and, I believe, rightly so - at the previous session of this Board.
On this point I believe that, in a global strategy of development and international co-operation, among the measures which must be combined in order to attain common objectives it is essential to consider special measures that will enable the less advanced among the developing countries to increase their growth rate satisfactorily and thus to derive greater benefit from preferential policy and other advantages. I believe that this too is a point of fundamental importance.

In view of the stress that a number of delegations have laid on the problem of food production, and in view of the proposal that this topic should be considered by the New Delhi Conference, I should not omit to refer to it at this stage. If I have not referred to it explicitly in previous statements, it was because I knew that FAO was working hard to complete the Indicative World Plan on this subject - a plan which I certainly consider a very wise and timely one.

In view of the possibility that progress may be made at New Delhi towards the idea of a global strategy of development and international co-operation, I share the view that it would not be outside the second Conference's terms of reference to discuss the relevant aspects of the problem as an integral part of such a global strategy.

If so, I have no doubt that representatives will consider it proper that a special invitation should be extended to the Director-General of FAO, since his organization is thoroughly conversant with the problem and bears an overriding responsibility in the search for a solution. Hence active participation by FAO in the deliberations on this and kindred subjects at New Delhi would be of great help.

Now that I have described in general terms what UNCTAD can contribute to the consideration of global strategy of development and international co-operation, I should like to go a little further and throw light on one point which came up when supplementary financing was discussed: namely, the commitments which a country requiring supplementary financing must enter into in order to obtain it. This has been spoken of as though it were something new, whereas in reality it relates both to basic financing and to supplementary financing.
Within a global strategy of development, I firmly believe that a much larger transfer of international resources to the developing countries is needed than has been made hitherto. If the objective of transferring to those countries 1 per cent of the gross national product of the industrial countries was attained, that in itself would be a considerable step forward. But this massive mobilization would have to be carried out according to a clear plan of economic development presented by each recipient country. This plan must have real dynamic validity and be the tangible expression of a policy of economic and social development; and if this policy is geared to a global strategy of development and international co-operation, that will provide a very important starting point both for the preparation of plans and in connexion with the amount of international resources to be contributed to the financing of the plan. If a plan is to possess dynamic validity, it must include a number of measures to break the external bottleneck, especially by promoting exports. These efforts would, of course, be easier if they could be made under a more favourable policy of co-operation. The mobilization of international resources should therefore be linked with the external objectives of the plan, including the promotion of exports and the establishment of industries, especially in the case of the less advanced among the developing countries which do not yet have export industries and which need them. Financial support for such industries is essential to plans for sub-regional or regional integration. As to the domestic economy, I think it would be ideal for countries to know that resources will be mobilized on a large scale when they are intended to launch those reforms of the economic and social structure which are vitally necessary to increase the rate of development and to enable contemporary technology to reach right into the developing countries. Hence, as I see it, there is a very close relationship between an enlightened policy of international financial co-operation and the validity of the domestic plan. Without international financial co-operation, the domestic plan would be of little use; and a greater mobilization of international resources would be of very little use without a valid domestic plan. I believe that, here again, synchronized action is required: namely, an improvement in international co-operation accompanied by an improvement in domestic planning systems; and when I say planning, I mean the crystallization of a policy of economic and social development. It is true that we have made progress in this respect in the last decade; the idea of planning no longer
horrifies anyone. Now and then some troglodytic professor confuses planning with centralized control of the economy, but that happens less and less often. The idea is fully accepted by now; but that does not imply that it is being satisfactorily applied. Very few countries in the peripheral world have a well-designed and well-executed development plan. In some cases, energy is wasted on the pedantries of economists who cultivate econometrics - macro-economic pedantries which do not get us very far when the practical situation still does not admit of certain technical refinements. In other cases, the plan is simply used as a technical poltice which is stuck on to the ancient body of an administration without penetrating it. A plan also needs firmness of purpose. All too often we have seen a carefully devised investment plan modified at a later date by the construction of luxury facilities or works of doubtful utility, or the whole plan disrupted not only by external instability - which is very serious - but also by domestic inflation.

There can be no valid economic and social policy in a developing country which is a prey to inflation. Inflation is a cancer which has yet to be eradicated in many developing countries, and which is due not only to the factors traditionally blamed but also to structural factors. Inflation is the result, not only of the traditional forces which have produced it in developing countries, but also of reluctance to act on the structural factors which cause price increases to the detriment of the mass of the population; and it is also the result of the manifestly mistaken belief that inflation can be an effective instrument of distributive justice. To look at the matter from another point of view, it is unacceptable, even in cases where the developing countries have agreed on a common strategy with the developed countries, that attempts should be made to impose a specific policy upon a country. What could, however, constitute the basis of a development plan would be a commitment by a country to increase, for instance, the domestic mobilization of resources. How to do so, how to administer its fiscal system in order to produce that result, is a matter which each country must settle for itself. The experience of the past few years has, I think, clearly shown the need for an independent evaluation as between, on the one hand, the countries and institutions which provide international resources and, on the other hand, the developing countries which make use of those resources. Some agency is needed to pass judgement on plans and their execution. It would be desirable to make use of the
experience gained in this matter by consortia and consultative groups of experts, such as that set up in Latin America under the Alliance for Progress. There has also been talk of setting up an institute, subordinate to the World Bank and composed of independent experts, to evaluate plans and to act as advisers to both sides in devising a policy of planning and of financial aid to planning. I think that some such mechanism will be necessary if a much greater quantity of resources is set in motion in order to increase the growth rate of the developing countries. Of course, if matters go on as they are, if those concerned continue to make modest loans for isolated projects without regard to the plan as a whole, and without reaching an adequate volume of loans, there is no point in discussing such a mechanism.

In the developed countries I am often asked what is the point of making efforts and sacrifices on behalf of the developing countries if no appreciable increases are observed in their rates of economic growth. It is true that there are few tangible results to show in that respect. I said so at the beginning of my statement; but the reason usually given is not the correct one. I believe that the solution lies in a strategy under which the mobilization of resources can be tied to the application of a domestic and foreign policy which will accelerate development.

The primary interest of the big countries is that the preferential policy under consideration, and the regional and sub-regional integration groups, should not militate against the main international commercial objectives of the more advanced countries. It has often been said that adopting the preferential policy would mean discarding the most-favoured-nation clause and the concept of multilateralism. In my opinion, the policy followed by the big countries in the post-war period has been a very constructive policy, reaching its culmination in the Kennedy Round. I think that Round was a significant step in the direction of a system of international trade which would operate in a flexible manner, as it did before the First World War, although in a world totally different from that of the nineteenth century. Would preferences in favour of the developing countries interfere with that? Do trade groupings of developing countries conflict with that policy? I would think not. I would say that they are means of enabling those countries to fit smoothly into
world trade, and that preferences and regional or sub-regional groupings are essential to correct the manifest economic and industrial weakness of the developing countries. The preferences which have been requested are to last for a limited period in order to help the developing countries to achieve a competitive position. How are the developing countries to participate in a policy of liberalizing world trade if they continue to be hemmed in by great barriers and restrictions which are the result of the narrowness of their national markets? The only way for them to do it is by uniting among themselves, not to form closed groupings, but to open out. However, the opening out of such a group to the rest of the world basically depends on the big countries. If those countries apply a clear and evident policy of absorbing manufactures from the developing countries, the groupings formed by the latter will be open ones, interested in external trade. If, on the other hand, the big countries apply a restrictive policy - as I hope they will not - the developing countries will be forced to established closed economic blocs. If they form open groupings, their productivity will gradually increase, as a result both of the export of manufactures to the developed countries and of the exchange of manufactures and agricultural produce among themselves; and all this will help to equip these countries to participate and compete more and more actively in world trade. I see in this nothing incompatible with the policy of liberalization and multilateralism; but I do emphasize the necessity of adapting that policy to the new problems which the great advances of technology are creating in the developing world. In other words, it is a question of a transitional period and policy which are of special importance for the developing countries.

I should like to point out that this concept of multilateralism is not only of economic import but also has a tremendous political significance which I could not pass by without mentioning. A series of events is about to take place which will determine the economic structure of the international world for many decades to come. Is the trend to be towards a multilateral system in which a developing country has open to it the market of all the developed countries, including the socialist countries? Or is the trend towards the sectionalizing of the economic world into vertical compartments, into spheres of influence of the northern countries over the countries of the south?
I have been drawing the Board’s attention to this point for some time. It has been said that these fears are imaginary, that there is no such danger. But there is such a danger. And the danger is growing. In the Joint Economic Committee of the United States Congress to which I have already referred, a statement was made recently by Mr. George Ball, a former Under-Secretary of the State Department, who as such led the United States delegation to the first Conference and whose opinion, though consequently of great weight, does not of course represent the point of view of the Government of the United States as expressed by Mr. Solomon before that same Joint Committee in favour of a general and non-discriminatory system of preferences. As is well known, Mr. Ball was not in favour at the 1964 Conference of the policy of general and non-discriminatory preferences. He now says in his statement: "A strong theoretical case can be made for this proposal, yet I have never believed that it was politically realistic". (I should say that, in connexion with an editorial in the Washington Post, Mr. Ball explained that he would prefer a non-discriminatory system of preferences, but that, in view of the policy being pursued in Europe in this connexion, the United States would in his opinion have to look that reality in the face and adapt its policy accordingly). And Mr. Ball adds in his statement before the Joint Committee that the problem is important because it raises the key question whether the United States should continue to frame its relations with the rest of the world in universal terms or whether it should not direct itself frankly towards a tacitly or explicitly agreed distribution of responsibilities which cannot and should not be separated from the general problem of spheres of influence. Apparently what leads him to take this sceptical position is that he perceives, and perceives rightly, that in Latin America there exist, in opposition to the systems of vertical preferences which might affect Latin American exports, powerful currents of opinion in favour of a vertical system with the United States. And Mr. Ball says: "Up to this point we have been firmly loyal to the principle of non-discrimination; but recently the pressure for a special trading regime with Latin America has become more clamorous". And he adds: "If Europe is not prepared to accept responsibility for the Third World on a universalist basis then perhaps some regime of Closed Systems may be necessary, but in
that event should we not go the full way? Should we not seek the benefits of a geographical division of responsibilities?" And he goes on to ask "Should we not insist, in other words, that arrangements for commercial preferences carry with them substantial obligations on the part of the industrialized partner? Thus, for example, if the European Economic Community continues to expand its system of preferences for Africa, should we not make it clear that we will look to the nations of the Community to carry the burden of economic assistance and, where necessary, political tutelage for those African countries that enjoy such preferences? In practice, this would mean an American recognition of the primacy of the European interests in Africa - and consequently the primacy of European responsibility for providing foreign aid, etc. ... to the African people". I must say quite frankly that Mr. Ball insistently expressed his preference for a multilateral and non-discriminatory system. "I would much prefer", he said, "to see the other advanced nations take a generalized responsibility toward the poor nations in the south, but, if they are not going to do so, then perhaps we should settle for some sectionalizing of the world that would involve an agreed concentration of effort by particular advanced nations of the north for the benefit of particular poor nations in the south within the framework of preferential trading systems."

This is a most serious matter, Mr. President, because it reflects not an isolated opinion but a strong trend both in the United States and Latin America, a trend which I view with the utmost concern. I do not believe that questions of this kind can be decided by the countries of the north alone. In my view a vertical division of the southern countries would be a tremendous economic and political blunder. But if that is their wish, let them decide in full knowledge of the facts, let them know what they are doing and let us not be faced with the same sort of situation as prevailed in the Iberian world when the empires of Brazil and Spain were wrangling over South America and Pope Alexander VI issued a Bull vertically dividing the zones of influence of the two empires. I feel that times have changed since then, that the developing
countries can no longer be subjected to decisions of this kind without their discussing clearly and deliberately the consequences of those decisions. I consider this to be a very serious matter, and the difficulty of the problem is ever present in my mind. I should be the last person to suggest that countries at an early stage of development and enjoying the benefits of discriminatory preferences should suddenly give those benefits up before a policy of compensation has been adopted which is likely to promote their economic development. All this must be done within the context of a global development strategy and an international policy. In my opinion this greater effort by the developed countries is what the relatively less developed countries need. But I also feel that from an economic and political standpoint we must think carefully before applying a method which promotes the trade of some developing countries at the expense of others.

UNCTAD should have a considerable part to play in the discussion and solution of these problems because it is an instrument which belongs neither to the developed nor to the developing countries, but to all countries. It is an instrument which can make a signal contribution to the formulation and articulation of that broad global strategy which concerns both types of country. It is, at the same time, an instrument which gives them an opportunity to review from time to time those aspects of global strategy that are within its purview so as to determine what progress has been made and what barriers still have to be overcome. Confrontation there must be, for confrontation is unavoidable, not between the industrial and the underdeveloped countries, but with a common problem of equal interest to all of them, namely the problem of development. It is of concern to the big countries not only as a human and political problem but also as an economic one. We certainly saw how anxious the big countries became when the Kennedy Round was about to collapse. Why were they worried? Because contemporary production techniques require broader markets, and they require trade in products, for both are extremely powerful instruments of technological exchange. To open the developing world to international trade, to open it instead of cutting it off, as has happened during the past thirty years, is to widen the scope for the exchange of the developed countries' exports for the exports of the developing countries. The formulation of a far-
sighted, multilateral world policy, under which none would be excluded or
discriminated against – instead of stop-gap measures of support for the weakest
members of the international community – would give a considerable impetus to world
trade with all the benefits that it entails. All things considered, Mr. President,
development is a fascinating problem. It is the problem of how to use and influence
modern technology and how to dominate the forces of the economic process in order to
achieve that supreme design which can no longer be postponed, namely the economic
and social development of the underdeveloped world.
Mr. Federico Consolo

Paola Leon

Letter of Dr. Giovanni Sacco - Supplementary Finance

August 16, 1967

Attached is a letter from Dr. Giovanni Sacco, of the Italian Treasury which came while I was on leave. Following Mr. Friedman's instructions last June, I had cabled Dr. Sacco that Mr. Friedman would be in Rome at the end of June and would like to talk to him.

I have acknowledged Dr. Sacco's letter (copy attached). May I leave to you any further action?

Pleon:on

Attachment

cc: Mr. Friedman
August 15, 1967

Dr. Giovanni Sacco
Ministero del Tesoro
I.R.F.E.
Via XX Settembre
Rome
Italy

Dear Dr. Sacco:

Please excuse me for writing in English - secretarial convenience dictates it.

I found your letter of July 7 on my return from an extended leave. Mr. Friedman is at present out of town, but I shall convey to him your request on his return.

Yours sincerely,

Paola Leon

cc: Messrs. Friedman/Consolo
### Routing Slip

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**Remarks**

For information and return please.

DMcG

**From**
August 1, 1967

Dear Arthur:

I enclose a copy of a letter of July 20 from Prebisch to Mr. Woods, concerning a statement by the Bank on the subject of trade expansion, economic cooperation and integration among developing countries to be made at the forthcoming session of the Trade and Development Board, together with a copy of my reply, indicating that the Bank’s representative, which means you, will make such a statement. There is also enclosed a copy of a letter dated January 19, 1967 from Irving Friedman to Prebisch. Irving, Andy Kamarck and I agree that this letter can very well serve as the statement which you will make at the Board session. If supplementary finance is to be discussed at the session, whether formally or informally, Irving will want to think about the possibility that Sarma might attend the meeting. If there are any indications that this topic is to be considered, please let me know.

With kind regards,

Sincerely yours,

Richard H. Demuth
Director
Development Services Department

Mr. Arthur Karass
Deputy Special Representative
in Europe
International Bank for Reconstruction
and Development
4, avenue d'Iena
Paris 16e, France

Enclosures (3)
3EBoskey:tsb

cc: Messrs. Consolo
Friedman
August 1, 1967

Dear Dr. Prebisch:

Mr. Woods has asked me to reply to your letter of July 20 (TD 240/1), asking that the International Bank for Reconstruction and Development present its views on the subject of trade expansion, economic cooperation and integration among developing countries by making a statement and participating in the discussion which will take place, probably around August 24, in the forthcoming session of the Trade and Development Board. I am pleased to inform you that appropriate arrangements are being made for the presentation of such a statement by the Bank's representative at the forthcoming session of the Board.

With kind regards,

Sincerely yours,

Richard H. Demuth
Director
Development Services Department

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

SBEoskey:tsb

cc: Messrs. Steckham Friedman Karass Consolo
Dear Mr. Prebisch:

Mr. Woods has asked me to answer your letter to him dated November 14, 1966 (reference CE/5W), accompanying the reports of an Expert Group and of the UNCTAD Secretariat on trade expansion, economic co-operation and integration among developing countries.

I have read both reports with interest and the following summarizes my comments.

The World Bank group views with great sympathy the efforts of developing countries towards regional co-operation. In his speech at the UNCTAD conference, Mr. Woods stated that: "Two-thirds of the developing countries have populations of less than five million ... for these countries the hope for satisfactory development lies largely in regional arrangements to eliminate trade barriers, enlarge markets and rationalize production among themselves. We in the Bank have long encouraged regional groupings of this kind and will not only welcome but seek out similar opportunities in the future."

The report of the UNCTAD Secretariat makes a number of references to the role of international financing institutions, the most important of which is contained in Chapter III, paragraph 104, where it is suggested that the institutions of the World Bank group might commit themselves to giving priority to financing projects which had been agreed upon as part of a regional investment policy. The report goes on to suggest the Bank group might take a policy decision to seek out such opportunities systematically in the future and that there might be an explicit international declaration of priority support for projects of multinational interest.

I should like to emphasize that the Bank group does endeavor to encourage projects of a multinational character. This is clearly an appropriate attitude for an international financing institution. We have, in fact, made a number of loans and credits

Mr. Raul Prebisch
Secretary-General
United Nations Conference on
Trade and Development
Palais des Nations
Geneva, Switzerland
for projects of this kind, for example, our loan for railways and harbors to the East African Common Services Organization, our credits for the railway in Mali and Senegal and our loans for the Indus Basin Project. Projects of this kind are often difficult to arrange but the problem is usually not that of finding the necessary finance but of securing agreement between the countries concerned. However, we do make every effort to secure the necessary agreement for such projects and we shall continue to do so. My only reservation concerning the wording of the report is that it speaks of giving priority to multinational projects over other projects. While we may give some priority to such projects in terms of effort spent upon them we would nevertheless appraise them by the same criteria of economic soundness that we apply to all the projects which we finance. It would, I am sure you would agree, be a mistake to attempt to bring about economic integration by establishing uneconomic projects.

We support the emphasis which the report places on ensuring balanced development within integrating areas (Chapter III, paragraphs 66 and 67, Chapter VII, paragraph 32) and I would like to stress that the development of a regionally balanced infrastructure is of great importance. If approached by a group of countries the IBRD would be prepared to examine the investment program of the group and to provide financial assistance for specific projects in accordance with its policies and procedures.

It is suggested in paragraph 128 that the International Finance Corporation should participate in joint ventures in enterprises forming part of an agreed program of regional integration. Provided that these ventures are economically sound and fall within its normal lending rules, there is no reason why IFC should not participate in them. With regard to the implication in the report that IFC's resources need to be increased, I would like to point out that this has recently been done by means of a substantial loan to IFC from the Bank.

In conclusion I would like to stress again the World Bank group's interest in regional co-operation among developing countries and its readiness to help in promoting integrated development.

If you wish to discuss any of the questions raised in the report in more detail I should be happy to do so.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President
NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The arabic and roman numerals identifying each resolution indicate, respectively, the number of the resolution and the number of the session at which it was adopted.

The resolutions of the Economic and Social Council are numbered in the order of their adoption. A check list of the resolutions adopted by the Council during its forty-third session appears at the end of the present volume.

CONTENTS

Agenda for the forty-third session ........................................ vii

RESOLUTIONS ADOPTED BY THE COUNCIL DURING ITS FORTY-THIRD SESSION (1249 (XLIII) - 1281 (XLIII))

ECONOMIC QUESTIONS

1245 (XLIII). Annual report of the Economic Commission for Europe (item 10) Resolution of 21 July 1967 ........................................ 1
1246 (XLIII). Annual report of the Economic Commission for Asia and the Far East (item 10) Resolution of 21 July 1967 ........................................ 1
1247 (XLIII). Annual report of the Economic Commission for Latin America (item 10) Resolution of 21 July 1967 ........................................ 1
1248 (XLIII). Annual report of the Economic Commission for Africa (item 10) Resolution of 21 July 1967 ........................................ 1
1259 (XLIII). Economic planning and projections (item 4) Resolution of 3 August 1967 ........................................ 1
1260 (XLIII). United Nations Development Decade (item 3) Resolution of 3 August 1967 ........................................ 2
1261 (XLIII). Review of past experience and of possibilities for future action in the field of economic development (item 3) Resolution of 3 August 1967 ........................................ 2
1270 (XLIII). Export credits and development financing (item 5) Resolution of 4 August 1967 ........................................ 4
1271 (XLIII). Tax reform planning (item 5) Resolution of 4 August 1967 ........................................ 4
1272 (XLIII). International flow of capital and assistance (item 5) Resolution of 4 August 1967 ........................................ 4
1273 (XLIII). Tax treaties between developed and developing countries (item 5) Resolution of 4 August 1967 ........................................ 5

Other decisions
Postponement of agenda item 22 ........................................ 5
Flow of resources to developing countries ................................ 5
International Symposium on Industrial Development .................. 5
Promotion of private foreign investment in developing countries .......... 6

SOCIAL QUESTIONS

1253 (XLIII). Annual report of the United Nations High Commissioner for Refugees (item 15) Resolution of 1 August 1967 ........................................ 6

6


7


8


8

1255 (XLIII). Review of the World Food Programme (item 13) Resolution of 2 August 1967 ................................. 8

8

1256 (XLIII). Amendment of World Food Programme General Regulation 6 (item 13) Resolution of 2 August 1967 ................................. 9

9

1257 (XLIII). Increasing the production and use of edible protein (item 9) Resolution of 2 August 1967 ................................. 9

9

1263 (XLIII). Evaluation of programmes of technical co-operation (item 12) Resolution of 3 August 1967 ................................. 10

10

Other decisions

Provision of operational personnel under the Technical Assistance component of the United Nations Development Programme ................................. 11

11

Appointment of a member of the Advisory Committee on the Application of Science and Technology to Development ................................................. 11

11

Multilateral food aid ............................................................ 11

11

Questions relating to the programmes and activities in the economic, social, technical cooperation and related fields of the United Nations, the specialized agencies, the International Atomic Energy Agency, the United Nations Children’s Fund and all other institutions and agencies related to the United Nations system

1262 (XLIII). Co-ordination at the country level (item 17) Resolution of 3 August 1967 ................................. 11

11


12

1274 (XLIII). Development and utilization of human resources (item 8) Resolution of 4 August 1967 ................................. 13

13

1277 (XLIII). Reports of the specialized agencies, the International Atomic Energy Agency and the Administrative Committee on Co-ordination (item 17) Resolution of 4 August 1967 ................................. 14

14

1278 (XLIII). Development of information media (item 17) Resolution of 4 August 1967 ................................. 15

15

1279 (XLIII). Development of activities in the field of population (item 17) Resolution of 4 August 1967 ................................. 15

15

1286 (XLIII). Arrangements for the establishment of a Joint Inspection Unit (item 17) Resolution of 4 August 1967 ................................. 16

16

1281 (XLIII). National co-ordination and co-ordination of statistical questionnaires (item 17) Resolution of 4 August 1967 ................................. 16

16

Other decisions

Co-ordination at the regional level ........................................... 17

17

Documentation and indexing ................................................. 17

17

Expenditures of the United Nations system in relation to programmes ......................................................... 18

18

Contribution of the United Nations and specialized agencies to the regional development planning institutes ......................................................... 18

18

Survey of the major points in the annual reports of the specialized agencies to the Administrative Committee on Co-ordination ........................................... 18
AGENDA FOR THE FORTY-THIRD SESSION

adopted by the Council at its 1480th meeting
held on 11 July 1967, and at its 1501st meeting held on 1 August 1967

1. Adoption of the agenda.
2. General discussion of international economic and social policy.
4. Economic planning and projections.
5. External financing of economic development of the developing countries:
   (a) International flow of capital and assistance;
   (b) Promotion of private foreign investment in developing countries;
   (c) Outflow of capital from the developing countries.
9. Increasing the production and use of edible protein.
10. Reports of the regional economic commissions.
11. Reports of the Governing Council of the United Nations Development Programme:
    (a) United Nations Development Programme;
    (b) Technical co-operation activities undertaken by the Secretary-General.
12. Evaluation of programmes of technical co-operation.
13. Multilateral food aid:
    (a) Programme of studies called for in General Assembly resolution 2096 (XX);
    (b) Report of the Inter-governmental Committee of the World Food Programme.
17. Development and co-ordination of the activities of the organizations within the United Nations system:
    (a) Reports of the Committee for Programme and Co-ordination and of the joint meetings of the Committee for Programme and Co-ordination and the Administrative Committee on Co-ordination;
    (b) Report of the Administrative Committee on Co-ordination;
    (c) Reports of the specialized agencies and the International Atomic Energy Agency;
    (d) Proposal for a review of agencies and programmes within the United Nations family;*
    (e) Arrangements for facilitating the work of the Administrative Committee on Co-ordination;
    (f) Co-ordination and co-operation among institutes concerned with planning, training and research;
    (g) Expenditures of the United Nations system in relation to programmes;
    (h) Co-ordination at the country level;
    (i) Co-ordination at the regional level;
    (j) Transfer to the United Nations of the responsibilities and assets of the International Relief Union.
18. General review of the programmes and activities in the economic, social, technical co-operation and related fields of the United Nations, the specialized agencies, the International Atomic Energy Agency, the United Nations Children's Fund and all other United Nations institutions and agencies.


20. Review of public information activities.


22. Question of a

23. Arrangements regarding the report of the Council to the General Assembly.


25. Elections.*


27. Basic programme of work of the Council in 1968 and consideration of the provisional agenda for the forty-fourth session.*

28. Relations between the Economic and Social Council and non-United Nations intergovernmental organizations in the economic and social field:
(a) Report of the Secretary-General;
(b) Proposal by Iran, Pakistan and Turkey.


30. Action to be taken following the earthquakes in Turkey, Colombia and Venezuela and the storm in Pakistan.*

31. Appointment of a member of the Advisory Committee on the Application of Supplementary item.

Item postponed to resumed forty-third session.

Item postponed to forty-fifth session.

Item postponed to forty-third session.

Item postponed to resumed forty-third session.

Supplementary item.

* Item postponed to resumed forty-third session.

** Item postponed to forty-fifth session.

*** Supplementary item.

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**RESOLUTIONS ADOPTED BY THE COUNCIL DURING ITS FORTY-THIRD SESSION**

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**ECONOMIC QUESTIONS**

1245 (XLIII). Annual report of the Economic Commission for Europe

The Economic and Social Council

1. Takes note of the annual report of the Economic Commission for Europe for the period 30 April 1966 to 28 April 1967,^ of the views expressed during the discussion, and the resolutions and the other decisions adopt­ed during the twenty-second session of the Commission;

2. Endorses the programme of work and priorities contained in the report.

1495th plenary meeting, 21 July 1967.

1246 (XLIII). Annual report of the Economic Commission for Asia and the Far East

The Economic and Social Council

1. Takes note of the annual report of the Economic Commission for Asia and the Far East for the period 5 April 1966 to 17 April 1967,^ and of the recommendations and resolutions contained in parts II and III of that report;

2. Endorses the programme of work and priorities contained in part V of that report; and

3. Commends the progress of work and the achievements of the Commission during the twenty years of its existence as reflected in the Commission's discussions on its twentieth anniversary under item 4 of the agenda for its twenty-third session.

1495th plenary meeting, 21 July 1967.

1247 (XLIII). Annual report of the Economic Commission for Latin America

The Economic and Social Council

1. Takes note of the annual report of the Economic Commission for Latin America covering the period

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^ Ibid., part III.

" Ibid., part V.

* Ibid., Supplement No. 2 (E/4353B).

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Believing that activities designed to achieve orderly implementation of development plans need to be strengthened and accelerated,

Believing further that proper channels for the exchange of information and knowledge on development plans and problems are essential for acquainting economic planners and policy-makers with technical developments that are continually being made,

1. Takes note with appreciation of part one of the Report of the Secretary-General entitled "Implementation of Development Plans: Problems and Experience";

2. Expresses appreciation to the Committee for Development Planning for its thorough and searching examination of the experience and problems in the implementation of development plans with special reference to Latin America and for its judicious recommendations designed to achieve improvements in planning and plan implementation;

3. Approves the programme of future work recommended by the Committee for Development Planning in the field of economic planning and projections;

4. Considers the recommendations of the developing countries to consider, in the light of the recommendations made by the Committee for Development Planning and in accordance with the circumstances prevailing in their countries, the advisability of formulating concerted and vigorous development policies so as to bring about rapid improvements in mobilizing resources, in strengthening the machinery for plan formulation and plan implementation, and in instituting institutional changes which are essential for accelerating the process of economic development;

5. Requests the Secretary-General to undertake the necessary action for the intensification of work on the study of the practical orientation that have been recommended by the Committee for Development Planning, especially the studies on annual planning and implementation. Further, the desirability of planning of progress, as well as for the early publication of a periodical containing facts and information for the use of planners and policy-makers in developing countries;

6. Further requests the Secretary-General to continue to report on the progress of work in this field to the Council and to its Committee for Programme and Co-operation;

Recalling also General Assembly resolution 215 B of 19 December 1966 which referred to the preparatory work for the establishment of guidelines and proposals for the period after the present Development Decade;

Considering that the achievement and maintenance of world peace is of primary importance to the success of United Nations economic development efforts;

Taking note also of the resolutions of the United Nations Conference on Trade and Development and of the International Atomic Energy Agency who have made a significant contribution in the field of economic development among specialists in this field who would participate in their personal capacities;

That, in these circumstances, it is advisable to consider the desirability of holding under United Nations auspices a meeting so as to provide an opportunity for an exchange of ideas, principles and experiences in the field of economic development among specialists in this field who would participate in their personal capacities;

Believing further that world concern with economic development has intensified particularly to the expansion of the world economy, to the well-being of peoples and to the maintenance of international peace and security,

Conscious that world concern with economic development in its various aspects has intensified particularly since the Second World War and that this concern has grown up in close relation to the objectives of the United Nations;

1260 (XXII). United Nations Development Decade
The Economic and Social Council,
Recalling its resolution 1152 (XLI) of 4 August 1966 which indicated the need for making preparations to further facilitate planning for concerted international action for the period after the present Development Decade;

1. Takes note with appreciation of Part One of the Report of the Secretary-General entitled "Implementation of Development Plans: Problems and Experience";

2. Expresses appreciation to the Committee for Development Planning for its thorough and searching examination of the experience and problems in the implementation of development plans with special reference to Latin America and for its judicious recommendations designed to achieve improvements in planning and plan implementation;

3. Approves the programme of future work recommended by the Committee for Development Planning in the field of economic planning and projections;

4. Considers the recommendations of the developing countries to consider, in the light of the recommendations made by the Committee for Development Planning and in accordance with the circumstances prevailing in their countries, the advisability of formulating concerted and vigorous development policies so as to bring about rapid improvements in mobilizing resources, in strengthening the machinery for plan formulation and plan implementation, and in instituting institutional changes which are essential for accelerating the process of economic development;

5. Requests the Secretary-General to undertake the necessary action for the intensification of work on the study of the practical orientation that have been recommended by the Committee for Development Planning, especially the studies on annual planning and implementation. Further, the desirability of planning of progress, as well as for the early publication of a periodical containing facts and information for the use of planners and policy-makers in developing countries;

6. Further requests the Secretary-General to continue to report on the progress of work in this field to the Council and to its Committee for Programme and Co-ordination;

1261 (XLIII). Review of past experience and of possibilities for future action in the field of economic development
The Economic and Social Council,
Mindful that the economic development of the developing countries is of ever-increasing importance to the expansion of the world economy, to the well-being of peoples and to the maintenance of international peace and security,

Conscious that world concern with economic development in its various aspects has intensified particularly since the Second World War and that this concern has grown up in close relation to the objectives of the United Nations;

...
1271 (XLIII). Tax reform planning

The Economic and Social Council

Considers the importance of developing countries of effective tax systems which will serve to mobilize needed government resources and generally to allocate domestic resources in line with the requirements and objectives of development planning,

Affirming the need for formulating a long-term programme … in the field of tax reform expressed by the majority of the members of the Committee for Programme and Coordination in the report on the first part of its first session, 19

Noting the concrete outline of such a programme, designed to provide guidance for tax reform planning and its institutionalization in developing countries, presented in the Secretary-General's note on tax reform planning, 20

1. Requests the Secretary-General, in consultation with the International Monetary Fund and with the assistance of the regional economic commissions and of the United Nations Economic and Social Office in Beirut, to carry out this programme and to assist interested governments of developing countries Members of the United Nations in their efforts to strengthen the structure and administration of their tax systems within the framework of such tax reform planning;

2. Invites the Secretary-General to report to the Council at its forty-fifth session on the implementation of this resolution.

1506th plenary meeting, 4 August 1967.

1272 (XLIII). International flow of capital and assistance

The Economic and Social Council,

Recalling General Assembly resolution 1711 (XVI) of 19 December 1961 and recommendations A.IV.2 and A.IV.3 of the United Nations Conference on Trade and Development at its first session, and Economic and Social Council resolution 1068 (XXIX) of 30 July 1965 and 1183 (XLI) of 5 August 1966,

Recognizing the crucial importance of financing economic development on concessional terms, Realizing the need to avoid adding unduly to the debt burden of developing countries, Appreciating that the International Development Association is one of the most important multilateral means of transmitting financial assistance from developed to developing countries, Considering that the growing needs of the developing countries for such financing, in varying degrees, are urgent, 1

1. Records its deep concern over the delay in the replenishment of International Development Association funds; and

2. Appeals to Governments, members of the International Development Association, to treat the question of further increasing the resources of the Association as a matter of high priority.

1506th plenary meeting, 4 August 1967.

1273 (XLIII). Tax treaties between developed and developing countries

The Economic and Social Council,

Recalling General Assembly resolution 2087 (XX) of 20 December 1965 on Financing of Economic Development,

Noting the report of the Committee for Programme and Coordination on the first part of its first session in which the Committee recognized “the importance of the work in the fiscal and financial field” and suggested “that particular attention should be paid to the question of tax agreements between developed and developing countries, since this was an area of high priority and the usual type of international agreement was conceived in terms of relationships between two developed countries,” 21

Believing that there would be real advantage to all Governments of States Members of the United Nations if unilateral relief from double taxation were replaced by bilateral or multilateral agreements,

Noting with interest the Secretary-General's report prepared in response to the above-mentioned resolution which pointed out that “the traditional tax conventions have not commended themselves to developing countries”, and concluded that “it is important to search for a more appropriate treaty pattern,” 22

Confident that tax treaties between developed and developing countries can serve to promote the flow of investment useful to the economic development of the latter, especially if the treaties provide for favourable tax treatment to such investments on the part of the countries of origin, both by outright tax relief and by measures which would assure to them the full benefit of any tax incentives allowed by the country of investment,

Recognizing the need for assisting interested Governments of Member States in this respect,

1. Requests the Secretary-General to set up an ad hoc working group consisting of experts and tax administrations nominated by Governments, but acting in their personal capacity, both from developed and developing countries and adequately representing different regions and tax systems, with the task of exploring, in consultation with interested international agencies, ways and means for facilitating the conclusion of tax treaties between developing and developed countries to reduce and make more effective any double taxation, and for drafting the formulation, as appropriate, of possible guidelines and techniques for use in such tax treaties which would be acceptable to both groups of countries and would fully safeguard their respective revenue interests;

2. Further requests the Secretary-General to submit to the Council a report on the progress of the group's work after its first session.

1507th plenary meeting, 4 August 1967.


20 E/4293, para. 76 and 128.

OTHER DECISIONS

Postponement of agenda item 22

At its 1505th meeting, on 3 August 1967, the Council decided to defer until its forty-fifth session consideration of item 22 of its agenda concerning the question of a meeting of the ad hoc Working Group on the Question of a Declaration on International Economic Development.

Flow of resources to developing countries

At its 1506th meeting, on 4 August 1967, the Council noted with appreciation the documents submitted to it on the subject of the flow of resources to developing countries: “International flow of long-term capital and official donations; 1961-1966: report of the Secretary-General,” 23 “Outflow of capital from the developing countries: a progress report by the Secretary-General,” and expressed the hope that the Secretary-General would continue to work on the problems in question in the light of Council resolution 1183 (XLI) of 5 August 1966 and report to the Council at its forty-fifth session.

International Symposium on Industrial Development

At its 1506th meeting, on 4 August 1967, the Council decided to recommend to the General Assembly to consider early at its next session the question of receiving such additional information as the Executive Director of the United Nations Industrial Development Organization may propose


To be issued as a United Nations publication.


" 24 Ibid., document E/4375.

5
Promotion of private foreign investment in developing countries

At its 1506th meeting, on 4 August 1967, the Council endorsed the suggestion of the Economic Committee that a decision on the draft resolution on promotion of private foreign investment in developing countries, submitted by Dahomey,10 should be postponed until the resumed forty-third session of the Council.

SOCIAL QUESTIONS

1253 (XLIII). Annual report of the United Nations High Commissioner for Refugees

Having considered the report of the United Nations High Commissioner for Refugees and the reports of the Executive Committee of the High Commissioner's Programme on its sixteenth and seventeenth sessions, the Executive Committee of the High Commissioner's Programme, having examined in particular paragraphs 17 and 21 of the High Commissioner's report, concerning inter-agency co-operation, endorsed the suggestion of the Economic Committee that the High Commissioner be referred to in paragraph 21 of the High Commissioner's report to effect that the High Commissioner be invited to attend the meetings of the Inter-Agency Consultative Board of the United Nations Development Programme.

1501st plenary meeting, 1 August 1967.

1258 (XLIII). Report of the Executive Board of the United Nations Children's Fund

Having considered the report of the Executive Board of the United Nations Children's Fund on its June, 1967 session;11

Welcoming the fact that the Executive Board has reviewed the assistance policies of the Fund which are focused not only on the immediate needs of children,

...but also on preparing them to contribute to the social and economic development of their countries,

Having noted with approval that the Fund continues to provide emergency aid to children and mothers in situations of urgent need, while placing increasing emphasis on long-term programmes,

Noting with satisfaction that the Board has reviewed assessment of maternal and child health and its applied nutrition programmes, which had been examined in the UNICEF/WHO Joint Committee on Health Policy and in the FAO/UNICEF Joint Policy Committee; and that the Board continues to endorse the Fund's policy of assisting countries to strengthen their own arrangements for project assessment,

Noting that the Board has accepted that the conclusions of the UNICEF/WHO Joint Committee on Health Policy be used as guidelines for the establishment, at the request of certain countries whose national health services cover family planning or which wish to institute family planning programmes, of the Fund's assistance programmes in these fields,

1. Endorses the policies and programmes of the United Nations Children's Fund as reported by the Board to the Council;

2. Commends the Fund for its continued close co-operation with other agencies in the United Nations family;

3. Notes that the Fund is utilizing to the maximum the resources at its disposal to help meet priority needs of children and youth and that the Board has approved allocations amounting to just over $50 million at its last session;

4. Expresses its concern that the $50 million level of allocations attained by drawing on limited reserves cannot be maintained without increased financial support; and

5. Urges Governments and private groups to consider as a matter of urgency increasing their contributions to the Fund so that its income goal of $50 million will be reached by the end of 1968.

1503rd plenary meeting, 2 August 1967.

10 Official Records of the General Assembly, Twenty-second session, Fourth Committee, No. 19 (A/2211), and appendix, a, reporting to the Council by none of the Secretary-General (E/2292 and Add.1 and 2).


QUESTIONS RELATING TO TECHNICAL CO-OPERATION

1250 (XLIII). Programming Procedures for the Technical Assistance component of the United Nations Development Programme

The Economic and Social Council,

Recalling its resolution 222 (IX) of 14 and 15 August 1949 on the establishment of the Expanded Programme of Technical Assistance and General Assembly resolution 2029 (XX) of 22 November 1965 on the consolidation of the Special Fund and the Expanded Programme of Technical Assistance in a United Nations Development Programme,

Reaffirming the guiding principles governing the provision of technical assistance to recipient governments as set forth in its resolution 222 (IX),

Recalling that, under General Assembly resolution 2029 (XX), the Governing Council of the United Nations Development Programme is entrusted inter alia with the functions previously exercised by the Technical Assistance Committee including the consideration and approval of projects and programmes and the allocation of funds,

Having considered the report of the Governing Council of the United Nations Development Programme on its fourth session and in particular its decisions on the programming procedures for the Technical Assistance component of the United Nations Development Programme for 1969 and subsequent years,

Recalling also that under its resolution 1059 (XXVI) of 13 July 1965 the two-year programming procedures were extended through the 1967-1968 biennium without prejudice to any action in this regard which might subsequently be taken by the governing organs of the Programme,

Believing that project budgeting with continuous programming shall facilitate effective planning and implementation of technical assistance projects while providing added flexibility in operations,

1. Decides that, as regards the preparation, approval and implementation of the projects of the Technical Assistance component of the United Nations Development Programme for 1969 and the following years, the projects are recommended by the Governing Council and reproduced in the annex to this resolution shall supersede the present programming procedure established in terms of the relevant provisions of its resolution 542 B (XVII) of 29 July 1954 as amended by its resolutions 705 (XXX) and 786 (XXX) of 3 August 1960 and 854 (XXXII) of 4 August 1961 as well as those of the General Assembly resolution 831 B (IX) of 26 November 1954;

2. Notes further that the Governing Council of the United Nations Development Programme is to adopt the financial and technical arrangements required to put into effect the new project budgeting procedures, including those relating to local cost assessment and the allocation of funds to the participating and executing agencies for overheads;

3. Recommends the adoption by the General Assembly of the following draft resolution:

"The General Assembly,

"Having considered the report of the Governing Council of the United Nations Development Programme and Economic and Social Council resolution 1250 (XLIII) of 26 July 1967 on the programming procedures for the Technical Assistance component of the United Nations Development Programme,

"Recalling its resolution 831 B (IX) of 26 November 1954 dealing with country programming procedures of the Expanded Programme of Technical Assistance and 2029 (XX) of 22 November 1965 on the consolidation of the Special Fund and the Expanded Programme in a United Nations Development Programme;

1. Approve the procedures recommended by the Governing Council for the preparation, approval and implementation of projects of the Technical Assistance component of the United Nations Development Programme for 1969 and future years.

1497th plenary meeting, 20 July 1967.

ANNEX

Having considered the recommendations of the Administrator of the United Nations Development Programme, the Governing Council adopts the following procedures for the planning, approval and implementation of projects of the Technical Assistance component of the United Nations Development Programme beginning with the year 1969.

The Governing Council:

1. Shall review and approve each year the proposals made by the Administrator, after consultation with the Inter-Agency Consultative Board of the United Nations Development Programme secretariat; and

2. Shall review and approve each year the proposals made by the Administrator, after consultation with the Inter-Agency Consultative Board of the United Nations Development Programme secretariat;

(a) Individual country projects as well as regional and multi-country projects which shall apply to that year and provisionally to the three ensuing years;

(b) Regional project targets of each participating and executing agency for the same year;

(c) The amounts required for the overheads of the agencies and the United Nations Development Programme secretariat;

(d) A planning reserve; and

(e) The remuneration of the Residual Fund for contingency allocations made by the Administrator in the preceding year, within the limits of a global amount set by the Governing Council;

2. Authorizes the Administrator to review and approve projects submitted by recipient governments within the limits of their country targets discussed at the Governing Council at each session on the programmes thus established;

3. Shall review and approve regional and inter-regional projects proposed by the participating and executing agencies, including projects requiring inter-agency transfers of regional project targets, and recommend to the Administrator after consultation with the Inter-Agency Consultative Board;

4. Shall authorize each year earmarkings for that year in amounts corresponding to:
(a) The global amount of the approved country targets as adjusted through the use of the planning reserve;
(b) The global amount for regional and inter-regional projects;
(c) Lump-sum amount towards overhead costs of the participating and executing agencies; and
(d) The technical assistance share of the United Nations Development Programme administrative budget.

3. Authorises the Administrator to convey to the participating and executing agencies, after approval of the projects, financial authorizations as "allocations" within the limits of the Governing Council's earmarkings for the current year and the country projects or regional projects target for the ensuing years;

4. Decides that:
(a) Savings on projects accruing during the course of the operation year and unallocated balances of approved projects at year end will remain available to the individual country for country projects or agency for regional projects for reprogramming, and
(b) That portion of a country or agency regional project target which remains unprogrammed at year end may be carried forward, subject to a maximum of 25 per cent of the original target, for use in the following year;

5. Authorizes the Administrator to develop the detailed practical arrangements required for the planning, approved and implementing projects, taking into account the proposals he had made, including those relating to project submission, programme changes and contingency authorizations.

6. Shall review from time to time the above procedures in the light of experience and provide guidance and directives to the Administrator concerning the means and criteria to be observed for the consideration of the technical assistance requests and the reprogramming of projects.

7. DPTA/L.20/Add.1.

1253 (XLIID), United Nations programme of technical co-operation
The Economic and Social Council,
Having considered the report of the Governing Council of the United Nations Development Programme, the fourth session, including those parts of the report dealing with the United Nations programme of technical cooperation,

Noting the Governing Council has approved the 1967-1970 programme contained in the Secretary-General's report and recommended $6.4 million as the desirable level for part V of the United Nations budget for 1968,

Noting further that the Governing Council will consider at its forty-third session the appropriate level for planning purposes for 1969 and future years on the basis of a report to be prepared by the Secretary-General,

1. Endorses the actions of the Governing Council of the United Nations Development Programme noted above;

2. Recommends that the General Assembly take the budgetary action necessary for 1968,

1497th plenary meeting, 26 July 1967.

1252 (XLIID), Reports of the Governing Council of the United Nations Development Programme
The Economic and Social Council

1255 (XLIID), Review of the World Food Programme
The Economic and Social Council,
Having considered the fifth annual report of the United Nations/FAO Intergovernmental Committee of the World Food Programme and the report of the Executive Director of the World Food Programme transmitted by the Committee,

Noting the recommendations of the Intergovernmental Committee concerning the target for voluntary contributions for the period 1969-1970,

Recalling that the potentialities of the World Food Programme were recognized by the General Assembly in its resolution 2095 (XX) of 20 December 1965 and by the Conference of the Food and Agriculture Organization of the United Nations in its resolution 4/55,

1. Appeals to States Members of the United Nations and its associate members of the Food and Agriculture Organization of the United Nations to undertake the necessary preparations for the announcement of pledges at the 1967 pledging conference for the World Food Programme;

2. Recommends that, in any consideration of a possible increase in the level of contributions to the special fund, account be taken of the part which could be played by the World Food Programme in this matter;

3. Submits for consideration and adoption by the General Assembly the following draft resolution:

"The General Assembly,
Recalling the provisions of its resolution 2095 (XX) of 20 December 1965 that the World Food Programme is to be reviewed before each pledging conference, that, subject to the review so provided for, the next pledging conference should be convened in 1967, at which time Governments would be invited to pledge contributions for 1969 and 1970, with a view to reaching such target as may be recommended by the General Assembly and the Conference of the Food and Agriculture Organization,

Endorses that the last report of the Programme was undertaken by the Food and Agriculture Organization of the United Nations for emergency food needs. Should this amount prove inadequate, a further $3 million in any one year may be drawn upon for such purposes. In special circumstances, the IGC may allocate further amounts for use by the Director-General to meet emergency food needs. Any unused balance of the emergency allocation will return to the general resources of the Programme at the end of each year."

1502nd plenary meeting, 2 August 1967.

1256 (XLIID), Amendment of World Food Programme General Regulation 6
The Economic and Social Council
Approves the amended text of World Food Programme General Regulation 6

"Having considered resolution 1255 (XLIID) of the Economic and Social Council, as well as the recommendations of the Intergovernmental Committee contained in its report to the Secretary-General of the World Food Programme,

Recognizing the value of multilateral food aid both as a form of capital investment and for meeting food needs,

1. Establishes for the two years 1969 and 1970 a target for voluntary contributions of $200 million, of which not less than one-third should be in cash and services and urges States Members of the United Nations and members and associate members of the Food and Agriculture Organization of the United Nations to make every effort to ensure the full attainment of the target;

2. Requests the Secretary-General, in co-operation with the Director-General of the Food and Agriculture Organization of the United Nations, to convene a pledging conference at United Nations Headquarters (early in 1968);

3. Urges Governments that have pledged contributions of commodities of services for the period 1966-1968 to reallocate to the period 1969-1970 to the extent that they may prove available for the period 1969-1970 any portion of such pledges that may remain unused at the end of 1968, and to indicate their readiness to effect such carry-over when announcing pledges at the Third Pledging Conference;

4. Decides that the next following Pledging Conference, subject to the review provided for in General Assembly resolution 2095 (XX), should be convened, at the latest, by 1970, at which time Governments would be invited to pledge contributions for 1971 and 1972, with a view to reaching such target as may be recommended by the General Assembly and the Conference of the Food and Agriculture Organization of the United Nations."

1502nd plenary meeting, 2 August 1967.

1257 (XLIID), Increasing the production and use of edible protein
The Economic and Social Council,
Noting with appreciation the excellent report of the Advisory Committee on the Application of Science and Technology to Development, entitled "Feeding the expanding world population: recommendations for international action to avert the impending protein crisis."

Recognizing that, particularly in developing countries, where the problem is most acute, protein-calorie deficiencies directly affect the health and economic productivity of adult populations and are harmful to the physical and mental growth of children,

Believing that activities designed to close the protein gap should be better co-ordinated and accelerated,

1. Expresses appreciation to the Advisory Committee on the Application of Science and Technology to Development for the important contribution made in its report to clarifying and defining the problems of the protein gap and

2. Expresses the hope that it will report to the Council from Beirut, to the general intergovernmental conference at the United Nations Economic and Social Office in Beirut, to the recommendations contained in the report on those activities which might be undertaken to help close the protein gap and invite them, in particular the United Nations Development Programme, to give favourable consideration to requests from developing countries for assistance in support of activities designed to accelerate work on the production, availability and use of edible protein;

4. Recommends the following as follows:

6. At the beginning of each year $7 million of the Programme's resources shall be reserved for use by the Director-General of the Food and Agriculture Organization of the United Nations for emergency food needs. Should this amount prove inadequate, a further $3 million in any one year may be drawn upon for such purposes. In special circumstances, the IGC may allocate further amounts for use by the Director-General to meet emergency food needs. Any unused balance of the emergency allocation will return to the general resources of the Programme at the end of each year.

1502nd plenary meeting, 2 August 1967.

8. E/435. To be issued in a revised form as a United Nations publication.
governmental functions for increasing the production, availability and consumption of edible proteins;

7. Recognize the value of the fourteen specific proposals of the Advisory Committee inclusions on single cell protein sources and the promotion of the use of synthetic amino acids as additives to raise the nutritive content of food; and

8. Consider that, to help immediate needs, priority should be given, depending on the requirements of individual countries, to the following specific proposals contained in the report:

(a) The promotion of the production and use of conventional sources of protein food within developing countries;

(b) The increasing of the direct use of oil-seed production and the promotion of use of fish protein concentrates;

(c) The utilization of measures for the avoidance of wastage of food;

(d) The building up of relevant national and regional research, development and training institutions in developing countries.

9. Recommends that the World Health Organization, the Food and Agriculture Organization of the United Nations, and the United Nations Children's Fund examine the utility and feasibility of expanding the scope and functions of the present WHO/FAO/UNICEF Protein Advisory Committee, to implement the specific recommendations made in the report of the Advisory Committee on the Application of Science and Technology to Development and take any appropriate action;

10. Further requests the Secretary-General, in consultation with the Administrative Committee on Coordination and drawing, as appropriate, on the advice of the Advisory Committee on the Application of Science and Technology to Development, to undertake a review of the present and proposed programmes of the United Nations system of organizations, with a view to the possible reallocation of resources directed towards the implementation of proposals designed to close the protein gap and to report to the Economic and Social Council at its forty-fifth session on the existing allocation of resources, at both the national and the international levels, which are directed towards closing this gap and to make any appropriate and feasible recommendations for further action to this end.

1262 (XLIII). Evaluation of programmes of technical co-operation

The Economic and Social Council, Recalling its resolutions 1042 (XXXIV) of 15 August 1964, 1092 (XXXV) of 31 July 1965 and 1151 (XLIII) of 4 August 1966;

1. Requests the Secretary-General to submit to the Council at its forty-seventh session the reports of the pilot evaluation missions undertaken in 1967 and early in 1968 together with any comments and recommendations which the Secretary-General is in a position to provide;

2. Further requests the Secretary-General to provide the necessary support for, and to promote due co-ordination of, the evaluation efforts referred to in the above sections;

III

1. Requests the Secretary-General to submit to the Council at its forty-seventh session the reports of the pilot evaluation missions undertaken in 1967 and early in 1968 together with any comments and recommendations which the Secretary-General is in a position to provide;

2. Further requests the Secretary-General to provide the necessary support for, and to promote due co-ordination of, the evaluation efforts referred to in the above sections;

IV

1. Welcomes the invitation by the United Nations Institute for Training and Research of a research project aimed at developing improved methods and techniques for project evaluation, sectoral evaluation and the evaluation of over-all impact of the combined programmes of technical assistance, and the convening of a small group of experts to assist in this task;

2. Requests the Secretary-General to inform the Council at its forty-fifth session of progress achieved in the work referred to in paragraph 4 above.

1505th plenary meeting, 3 August 1967.

OTHER DECISIONS

Provision of operational personnel under the Technical Assistance component of the United Nations Development Programme

At its 1497th meeting, on 26 July 1967, the Economic and Social Council decided to invite the General Assembly at its forty-fifth session, in particular, at its 1502nd session, to extend the terms of reference of the Inter-Agency Study Group on Evaluation of the Technical Assistance component of the United Nations Development Programme for the provision of operational personnel at the request of Governments, by all participating and executing organizations, for the duration of the programme period beginning on 1 January 1969.

Appointment of a member of the Advisory Committee on the Application of Science and Technology to Development

At its 1501st meeting, held on 1 August 1967, the Council approved the proposal of the Secretary-General to appoint Professor Hrinie Staian as a member of the Advisory Committee on the Application of Science and Technology to Development to replace the late Professor Niculae Cernescu for the remaining period of his membership.

Multilateral food aid

At its 1502nd meeting, on 2 August 1967, the Council took note of the Secretary-General's progress report on multilateral food aid, 40 its members being fully in agreement with the diagnosis of the food problem contained in the report, and expressed the hope that the studies initiated under General Assembly resolution 2096 (XXIX) of 20 December 1965 would soon be completed.


1262 (XLIII). Co-ordination at the country level

The Economic and Social Council, Recalling its resolution 1090 B (XXXII) of 31 July 1965 and 1151 (XLIII) of 4 August 1966, in particular its recommendation in paragraph 3 of resolution 1090 B (XXXII) of "the necessity that the Resident Representatives should exercise more effectively their central role in achieving co-ordination at the field level of the technical assistance programmes of the United Nations and other organizations in the United Nations system," Having considered the revised principles set forth by the Administrative Committee on Co-ordination on the role of the Resident Representatives, 41

40. Ibid., agenda item 12, document E/4412; see also E/AC.6/SR.421.

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11
Noting the new programming procedures for the Economic and Social Council, the official assistance component of the United Nations Development Programme will add to the over-all responsibility of the Resident Representative.

Convinced of the need for further clarification of the central role and responsibilities of the Resident Representative in coordinating the technical co-operation programmes of the United Nations system of organizations at the field level.

3. Emphasizes the primary responsibility of Member States for co-ordination of development in their countries,

1. Emphasize the need for governmental co-ordination of all technical assistance activities; stresses the importance of an effective central co-ordinating authority; and draws the attention of Governments of Member States to the help which the Resident Representative can give in the co-ordination of all United Nations development activities;

2. Affirms that Resident Representatives should be fully informed, and should keep themselves informed, of all United Nations development activities in their areas, and in particular of local activities by United Nations organizations and transactions between them and host governments;

3. Invites, the organizations of the United Nations system to co-operate wholeheartedly with the Resident Representatives; and in particular to consult them upon the planning and development of projects for which these organizations are responsible in the countries concerned, to supply them with reports on these projects and to facilitate visits to them by Resident Representatives;

4. Requests the Secretary-General to ensure that this resolution, and the relevant proceedings in the Council and the General Assembly, reach all the organs and bodies of the United Nations system of organizations in order that their field representatives may be similarly informed.

150th plenary meeting, 3 August 1967.

1264 (XLIII). Implementation of the recommendations of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies

The Economic and Social Council,

1. In its resolution 2247 (XXI) of 20 December 1966 the General Assembly requested the Secretary-General to instruct the Publications Board to undertake a wide-ranging study of publications and documentation with a view to decreasing the volume while increasing the quality,

2. Having given effect to the Ad Hoc Committee's recommendations in paragraphs 79 and 90 of its report concerning evaluation methods, the identification of vital issues regarding co-ordination and the organization of the Special Committee on Co-ordination,

3. Notes with satisfaction the first measures that the Secretary-General has taken to date to implement the recommendations of the Ad Hoc Committee, and requests him to keep the Council and General Assembly duly informed of the additional steps he contemplates taking further to implement these recommendations,

4. Requests the Secretary-General to transmit the report of the Ad Hoc Committee, together with General Assembly resolution 2150 (XXI) of 4 November 1966, to all the subsidiary bodies of the Council for consideration and appropriate action;

5. Requests the subsidiary bodies of the Council:

(a) To review:

(i) Their methods of work and calendar of conferences with a view to reducing the total meeting time;

(ii) The documentation now being prepared and any new procedures for reducing the number of requests and the volume of documentation; and

(iii) The terms of reference of their own subsidiary bodies with a view to rationalizing the system of subsidiary bodies;

6. In the implementation of paragraph (a) above, to include a separate item on the agenda of their next session;

(c) To draw up, where they have not already done so, with the assistance of the appropriate Secretariat units, long-range programmes of work, taking into account indications of priority among the various projects; and

(d) To include in their reports to the Council a statement of action taken in response to this resolution;

3. Expresses the hope that the Secretary-General, pursuant to a recommendation of the Ad Hoc Committee, will find it possible to submit to the Committee on Conferences of the General Assembly, for its early consideration, a definition of the term "major special conference" in the context of the Programme of the Committee on co-operation, which may be adopted at the General Assembly's 2150 (XXI) of 4 November 1966.

150th plenary meeting, 3 August 1967.

1274 (XLIII). Development and utilization of human resources

The Economic and Social Council,

1. In its resolution 4469 A (XXXIX) of 21 July 1965 and General Assembly resolution 2003 (XX) of 20 December 1965, according to which human resources are an essential factor in economic and social development and the acceleration of economic and social progress depends on the adoption of urgent measures for the full utilization of those resources with due regard, in the national plans of each country, for present and future requirements of qualified personnel at all levels and in all fields of activity,

2. Recognizing the major role which the United Nations and its related organizations are called upon to play in promoting the health, individual development, social advancement, and general well-being of human beings throughout the world,

3. Considering that, in order to improve the quality of human resources, it is essential not only to provide facilities at all levels for the intensive and advanced training of qualified personnel in countries lacking such personnel, but also to afford such personnel employment opportunities in their own country,

4. Concerned that in many countries young people reaching working age, in view of their growing numbers, will not find sufficient opportunities for productive employment and that therefore these countries, and the international community as a whole, will be confronted with one of the most serious problems that they have to solve,

5. Considering that in solving this problem it is desirable and necessary that freedom of employment and utilization of human resources should be promoted hand in hand with the acceleration of economic development in the developing countries in accordance with the goals and principles of the United Nations Development Decade,

6. Believing that the training of qualified manpower should go hand in hand with the spread of education as a means of helping the rising generation to prepare themselves for their rightful part in promoting a modern economy and society,

7. Considering that the efforts made by all organizations in the United Nations system to increase manpower skills and to raise levels of employment may help to solve the problem of underemployment of human resources,

8. Convinced also that questions relating to the development and utilization of human resources should be given an important place in programmes for the spread of information and documentation both at the international and at the national level,

9. Noting with satisfaction that the International Labour Organization, at the fiftieth session of the International Labour Conference, the United Nations Educational, Scientific and Cultural Organization, at its fourteenth General Conference, and the Food and Agriculture Organization of the United Nations, at its thirteenth Conference, have adopted resolutions or reports reaffirming these principles and the need for co-operation in preparing programmes of action to develop and utilize human resources, especially in the developing countries,

10. Noting further with satisfaction that the World Health Organization, the United Nations Industrial Development Organization, the International Telecommunication Union, and the United Nations Environment Programme have adopted resolutions with a view to speeding the training of specialized technical personnel in their spheres of competence;

11. Considering that Member States should be given sufficient time to examine the Secretary-General's report on development and utilization of human resources in developing countries 46 in view of the importance of the subject,

Expressing further the desire that the Administrative Committee on Co-ordination should continue to follow the problem of the development and utilization of human resources and should ensure that the activities of the United Nations, the specialized agencies and the International Atomic Energy Agency contribute directly or indirectly to the solution of that problem,

12. Welcomes with interest the report of the Secretary-General on development and utilization of human resources in developing countries;

13. Invites the Governments of Member States to transmit to the Council by 29 February 1968 their observations on the recommendations to be drawn from this report with a view to the development and utilization of human resources through more vigorous concerted action by the United Nations, the specialized agencies and the International Atomic Energy Agency;

3. Requests the Secretary-General:

(a) To communicate this report to the competent specialized agencies, the International Atomic Energy Agency and the other interested bodies in the United Nations system, in the United Nations system of organizations on Trade and Development, the United Nations Development Programme, the United Nations Industrial Development Organization, the Advisory Committee on the Acceleration of Economic Development in the Developing Countries in accordance with the goals and principles of the United Nations Development Decade,

(b) To make a detailed examination, in consultation with these bodies through the Administrative Committee on Co-ordination, of the report, with a view to submitting specific recommendations to the Council on the development and utilization of human resources, the priorities to be established among them and the arrangements that should be made for the strengthening of co-operation among the participating organizations in the execution of a concerted programme in the field of human resources,

(c) To report to the Council at its forty-fifth session on the observations of Member States and on the results of consultations with the interested United Nations bodies;

(d) To report to the same session of the Council on the progress made in studies carried out by interested organizations.
organizations in the United Nations system on the brain drain problem;

4. Further requests the Secretary-General to recom-
   mend to the Economic and Social Council the need for the spe-
   cialized agencies responsible for executing multilateral programmes of technical co-operation take fully into account the brain drain problem,

5. Invites the International Labour Organization, together with the United Nations, the United Nations Educational, Scientific and Cultural Organization and the other specialized agencies concerned, to consider what measures should be taken in order to ensure that in the long-term programmes which will follow the present Development Decade special attention is given to the most urgent problems involved in the development and utilization of human resources as part of a dynamic employment policy;

6. Requests the regional economic commissions, the Commission for Social Development, the Commission on the New International Economic Order and the Political and Security Committee to consider and report on ways of stimulating and financing of projects designed to intensify educational, technical and cultural co-operation, take the fullest account of the close relationship which should exist between the economic growth of the less developed countries and the social advancement of their populations;

7. Recommends that the United Nations Development Programme (a) continue to give favourable consideration to applications submitted by developing countries for the financing of projects designed to intensify educational, technical and cultural co-operation;

(b) in executing projects relating to natural resources, industrialization and other related fields, take the fullest account of such requirements of manpower, skilled labour and technical staff as may be created by the execution of such projects, whether or not the need to begin, even before the investment stage, the training of the personnel essential to the development of the new activities which the United Nations Development Programme aid is designed to promote.

157th plenary meeting, 4 August 1967.

1277 (XLIID). Reports of the specialized agencies, the International Atomic Energy Agency and the Administrative Committee on Co-ordination

A. The Economic and Social Council,

Recalling the resolution 718 (XXIV), part 1 of 24 April 1959 in which the Council requested the United Nations Educational, Scientific and Cultural Organization to provide the International Labour Organization with suitable statistical returns, transmitted to the United Nations, the specialized agencies, the Economic and Social Council and the competent professional organizations, to provide it with items of information on these questions and problems;

Noting that the regrouping, in a separate chapter of their analytical reports, of the information supplied on co-ordination by most of the specialized agencies has appreciably improved the presentation of these questions,

1. Invites the specialized agencies and the Inter-
   national Atomic Energy Agency and the Administrative Committee on Co-ordination to give the following questions and problems of co-ordination fuller treatment in their reports for 1968:

(a) Agricultural education;

(b) Populous problems;

(c) The use of information on the questions and specific problems of co-ordination, particularly in relation to expansion with industrialization;

(d) Oceanographic activities;

(e) Statistical research and publications.

157th plenary meeting, 4 August 1967.

1278 (XLIID). Development of information in the field of population

The Economic and Social Council,

Recalling its resolution 718 (XXVII), part 1 of 24 April 1959 in which the Council requested the United Nations Educational, Scientific and Cultural Organization to provide the International Labour Organization with suitable statistical returns, transmitted to the United Nations, the specialized agencies, the Economic and Social Council and the competent professional organizations, to provide the International Labour Organization with suitable statistical returns, transmitted to the United Nations, the specialized agencies, the Economic and Social Council and the competent professional organizations, to provide it with items of information on these questions and problems,

Further recalling General Assembly resolution 1778 (XXVII) on the application of new technology in the field of population and, in the wake of the efforts already made by the United Nations Children's Fund, the United Nations Children's Fund and the United Nations Educational, Scientific and Cultural Organization, to continue to further the programme for the development of informa-

B. The Economic and Social Council,

Recalling paragraph 6 of its resolution 1172 (XIIL) of 30 August 1966, which emphasizes in particular that "it would be desirable to devote particular attention to the examination of specific fields of activity common to the United Nations and the International Atomic Energy Agency";

Considering that it would be desirable for the Council to have at its disposal more extensive and more detailed information on the questions and specific problems involved in co-ordination among the specialized agencies and the International Atomic Energy Agency,

Acknowledging the efforts already made by the specialized agencies, the International Atomic Energy Agency and the Administrative Committee on Co-ordination to provide it with items of information on these questions and problems;


Noting that there have been significant subsequent advances in the techniques of co-operation which might be used in a further report of the United Nations Educational, Scientific and Cultural Organization on the application of these techniques for the achievement of rapid progress in education and for the purposes of economic and social development generally,

Noting with satisfaction that the United Nations Edu-
cational, Scientific and Cultural Organization has inten-
sified its activities in this field and that in particular the Organization recently initiated long-term programmes in space communication and book development;

Noting the United Nations Educational, Scientific and Cultural Organization in consultation with the Member States, the United Nations, the specialized agencies concerned and the competent professional organizations, to prepare the further report indicated in General Assembly resolution 1778 (XVII) on the application of new tech-

Recalling the recommendation of the Economic and Social Council to continue to improve and extend the efforts already made by the United Nations Children's Fund, the United Nations Children's Fund and the United Nations Educational, Scientific and Cultural Organization in the field of book development and, within its competencies, in the field of space communication and to submit it, together with recommendations for action, to a future session of the Council.

157th plenary meeting, 4 August 1967.
national research projects and in securing the training of university teachers and of professional staff, Noting further that the fifty-first session of the International Labour Conference requested the Director-General of the International Labour Office through the Governing Body to undertake a comprehensive study on the influence and consequences of rapid population growth on opportunities for training and employment and on welfare of workers, with particular reference to developing countries and to co-operate closely towards international organizations, developing countries and to co-operate closely towards international organizations, growing on opportunities for training and employment national research projects and in securing the training of educational, Scientific and Cultural Organization on the consideration of sociological studies on social, cultural, and other factors influencing attitudes for family planning, information and advisory services; and in particular taking into consideration the economic aspects of population problems, Urged all organizations within the United Nations system to make every effort, within their competence, with a view to developing and rendering more effective their programme in the field of population, including training, research, information and advisory services; and in particular invites the United Nations Educational, Scientific and Cultural Organization to pursue actively its education, social sciences and mass media activities in this regard.

1280 (XLIII). Arrangements for the establishment of a Joint Inspection Unit


1. Welcomes the unanimous conclusions reached at the Joint Meeting on the subject of the implementation of the recommendations of the Ad Hoc Committee of Experts relating to the establishment of a Joint Inspection Unit;

2. Draws the attention of the General Assembly and the executive organs of the specialized agencies and of the International Atomic Energy Agency to these conclusions;

3. Recommends to the Secretary-General and the executive heads of the specialized agencies that they take such action as may be needed to enable the Joint Inspection Unit to begin work on 1 January 1968.

1281 (XLIII). National co-ordination and co-ordination of statistical questionnaires

The Economic and Social Council, Noting the report of the Committee for Programme and Co-ordination on the second part of its first session, Noting particularly the suggestion that the Council make appropriate recommendations to Governments of member States to the organization concerned on the question of "national co-ordination," Noting further the comment of the Administrative Committee on Co-ordination in its thirty-third report to the Council that some of the problems encountered in the field of co-ordination have arisen, at least in part, because of the difficulty of reconciling decisions taken by intergovernmental bodies, Recalling its previous resolutions 590 A (XX) of 5 August 1955, 630 A (XXII) of 9 August 1956, 684 B (XXVI) of 31 July 1958 and General Assembly resolution 125 (II) of 20 November 1947 concerning the continuing need for co-ordination on the national level and the increasing importance for Member Governments to take measures to ensure it, Recalling further that in its resolution 125 (II) the General Assembly called "upon Members to take measures to ensure on the national level a co-ordinated policy of their delegations to the United Nations and to the different specialized agencies in order that full co-operation may be achieved between the Organization and the specialized agencies"); Considering that, despite the attention given by Governments to improvement of co-ordination on the national level of their position and of their activities, it was concerned over the fact that these developments made the task of ensuring adequate co-ordination of the various regional activities more difficult, while at the same time time more necessary than ever, In order to deal with this situation, the Council agreed with the recommendation of the Administrative Committee on Co-ordination that increasing efforts should be made at the Secretariat level both at the centre, making use of the machinery of the Advisory Committee on Co-ordination, and in the regions themselves; it likewise agreed with the view of the Administrative Committee on Co-ordination that it would be useful if the regional economic commissions could be represented more regularly at meetings of the Commission's subsidiary bodies working in sectors where there were substantial regional programmes. Finally, it expressed the hope that efforts might be made to ensure adequate and increasing consultations on matters of mutual interest between senior officials of the regional economic commissions and of the agencies.

OTHER DECISIONS

Co-ordination at the regional level

At its 150th meeting on 4 August 1967 the Council took note with appreciation of the report of the Administrative Committee on Co-ordination at the regional level.64 It noted the continuing increase in the number of organizations and bodies both within and outside the United Nations family which are active in the various regions and also in the number of regional and subregional offices. It was concerned over the fact that these developments made the task of ensuring adequate co-ordination of the various regional activities more difficult, while at the same time time more necessary than ever. In order to deal with this situation, the Council agreed with the recommendation of the Administrative Committee on Co-ordination that increasing efforts should be made at the Secretariat level both at the centre, making use of the machinery of the Administrative Committee on Co-ordination, and in the regions themselves; it likewise agreed with the view of the Administrative Committee on Co-ordination that it would be useful if the regional economic commissions could be represented more regularly at meetings of the Commission's subsidiary bodies working in sectors where there were substantial regional programmes. Finally, it expressed the hope that efforts might be made to ensure adequate and increasing consultations on matters of mutual interest between senior officials of the regional economic commissions and of the agencies.

Documentation and indexing

At its 157th meeting on 4 August 1967 the Council considered the question of documentation and indexing, which it agreed were closely related. It endorsed the idea of establishing a central index of the major documents of the United Nations system as a measure that
should enhance the usefulness of existing documentation and, in reducing requests for information that may be available in similar form. The Council welcomed the establishment of an inter-agency working group on indexing and classification and noted that this group would lead to progress in the above direction.

Expenditures of the United Nations system in relation to programmes

At its 150th meeting on 4 August 1967 the Council took note of the report of the Administrative Committee on Co-ordination on expenditures of the United Nations system in relation to programmes. 64 It welcomed the annual publication of this reference document, and trusted that it would prove a useful tool for all bodies within the United Nations system concerned with international programmes in the economic and social fields. It requested the Secretary-General to draw the attention of the Enlarged Committee for Programme and Co-ordination to the report and to its potential in connection with the work of the Enlarged Committee. It looks forward to the further development of the classification in due course in the studies being carried out in accordance with the recommendation of the Ad Hoc Committee of Experts to examine the Finances of the United Nations and the Specialized Agencies.

Contribution of the United Nations and specialized agencies to the regional development planning institutes

At its 150th meeting the Council took note of annex II of the report of the Administrative Committee on Co-ordination on the contribution of the United Nations and the specialized agencies to the regional development planning institutes. 65 The Council welcomed the holding of annual meetings of the directors of institutes. It also welcomed the idea of regular exchanges, at the planning stage, of work programmes between the various institutes themselves and between the institutes and other interested bodies within the United Nations system.

Survey of the major points in the annual reports of the specialized agencies to the Administrative Committee on Co-ordination

At its 150th meeting on 4 August 1967 the Council decided that, in future years, preparation of the short survey of major points in the annual reports of the specialized agencies and in the reports of the Administrative Committee on Co-ordination, initiated under Council resolution 1172 (XLI) of 5 August 1966 would not be necessary.

Invites the Secretary-General of the United Nations and the special agencies to take such action as may be considered appropriate.

1501st plenary meeting, 3 August 1967.

1265 (XLI), Public information activities

The Economic and Social Council,

Resolving its resolution 1265 (XLI) of 5 August 1966, requesting the Secretary-General to undertake a study of the information activities of the United Nations with respect to its economic, social and human rights work, and to suggest ways in which national information programmes, official and non-official, could give support to the United Nations,

Having considered the reports of the Secretary-General submitted pursuant to that resolution, 66 the results of the review by the Administrative Committee on Co-ordination of certain aspects of the information methods and programmes of the United Nations family, 67 and the section dealing with public information questions, of the report of the Economic and Social Council Programme and Co-ordination on the second part of its first session, 68

Noting with satisfaction the relationship outlined in the report of the Administrative Committee on Co-ordination between the United Nations Development Programme and the United Nations Office of Public Information and the information services of the specialized agencies both from the financial and programme points of view.

1. Endorsed, within the existing staff and financial resources, the Secretary-General's proposals as outlined in paragraphs 19-25 of his report on the United Nations information programme in the economic, social and human rights fields with a view to making maximum effective use of all available resources;

2. Invites the Secretary-General to redeploy, within the above resources, in consultation with the specialized agencies concerned, the staff of information centres and other sections of the United Nations Office of Public Information, with a view, in particular, to the possible establishment, on an experimental basis, of centres with regional responsibilities

3. Notes the intention of the members of the Administrative Committee on Co-ordination concerned to give continued and increasing attention to improving the effectiveness of public information activities as they relate to the economic and social work of the United Nations family and, in due course and as appropriate, to place before their respective governing bodies specific recommendations in that connection;

4. Requests the Secretary-General to bring to the attention of all Member States and of all non-governmental organizations in consultative status his summary of measures concerning current national activities in the field of information support for the economic and social activities of the United Nations family, together with his recommendations for further action which Member States and non-governmental organizations, as appropriate, might consider to increase their support;

5. Invites Member States and non-governmental organizations in consultative status to give consideration, as appropriate, to those recommendations;

6. Requests the Secretary-General further to report to the Council, at an appropriate future session, on the United Nations Information Programme in the economic, social and human rights fields, and in particular on the implementation of the arrangements envisaged in this resolution.

1505th plenary meeting, 3 August 1967.

1247 (XLI), Relations with non-United Nations intergovernmental organizations in the economic and social field

A

The Economic and Social Council,

Having considered the request submitted by Iran, Pakistan and Turkey that relations be established between the Economic and Social Council and Regional Co-operation for Development,

Considering that the promotion of regional co-operation should be encouraged as an important means of achieving the targets set by the United Nations Development Decade,

Resolving to place before their respective governing bodies specific recommendations in that connection,

Recollecting that it has, by its resolutions 412 B (XIII) of 10 August 1951, 678 (XXVI) of 3 July 1958, 1013 (XXXVII) of 27 June 1964, 1053 (XXXVIII) of 30 June 1965, established contact and co-operation with certain non-United Nations intergovernmental organizations on an ad hoc basis,

1. Decides to establish relations with Regional Co-operation for Development at the meetings of United Nations plenary meetings starting from 1967;

2. Requests the Secretary-General to take appropriate steps to:

(a) Ensure reciprocal exchange of information and documentation;

(b) Provide for the representation of Regional Co-operation for Development at the meetings of United Nations organs dealing with matters of mutual interest;

(c) Provide for consultations with technical co-operation between Regional Co-operation for Development and the United Nations on matters of common interest.

1505th plenary meeting, 3 August 1967.
B
The Economic and Social Council,
Noting that since the inception of the United Nations a large number of non-United Nations intergovernmental organizations in the economic and social fields have been established,
Noting further that many of these organizations already collaborate, on an informal as well as on a formal basis, with specialized agencies, the regional economic commissions, and the United Nations Conference on Trade and Development, as well as with the United Nations Secretariat,

Concluding that it would be useful to develop further contacts on a more systematic basis though not necessarily through the negotiation of formal agreements,
1. Invites the Secretary-General to continue to maintain and to strengthen contacts at the secretariat level with major intergovernmental organizations in the economic and social field outside the United Nations system;
2. Further invites the Secretary-General, where he considers it would help to further the aims and work of the Council, to propose to the Council the names of intergovernmental organizations outside the United Nations system that should be represented by observers at sessions of the Council; these organizations may participate with the approval of the Council and without the right to vote, in its debates on questions of concern to them;
3. Invites its subsidiary bodies to make recommendations to it regarding the desirability of similar relationships between themselves and specific non-United Nations intergovernmental organizations in fields of concern to them, on the basis of proposals by the Secretary-General;
4. Requests the Secretary-General to report to the Council on the functioning of the above arrangements at an appropriate future session.
1507th plenary meeting, 3 August 1967.

1268 (XLIII). Transfer to the United Nations of the responsibilities and assets of the International Relief Union

The Economic and Social Council,
Taking into account the useful contribution which the International Relief Union has made to the scientific study of natural disasters,
Recalling its resolution 1153 (XI) of 4 August 1966, in which it requested the Secretary-General to examine with the International Relief Union the extent to which its assets, activities, publications and archives could constitute a useful contribution to the efforts of the international community in connection with natural disasters,
Having reviewed the report of the Secretary-General on this matter, the
Concurring in the view of the Secretary-General that the United Nations Educational, Scientific and Cultural Organization would be the most appropriate organization in the United Nations system to carry on the scientific study of natural disasters, and to assume primary responsibility for them,
Referring also to its resolutions 1222 (XLII) of 6 June 1967 on rehabilitation and reconstruction following natural disasters,

Recommends that the United Nations Educational, Scientific and Cultural Organization, in accordance with its Constitution, should
(a) Take over from the International Relief Union responsibility for the scientific study of natural disasters in fields within its competence;
(b) Arrange for the continuation of the relevant activities of the Union;
(c) Work out, in agreement with the Union, arrangements for the transfer to the United Nations Educational, Scientific and Cultural Organization of the assets of the Union;
2. Invites the Administrative Committee on Co-ordination to study at the earliest possible date the implications of transferring the International Relief Union in paragraphs 38 and 39 of its report on the United Nations and the United Nations Educational, Scientific and Cultural Organization, to the United Nations system, and to recommend to the Secretary-General how the activities of the United Nations family of organizations in connection with natural disasters, and the best means for ensuring such co-ordination;
3. Requests the Secretary-General to report further to the Council as soon as possible on the measures taken in compliance with this resolution.
1507th plenary meeting, 4 August 1967.

1275 (XLIII). Work programme of the United Nations in the economic, social and human rights fields

The Economic and Social Council,
Having reviewed with attention the report of the Committee for Programme and Co-ordination on the first part of its first session,
Expressing its satisfaction with the methods of work which the Council has developed to carry out its new and important responsibilities,

I
1. Endorses, in general, the Committee's observations with respect to the ten sectors of the work programme of the United Nations in the economic, social and human rights fields reviewed at its first session;
2. Transmits the relevant sections of the report of the Committee for Programme and Co-ordination concerning long-term planning, programme formulation, and cycle and preparation of United Nations budgets

Looking forward to the comprehensive report of the Secretary-General to be submitted to the General Assembly at its twenty-second session, on the implementation of within the United Nations of the recommendations of the Ad Hoc Committee of Experts to Examine the

The Economic and Social Council, and in particular the Secretary-General's study of the feasibility of a biennial budget cycle for the United Nations and the study made by the Committee on Administrative and Budgetary Questions of the question of uniform budget presentation,
1. Expresses the hope that urgent consideration will be given to these questions by the General Assembly at its twenty-second session;
2. Requests the Committee for Programme and Co-ordination to keep under continuous review further steps required to implement within the United Nations the recommendations of the Ad Hoc Committee of Experts concerning the development of an integrated system of long-term planning, programme and budgeting, bearing in mind the recommendations of the Committee for Programme and Co-ordination in paragraphs 41-47 of its report and the recommendations and decisions of the General Assembly at its twenty-second session pursuant to its consideration of these questions;
3. Requests the Secretary-General to submit to the Council at its forty-fourth session through the Committee for Programme and Co-ordination a statement regarding the steps taken or contemplated to achieve the implementation of these recommendations;
4. Draws attention of the General Assembly to the need for appropriate measures to be taken for the establishment of guidelines regarding the acceptance and management of funds in trust.

IV
Taking note of the extract from the first report of the Advisory Committee on Administrative and Budgetary Questions,
Regretting that at its recent session the Advisory Committee was unable for lack of time to give detailed consideration to the sections of the report of the Committee for Programme and Co-ordination on the first part of its first session, dealing with the work programme of the United Nations in the economic, social and human rights fields for 1967-1968,

1. Endorses the observations and recommendations of the Advisory Committee in paragraphs 40 of its report on the role of the Committee for Programme and Co-ordination and its relationship with the Advisory Committee;
2. Endorses also the view of the Advisory Committee that the activities of the Committee for Programme and Co-ordination and of the Advisory Committee are closely related and that programme and budget cannot be considered in isolation — programmes should be formulated with reference to available resources and the budget should be prepared in relation to the programme, that is, the programme in support of the programmes of the United Nations to be financed by the Member States; and
3. Further endorses the view of the Advisory Committee that there is need for close co-operation between
the two committees if their combined efforts are to be fruitful and if duplication is to be avoided;

4. Invites the Advisory Committee to take into account the report or reports of the Committee for Programme and Co-ordination on the United Nations work programme in the economic, social and human rights fields at the time when it considers the Secretary-General's initial budget proposals relating to these areas of activity;

5. Expresses the hope that the time-table of meetings of the Committee for Programme and Co-ordination and of the Advisory Committee on Administrative and Budgetary Questions will be arranged in such a way that the Advisory Committee will be able, in future years, to be represented at all meetings of the Committee for Programme and Co-ordination on the work programme; and to take into account the report or reports of the Committee for Programme and Co-ordination prepared in the light of the Secretary-General's budget proposals for the forthcoming year;

6. Invites the Advisory Committee on Administrative and Budgetary Questions to examine, at an early stage in its autumn meetings in 1967, and to take into due account in its comments to the General Assembly at its twenty-second session on the Secretary-General's budget proposals for 1968, as well as in its comments on the Secretary-General's revised estimates for 1968 resulting from the decisions of the Economic and Social Council at its forty-second and forty-third sessions, the report of the Committee for Programme and Co-ordination on the United Nations work programme in the economic, social and human rights fields, the action taken by the Council at its forty-second and forty-third sessions, and the discussions on the work programme in the Council and its Co-ordination Committee.

1507th plenary meeting, 4 August 1967.

OTHER DECISIONS

Financial implications of actions of the Council

At its 1507th meeting, held on 4 August 1967, the Economic and Social Council took note of the financial implications of the decisions taken at its forty-third session.86

86 See Official Records of the Economic and Social Council, Forty-third Session, Annexes, agenda item 26, Annexes I; A/4421.

1276 (XLI), World Campaign for Universal Literacy

The Economic and Social Council, recalling its resolutions 1128 (XLI) of 27 July 1966 on the World Campaign for Universal Literacy,

Taking note of the proclamation of 8 September 1967 as International Literacy Day by the General Conference of the United Nations Educational, Scientific and Cultural Organization at its fourteenth session,

Considering that the solemn engagement made by the international community to eradicate illiteracy should be appropriately celebrated throughout the world in order to stimulate interest, promote international solidarity, and spread information on concrete activities to promote universal literacy;

1. Endorses the appeal of the United Nations Educational, Scientific and Cultural Organization to member States and non-governmental organizations to celebrate International Literacy Day each year;

2. Invites the hope that information media throughout the world will intensify their efforts to enlighten public opinion on the activities of the organizations within the United Nations system to promote universal literacy;

3. Invites the United Nations, the specialized agencies and the regional economic commissions to associate themselves with the celebration of International Literacy Day in view of the fact that the struggle against illiteracy is the common concern of the organizations within the United Nations system as a whole.

1507th plenary meeting, 4 August 1967.

CALENDAR OF CONFERENCES AND MEETINGS FOR 1968 AND 1969

At its 1507th plenary meeting on 4 August 1967, the Council approved the calendar of conferences and meetings for 1968 and 1969, after deciding:

(a) To call the particular attention of its subsidiary organs to General Assembly resolution 2116 (XX) of 21 December 1965 on pattern of conferences and to the recommendations of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies and to express the grave concern that the Council felt at the tendency on the part of some of its subsidiary organs to seek ever longer sessions and at the same time to increase the number of their own subsidiary bodies; and

(b) To request the Secretary-General to assist the subsidiary organs in reviewing their programmes in an endeavour to reduce the length of their sessions by a week or more.

Specialized Agencies 87 and to express the hope that the time-table of meetings of the Committee for Programme and Co-ordination on the United Nations work programme in the economic, social and human rights fields at the time when it considers the Secretary-General's initial budget proposals relating to these areas of activity;

87 Ibid., Twenty-first Session, Annexes, agenda item 86, document A/6030corr.1. See also Official Records of the General Assembly, Twenty-second Session, Supplement No. 3 (A/4890), annex III.

Arrangements regarding the report of the Council to the General Assembly

At its 1507th meeting, held on 4 August 1967, the Council decided that its report to the General Assembly would be similar in form and character to that of previous years, and that it would be prepared by the President of the Council in consultation with the three Vice-Presidents and the Secretariat.

22
CHECK LIST OF RESOLUTIONS

NOTE. — As a rule the resolutions of the Economic and Social Council are numbered in the order of their adoption. This check list includes all the resolutions adopted by the Council during its forty-third session.

<table>
<thead>
<tr>
<th>No. of resolutions</th>
<th>Title and date of adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1242 (XLIII)</td>
<td>Annual report of the Economic Commission for Europe (21 July 1967)</td>
</tr>
<tr>
<td>1243 (XLIII)</td>
<td>Annual report of the Economic Commission for Asia and the Far East (21 July 1967)</td>
</tr>
<tr>
<td>1244 (XLIII)</td>
<td>Annual report of the Economic Commission for Latin America (21 July 1967)</td>
</tr>
<tr>
<td>1245 (XLIII)</td>
<td>Annual report of the Economic Commission for Africa (21 July 1967)</td>
</tr>
<tr>
<td>1247 (XLIII)</td>
<td>Programming procedures for the Technical Assistance component of the United Nations Development Programme (26 July 1967)</td>
</tr>
<tr>
<td>1248 (XLIII)</td>
<td>United Nations programmes of technical co-operation (26 July 1967)</td>
</tr>
<tr>
<td>1249 (XLIII)</td>
<td>Reports of the Governing Council of the United Nations Development Programme (26 July 1967)</td>
</tr>
<tr>
<td>1250 (XLIII)</td>
<td>Annual report of the United Nations High Commissioner for Refugees (1 August 1967)</td>
</tr>
<tr>
<td>1251 (XLIII)</td>
<td>Natural disasters in Turkey, Colombia, Venezuela and Pakistan (30 August 1967)</td>
</tr>
<tr>
<td>1252 (XLIII)</td>
<td>Review of the World Food Programme (2 August 1967)</td>
</tr>
<tr>
<td>1253 (XLIII)</td>
<td>Annual amendment of the World Food Programme General Regulations (2 August 1967)</td>
</tr>
<tr>
<td>1254 (XLIII)</td>
<td>Increasing the production and use of edible protein (2 August 1967)</td>
</tr>
<tr>
<td>1256 (XLIII)</td>
<td>Economic planning and projections (3 August 1967)</td>
</tr>
<tr>
<td>1257 (XLIII)</td>
<td>United Nations Development Decade (3 August 1967)</td>
</tr>
<tr>
<td>1258 (XLIII)</td>
<td>Review of past experience and of possibilities for future action in the field of economic development (3 August 1967)</td>
</tr>
<tr>
<td>1259 (XLIII)</td>
<td>Co-operation at the country level (3 August 1967)</td>
</tr>
<tr>
<td>1260 (XLIII)</td>
<td>Evaluation of programmes of technical co-operation (3 August 1967)</td>
</tr>
<tr>
<td>1261 (XLIII)</td>
<td>Implementation of the recommendations of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies (3 August 1967)</td>
</tr>
<tr>
<td>1262 (XLIII)</td>
<td>United Nations public information activities (3 August 1967)</td>
</tr>
<tr>
<td>1263 (XLIII)</td>
<td>Second session of the United Nations Conference on Trade and Development (3 August 1967)</td>
</tr>
<tr>
<td>1264 (XLIII)</td>
<td>Activities with non-United Nations intergovernmental organizations in the economic and social field (3 August 1967)</td>
</tr>
<tr>
<td>1265 (XLIII)</td>
<td>Transfer to the United Nations of the responsibilities and assets of the International Relief Union (3 August 1967)</td>
</tr>
<tr>
<td>1267 (XLIII)</td>
<td>Export credits and development financing (4 August 1967)</td>
</tr>
<tr>
<td>1268 (XLIII)</td>
<td>Tax reform planning (4 August 1967)</td>
</tr>
<tr>
<td>1269 (XLIII)</td>
<td>International flow of capital and assistance (4 August 1967)</td>
</tr>
<tr>
<td>1270 (XLIII)</td>
<td>Tax treaties between developed and developing countries (4 August 1967)</td>
</tr>
<tr>
<td>1271 (XLIII)</td>
<td>Development and utilization of human resources (4 August 1967)</td>
</tr>
<tr>
<td>1273 (XLIII)</td>
<td>World Campaign for Universal Literacy (4 August 1967)</td>
</tr>
<tr>
<td>1274 (XLIII)</td>
<td>Reports of the specialized agencies, the International Atomic Energy Agency and the Administrative Committee on Co-ordination (4 August 1967)</td>
</tr>
<tr>
<td>1275 (XLIII)</td>
<td>Development of information media (4 August 1967)</td>
</tr>
<tr>
<td>1276 (XLIII)</td>
<td>Development of activities in the field of population (4 August 1967)</td>
</tr>
<tr>
<td>1277 (XLIII)</td>
<td>Arrangements for the establishment of a Joint Inspection Unit (4 August 1967)</td>
</tr>
<tr>
<td>1278 (XLIII)</td>
<td>National co-ordination and co-ordination of statistical questionnaires (4 August 1967)</td>
</tr>
</tbody>
</table>
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Mr. Richard H. Demuth

Irving S. Friedman

Trade and Development Board Meeting on "Trade Expansion, Economic Cooperation and Integration Among Developing Countries"

I would go along with Kamarck's recommendation that we should make a statement as requested by Prebisch in the form of using my letter of January 19, 1967, and that it be delivered by our representative.

I am giving some thought also to whether Sarma ought to be at this meeting. This would depend on whether supplementary finance was, one way or another, being discussed or considered. May I leave it that if we are informed that supplementary finance will be a subject of formal or informal discussion, then Sarma might attend for that purpose.

cc: Mr. Kamarck
    Mr. Sarma
Mr. Richard H. Demuth

Irving S. Friedman

Trade and Development Board Meeting on "Trade Expansion, Economic Cooperation and Integration Among Developing Countries"

July 20, 1967

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cc: Mr. Kasarok
    Mr. Sanna
STATEMENT BY THE HONORABLE ANTHONY M. SOLOMON, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AFFAIRS, before THE SUBCOMMITTEE ON FOREIGN ECONOMIC POLICY of the JOINT ECONOMIC COMMITTEE Wednesday, July 12, 1967

UNITED STATES FOREIGN TRADE POLICY AND THE DEVELOPING COUNTRIES

Introduction

The developing countries, as that phrase is now commonly used, consist of well over 100 political entities. There are marked differences among them in size, population, degree of industrialization and economic growth -- so much so that it is misleading to speak of them in aggregate terms as though they were a homogeneous group of countries. But they do share certain characteristics in common: their per capita income is low; their level of industrialization is low; a large part of their labor force is engaged in agriculture with low productivity per acre and per man; and they all want to modernize their economies. Indeed economic growth has become a symbol of national worth and dignity. In human terms, the overwhelming majority of their people face the kind of grinding day-in, day-out, year-in, year-out poverty that leads to the "harsh, brutish and short" lives which is the prevailing condition in most of the world. (Table 1) These
These countries are moving forward with varying degrees of success. A few are sprinting ahead; a few are stagnating. On the average there has been progress but the pace of improvement is uneven and slow. In the first half of the 60s, proclaimed by the United Nations as the Development Decade, there has been no acceleration in the rate of economic growth of the developing countries as a whole. The rate of growth of per capita income, about 2% in 1960-65, was lower than in the preceding decade owing to an acceleration in the rate of population increase. (See Table 2.) Thus the gap between the per capita incomes of industrialized and developing countries has continued to widen during the first half of the Development Decade.

Trade is a means to economic growth. I would like to talk to you today about United States trade policy and the contribution it can make to the economic progress of the developing countries.

A. The importance of foreign trade to developing countries.

The developing countries are far more heavily dependent on foreign trade than the U.S. and most other industrialized countries. For the equipment needed to build a modern economic structure and, all too often, even to import the necessary food to avert starvation, the developing countries are heavily dependent on imports from the industrialized countries. To pay for these imports, the developing countries must export. And trade is clearly
clearly the senior partner to foreign aid -- about 80% of the developing countries' foreign exchange receipts stem from export proceeds. (See Table 3.) While foreign aid is a welcome and most important addition to the developing countries' ability to acquire the goods and services they need for their economic growth -- and often the margin which avoids their slipping backward -- their growth prospects depend critically on the extent to which they can increase their foreign exchange earnings through exports.

While the total value of their aggregate exports has been increasing year by year, from $21 billion in 1953 to $27.3 billion in 1960 to $36.5 billion in 1965, the developing countries have not shared proportionately in the dramatic growth-promoting spurt of world trade during the post-war era. Thus while the developing countries account for about 27% of world exports in 1953, this figure dropped to about 22% in 1960 and dropped further to less than 20% in 1965.

The root causes of this situation have been well-documented in numerous academic studies as well as reports of various intergovernmental institutions. First and foremost is the heavy dependence of the developing countries on exports of primary commodities. About 85% of the export earnings of the developing countries as a whole is accounted for by exports of non-manufactured primary
primary agricultural commodities, crude minerals and metals, and petroleum. The dependence of particular developing countries on exports of a single product is even more striking, e.g. coffee, cocoa, rubber, sugar, cotton account for very heavy percentages -- up to 80% -- of the total export receipts of particular countries.

With the exception of petroleum, these commodities are not a dynamic and dependable source of foreign exchange. They are by and large subject to a low income elasticity of demand; their prices fluctuate sharply because of variations in supply or cyclical changes in demand; several of them face growing competition from synthetic substitutes; and many are being produced in increasing quantities in the industrialized countries themselves.

In this situation, it is not at all surprising that the developing countries have been focusing their attention on an acceleration of industrialization and industrialization for export. World trade in manufactures has consistently exceeded the growth of world trade generally. The developing countries are anxious to break out of the straightjacket of dependence on a narrow range of products with an unpromising outlook in hopes of rapidly increasing the foreign exchange earnings they need to pay for their ever-increasing imports.

The developing countries have already achieved a measure of success in this regard. An analysis of imports of manufactures from developing countries to
to the OECD countries combined* reveals a yearly rate of increase of 15.5% between 1960 and 1964 and an increase of 16% from 1964 to 1965. An analysis of 49 commodity groupings over the ten-year period 1956-1965 indicates an increase of 215%. (See Table 4.) This relatively favorable picture, however, must be interpreted with some caution. First, exports of manufactures from developing countries are still only the small visible part of the iceberg -- 85% of their earnings are still accounted for by the unpromising primary or crude materials sector; secondly, the commodity composition is fairly narrow and concentrated on certain products such as textiles where they cannot expect large increases -- indeed, the whole textile sector is fairly rigidly regulated at the present time under the international Long-Term Arrangement governing trade in cotton textiles; and finally, only a relative handful of the 100+ developing countries are currently benefiting from the recent rapid increase in exports of manufactures and semimanufactures -- African countries, for example, are almost totally absent from the figures on exports of manufactures.

B. The Administration's approach to improving developing countries' export earnings.

At the present time and for the decade ahead, trade in primary products will continue to be the main source of export earnings

* United States, Canada, Western Europe and Japan.
earnings of the developing countries. If we want to help these countries improve their trade earnings as a means to development, commodity trade is the place to begin.

1. **Primary Commodities.** This trade is plagued by a variety of problems: by persistent overproduction in some key products; by wide and destabilizing price swings in other key products; by severe competition from both natural and synthetic products produced in the industrialized countries, often under highly protectionist regimes; and by preferential arrangements in certain advanced countries that favor one group of primary producers over others.

There is no one solution to this range of problems. What is needed is a multi-faceted approach tailored to the problems of specific commodity markets.

In the case of coffee which is the single most important agricultural commodity in the trade of the developing countries and absolutely critical to Latin America and certain African countries, the key problem is structural overproduction.

The International Coffee Agreement, which we helped to develop and actively support, has conducted a valuable holding operation. It averted a disastrous collapse of prices that threatened coffee trade in the early 1960's and it has kept coffee prices reasonably stable by supply control, that is, by keeping exports in line with demand. But more coffee is being produced than the world wants to consume; land, labor, and capital
capital are being wasted in surplus production; and this very
surplus production is undermining the Agreement.

The critical next step is to help the producing countries
move resources out of surplus production into more rewarding
uses. We would hope to see a Diversification Fund become an
integral part of the Coffee Agreement. Access to the fund
would be open to countries pursuing appropriate policies to
curb coffee overproduction, and the funds themselves would be
used for investment in products with a more promising future,
including importantly food for domestic consumption where this
is feasible.

At the Latin American Summit meeting in Punta del Este,
President Johnson made clear our willingness to lend $15 million
to help initiate a Coffee Diversification Fund that would be
financed on a continuing basis by the producing countries them­
selves; and to match the contributions of other consuming coun­
tries by an additional loan of up to $15 million. The Inter­
national Coffee Organization is working closely with the World
Bank in developing the main features of the Diversification Fund.

Cocoa, a critical export earner for Ghana, Nigeria and other
African and Latin countries, is notoriously subject to wide swings
in price because of variations in supply due to weather and insect
attack. Cocoa prices averaged 17¢ a pound last year, 36¢ in
1959, 29¢ a few months ago. We cannot disregard the impact of
these
these price fluctuations on the economic and political stability of the producing countries.

Negotiations looking toward an international cocoa agreement foundered in 1963 on the question of price. Producers wanted a price range that consumers believed would encourage overproduction, saddle the market with burdensome stocks, check consumption and encourage the shift to substitutes. In the years since then further consultations have been held both on price and on the mechanics and financing of a workable buffer stock scheme. Differences have narrowed appreciably and there is reasonable prospect that an agreement can be consummated in the near future that would give producing countries steady growing earnings and assure consumers a stable supply at reasonable prices.

The outlook is less promising in the case of sugar. The international sugar agreement has not been operative for many years -- in fact since Cuba refused to accept the rules. Our own trade is governed by our domestic sugar legislation which provides premium prices for supplying countries to the extent of their import quotas in our market. But the world market price has been seriously depressed for some years and adversely affects many low-income suppliers that sell a substantial volume of their output at the world market price.
Efforts to negotiate an international agreement that would strengthen the world price have proved to be very difficult, complicated by Cuba's intransigence on the matter of supply control, and by the unwillingness of certain advanced countries to provide reasonable access.

For many primary products of importance to the trade of the poor countries, improved access to the markets of developed countries is a major concern. Indeed, more than half of their commodity trade, petroleum apart, competes with similar or identical products produced and exported by the rich countries. Their mineral ores and metal exports face few trade barriers in the industrialized countries; demand is buoyant and future prospects are reasonably good. Natural rubber and some tropical fibers are similarly traded freely but the markets for these products have been eroded by the development of synthetics. For the developing countries dependent on these products the central objective must be to increase the efficiency of their production and marketing so as to meet the competition of synthetic substitutes on a price and quality basis.

There is, however, a wide range of temperate agricultural products in which the poor countries face an array of protective tariff and quota barriers that limit their access to the markets of the rich countries, and of subsidized exports from the rich countries that compete against them in third markets.
The developing countries are pressing for trade liberalization in these products. The prospects for substantial liberalization are not good. In virtually all developed countries, domestic agriculture is insulated in varying degrees from the free play of demand and supply by high price supports, direct subsidies, and import controls. The average income of the farm sector in the rich countries tends to be below that of other sectors in their economies, and the array of protective measures is intended to maintain and increase the income of this sector as a matter of equity.

The developing countries do not challenge the desirability of maintaining farm incomes in the advanced countries but they ask that measures to protect such incomes not be applied in ways that stimulate excessive production. Thus they urge that in lieu of high price supports, farmers' incomes be maintained by direct payments that do not inhibit consumption or unduly stimulate production.

We have recognized that agricultural support policies can have restrictive and disruptive effects on international trade. In the case of cotton, wheat, and feed grains, we have shifted from high price supports to direct payments and we have made our farm payments contingent on producers' cooperation with acreage control. Where surpluses have developed, we have stored them rather than dump them, or made them available on concessional
concessional terms to improve the diet and assist the development of low-income countries unable to purchase food on commercial terms. And we have taken precautions to ensure that these food aid programs do not interfere with the normal pattern of international trade.

The developing countries have also asked the rich importing countries so to manage their farm economies as to give them a share in their markets and a share in the growth of these markets.

While existing U.S. legislation restricts sugar imports, we have set aside 35 to 40% of U.S. sugar requirements for imports. And in the case of meats, the present law permits imports equal to about five percent of domestic production before quotas would come into play.

The developing countries have urged the rich countries to assist their farmers by some form of adjustment assistance, of the kind applicable in industry, rather than through protective devices. We are to a considerable extent using a form of adjustment assistance in the farm sector. Thus we are helping marginal farmers to move out of agriculture through our cropland adjustment program and through training programs to enable them to develop skills in industrial employment.

We would hope that the increased effectiveness of the supply management and flexible pricing programs, the continuing shift
shift of marginal farmers to non-agricultural occupations, and the increased role of food aid will make it possible for us progressively to liberalize agricultural trade.

This will necessarily be a slow process. The Kennedy Round has demonstrated that substantial liberalization of agricultural products is not easy to achieve. But it is important that we work together with other developed countries in the years ahead to consider how to deal effectively with all major barriers to less developed countries' agricultural exports.

In the case of tropical products produced solely in the low-income countries, we have no barriers to trade or consumption. Some developed countries do subject these products to high revenue duties that inhibit consumption or to preferential tariffs that discriminate against certain low-income suppliers in favor of others. We believe the developing countries have a legitimate case that commodities produced solely in the tropical zone should not be a source of revenue to the rich countries at their expense. They have suggested that where such fiscal levies cannot be removed, a share of the receipts be turned back to them.

As to tariffs and quotas that restrict trade in tropical products or discriminate among primary producers, we would hope that all the rich countries would provide duty-free access for these products from all the poor countries. We shall continue our efforts in this matter.
A review of our trade policy as it affects the primary commodity trade of the poor countries would be incomplete without noting the important role that compensatory financing can play in assisting low income countries whose export earnings fall off for reasons beyond their control. We have supported the liberalization of the compensatory financing facility in the International Monetary Fund, and developing countries are making increasing use of that facility. We are also considering the feasibility of supplementing that facility in the case of deep or protracted shortfalls in the export earnings of developing countries that are disruptive of their development and that may require longer-term assistance than the Monetary Fund facility provides. The World Bank has developed a proposal for such a supplementary facility. The specifics of the Bank scheme raise a number of serious questions and we are not prepared to endorse it as formulated, but we are studying variants of the proposal that we may be able to support.

Even if everything were done that could reasonably be done to improve conditions of access for the primary product trade of the developing countries, to stabilize commodity prices at reasonable levels, and to supplement export earnings when shortfalls occur, the developing countries would still be vulnerable because with a few notable exceptions the commodities on which they depend are not dynamic. Demand is not likely to grow commensurately with the increase in world trade and world income.

The
The fundamental answer to the trade problems of the developing countries is to diversify their output and their exports and thus reduce their excessive dependence on a few traditional commodities. Some benefit can come from a more diversified commodity base and from a substantial attack on their food problem to lessen their dependence on food imports. But they must also industrialize. While continuing to produce raw materials for the world market and increasing the range of materials they produce, they must expand their industry.

2. Regional Integration

The developing countries have tried to develop industry -- on a national basis -- each country shielding its infant enterprises behind protective walls. The result, by and large, has been high cost inefficient industry with little growth potential. However, by joining together with their neighbors and dismantling the trade barriers among them, they can produce for a wider regional or sub-regional market. In the larger market, their industry would not be limited as it is today to light consumer goods. They could move in time to more complex intermediate and capital goods. Shielded for a time by their outer tariff walls from the export competition of the advanced countries, enterprises would be exposed to more tolerable competition within the broader regional market and would reach a competitive position in international markets much earlier and more effectively. And
not unimportantly, foreign investment would be stimulated to locate within the grouping.

Recognizing the benefits that could come from a continent-wide market such as the U.S. enjoys and spurred by the example of the European Common Market, low-income countries have been moving together to develop free trade areas and common markets.

At the Latin American Summit meeting in Punta del Este, the countries of Latin America undertook a commitment of major significance to move forward toward a full Latin American Common Market. And the U.S. undertook a parallel commitment to help them with adjustment assistance when the Common Market gets underway.

We would hope to see similar movements among developing countries in other hemispheres. We believe that regional integration among neighboring less-developed countries that are at roughly the same level of development can be a positive force for economic growth and stability. It can also be a force for political cohesion. The difficulties in such undertakings are formidable, including the resistance of protected enterprises to exposure to increased competition and the concern of each country in the group to get a fair share of new enterprises. The benefits of integration can be realized only if the governments have the political will to push ahead. But if the political will is there, encouragement and support by the rich countries could be quite fruitful.
3. With respect to trade in manufactured goods, the principal point I wish to discuss with the Committee is the question of trade preferences for developing countries.

There is nothing very new or startling about trade preferences. We have had preferential trade ties with the Philippines for decades. The extensive network of British Commonwealth preferences dates from 1931. The French and a few other European nations had similar arrangements with African areas for many years. What is new is that the developing countries themselves have recently become dissatisfied with this uneven situation, and with good reason. Neighboring countries of the developing world who frequently produce the same kinds of products face discrimination in developed country markets when one receives a preference and the other does not simply because of the historical fact of colonial relationships. The system pits the poor against the poor and has neo-colonial overtones. It is made to order for creating friction and tensions among the very countries who most of all need to cooperate with each other economically and for their mutual prosperity. And one area of the world--Latin America--has historically had no trade preferences in any market; instead, it has had to cope with discrimination against its exports nearly everywhere. Moreover, developed countries, including the United States, frequently face discrimination because many of these preferential arrangements are reciprocal.

A new situation arose several years ago, however, when it became apparent that discriminatory trade arrangements of this kind were on the increase. The preferences which individual African countries
enjoyed in their former metropoles were extended to all of the six Member States of the European Common Market. An association agreement between Nigeria and the EEC was concluded last year after lengthy negotiations, thus extending preferences to a single African country which had previously had such advantages only in the Commonwealth markets. A large number of other African countries--the Maghreb and three East African countries--have been seeking some kind of special trade arrangement with the European Common Market.

This growing risk of further proliferation of trade arrangements which discriminate among developing countries was from our viewpoint a most unfortunate development both politically and economically. It threatened to fragment world trade; it increased the pressures from Latin American for exclusive trade arrangements with the United States; it was a retrogression toward special spheres of influence.

We have always felt that the best way to assist the developing countries is for all industrialized countries to join together in a common effort to help all of the low income countries. The developing countries themselves felt that a more desirable course of action would be to replace the network of existing preferences which are selective as to product and countries by a general system of trade preferences by all industrialized countries for the benefit of all developing countries and without reciprocal preferences.

In early 1966 the U.S., United Kingdom, France and the Federal Republic of Germany began to explore some of the issues involved in trade preferences pursuant to a mandate from the OECD Ministers. Our own participation in this exercise was, of course, severely circumscribed
by our own position of scepticism concerning the workability of any scheme of preferences and, indeed, our basic reservation on the idea as a matter of principle. It became quite apparent to us in the Executive Branch that this posture which the U.S. had maintained since the issue of trade preferences first arose in 1964 was ill-suited to our political and economic interests. Politically, we found ourselves virtually isolated from all the developing countries and most of the industrialized countries as well. Economically, our reservation in principle and scepticism precluded our having much influence over the proliferation of discriminatory arrangements and also reduced our influence with regard to the specific workings of a preference scheme which other industrialized countries indicated they might put into effect whether or not the United States took part. An important precedent in this regard was the unilateral announcement by Australia in 1965 that it intended to apply a system of trade preferences of its own for developing countries.

This, then, was the general situation confronting President Johnson when he undertook to meet with his fellow Chiefs of State of the Inter-America System at Punta del Este last April: a trend toward proliferation of discriminatory preferences which our own adherence to the principle of most-favored-nation treatment had done little to check, and an awareness that the Latin American countries, like other developing countries, are anxious to improve their opportunities for access to the markets of all industrialized countries.

After a searching examination and analysis within the Executive Branch and preliminary consultations with the Congress, the President
agreed that he would indicate to the Latin Americans that we are prepared to explore the feasibility of a system of generalized preferences. The President told his fellow Chiefs of State:

"We have been examining the kind of trade initiatives that the United States should propose in the years ahead. We are convinced that our future trade policy must pay special attention to the needs of the developing countries in Latin American and elsewhere in the world.

We have been exploring with other major industrialized countries what practical steps can be taken to increase the export earnings of all developing countries. We recognize that comparable tariff treatment may not always permit developing countries to advance as rapidly as desired. Temporary tariff advantages for all developing countries by all industrialized countries would be one way to deal with this.

We think this idea is worth pursuing. We will be discussing it further with members of our Congress, with business and labor leaders, and we will seek the cooperation of other governments in the world trading community to see whether a broad consensus can be reached along these lines."

The present hearings are very timely since it gives us in the Executive Branch an opportunity to discuss further with the Congress--as the President promised would be done--how we presently believe the question of trade preferences will evolve in the coming months and years. I wish to stress that the President has committed the United States only to an exploration of preferences to see whether a consensus can be reached. There are many difficulties--both technical and policy--to be overcome if we are to reach a consensus. We also need the advice of Congress and our business and labor leaders as this matter is pursued.

Multilateral discussion of the preference question thus far has indicated two different kinds of approach in order to deal with three inter-related issues: depth of cut, the means to ensure that any
preferences actually extended would in fact be temporary, and safeguards for domestic interests in the industrialized countries. These are by no means the only outstanding issues but they are, we believe, the really crucial ones.

One approach envisages the establishment of duty-free quotas for preferential imports from developing countries. Under this approach, the industrialized countries would agree to permit the importation of some fixed percentage of domestic production or consumption of products from developing countries on a duty-free basis. This approach contains its own built-in safeguard against excessive adverse impact on industrialized countries—depending, of course, on the size of the percentage which might be agreed upon—since, in setting the percentage figures, governments would presumably take into account the extent to which their own domestic interests could absorb increased imports from the developing countries without serious injury.

There are, however, a number of difficult problems with this approach. One is the absence of any mechanism for ensuring that preferences thus established would in fact be temporary. It has been suggested that such a scheme might operate for say ten years after which the situation could be reviewed to see whether it should or could be extended, modified or terminated. We are not sure this is politically realistic because it is easy to anticipate the pressures that would be exerted when the time for review occurred to extend the system rather than raise duties against the products of developing countries. Moreover, during such a ten-year period reductions of barriers among the industrialized countries themselves might be inhibited because of vested
interests in maintaining margins of preference.

An alternative approach to this range of issues might be to visualize preferences for developing countries as the extension in advance to developing countries of trade barrier reductions which the industrialized countries themselves would be prepared to undertake on a most-favored-nation basis over a longer period of time. If an agreement could be reached with other industrialized countries for this kind of approach, the problem of ensuring that preferences would in fact be temporary would automatically take care of itself since the preference margins would erode as trade barriers were reduced on an MFN basis. There are numerous difficulties with this approach as well, however. First there is the question of whether any industrialized country, including the United States, is prepared so quickly after the major reductions of trade barriers recently concluded in the Kennedy Round to enter into any kind of commitment to eliminate duties. I believe the realistic answer to this is no. This has accordingly led to the suggestion that the margin of preference under what has been called the "advance cut" approach would have to be something other than duty-free treatment across the board. This, of course, might reduce the attractiveness of the scheme to the developing countries. The question of safeguards under this approach would no doubt have to encompass the traditional devices such as exclusion of products deemed to be particularly sensitive, and an escape clause procedure in the event imports from developing countries threaten or cause serious injury to domestic interests. The case of cotton textiles of course is a special one in that the developing countries are already highly
competitive in industrialized country markets and therefore do not need preferences. Moreover, so long as cotton textiles are subject to quantitative restrictions, tariff preferences would not be of any significant benefit to developing countries. In this particular sector, the developing countries will have to look for a gradual liberalization of quantitative restrictions rather than tariff preferences if they are to capitalize on the competitive advantage they already have.

I would like to draw the Committee's attention to an important aspect of the second approach I summarized a moment ago, namely the link between reductions of trade barriers for developing countries and the future of trade barrier reductions among the industrialized countries themselves. As you all know, the future pattern of our trade relations with the industrialized countries of Western Europe is difficult to predict with any certainty. We have of course given our full support and encouragement to the European Economic Communities and, as the President stated last October, we look forward to a strong, united Europe—with Great Britain a part of it. We thus hope the British will succeed in their current efforts to join the European Communities. We are also aware that if the British effort succeeds, it is likely that a number of other European countries will join the Common Market or possibly associate with the Communities in some manner or other. The precise geographic dimensions and form of membership or association by the various European countries simply cannot be predicted at this stage. It is clear, however, that as trade barriers are reduced among a major grouping of European countries without the
benefits of such reductions being extended to the United States, our own competitive position in this enlarged market will be adversely affected. We have accordingly felt that it will be necessary at some stage in the not too distant future--albeit after the Kennedy Round reductions have been digested--to visualize further reductions to the mutual benefit of both the U.S. and Western Europe, and the other major trading countries of the industrialized world. This is one reason why we have been giving close attention to the feasibility of establishing some kind of meaningful link between the establishment of a possible temporary preference scheme and the future reduction of barriers among the industrialized countries as a whole.

Another major policy issue involved in the preference question is what is to be the disposition of existing preferential arrangements. As I mentioned earlier, there are many such arrangements currently in force with the notable exception of Latin America. Latin America has been particularly critical of this situation and this, indeed, was a contributing factor to the President's decision at Punta del Este to commit us to an exploration of the feasibility of a generalized system of preferences. It has been our thought that we could develop a scheme which would subsume the existing preferences enjoyed by particular developing countries in particular markets. Some difficulties have come to light on this point, however, and we may succeed in only partially achieving our objectives. For example, the developing countries of the Commonwealth and the African countries associated with the European Communities all enjoy duty-free access to these respective markets. If a generalized preference scheme does not take the form of duty-free entry, existing beneficiaries
might feel they are obtaining lesser benefits than they now have even though this point is debatable.

There is also the question of reverse preferences, that is the preferences currently enjoyed by some industrialized countries in the developing countries to whom they accord preferential treatment. We for our part have made it clear that such arrangements must be terminated as part of any generalized scheme since we do not consider it reasonable that the U.S. should be expected to accord preferred treatment to developing countries discriminating against U.S. exports. These arrangements, moreover, convey no benefits to the developing countries who are denied the opportunity to buy in the most favorable market.

Even if it should not prove possible to eliminate completely the preferential access to certain developed country markets that certain favored poor countries now enjoy, agreement on a new system of preferences extended on a non-reciprocal basis by all developed to all developing countries would be a major achievement. It would check the further proliferation of special discriminatory arrangements, the thrust toward new bilateral trading blocs; and it would reduce the range and significance of existing preferences.

There are other policy and technical issues related to preferences that I could discuss with the Committee, but I believe the foregoing is sufficient to indicate the range of complexities which are involved.

I would like to invite the Committee's attention to an excellent recent survey by the UNCTAD Secretariat of the key issues. I will make available to the Committee copies of this document (Appendix 1) and would have no objection if the Committee wishes to incorporate it in its report on these hearings. This particular document is being discussed at this very moment in Geneva where the UNCTAD Group on Preferences, on which the United States and 33 other governments are
represented, began its meetings on July 4. The document to which I have referred and the specific proposals advanced therein illustrate some of the complexities and the options open to us and other countries. The United States will not enter into any kind of commitment on any of the key details of the suggestions presented by the UNCTAD Secretariat at the meeting now in progress. We believe, however, that the discussions based on this very competent review should serve to clear the air a bit and give us a better appreciation of how the developing countries themselves view the operation of a possible preference scheme. We need such an understanding because a workable scheme of preferences—if it is to be worth the effort which would have to go into it—would have to be one which has the support not only of the industrialized countries but of the developing countries themselves.

With the President's announcement at Punta del Este, the work of the small group of countries in the OECD entered a new phase since the U.S. no longer maintained a basic reservation on the principle of preferences. Still it appears that there are important areas of difference between the approaches to some of the key issues involved in preferences. The UNCTAD document to which I have referred gives a succinct and quite accurate expose of these differences in approach.

The time sequence of events is that a report by the small group will be considered within the regular OECD framework this fall, culminating in the meeting of OECD ministers on November 30-December 1. If, at that time, a general consensus can be reached, there might well be a joint OECD proposal to be put before the second United Nations Conference on Trade and Development to be held in New Delhi.
beginning February 1, 1968. On the other hand, there may be no joint proposal but alternative ideas presented for consideration at that Conference. No matter which course of action may transpire, the U.S. for its part does not expect that any proposal or proposals will be presented on a take-it-or-leave-it basis but that, instead, the views of developing countries and detailed discussions to develop a workable scheme will require many meetings over a period of many months both during and after the New Delhi conference. During this period, of course, the United States will have to be refining its own views in consultations with business and labor and with the Congress since, of course, the United States will not be in a position to extend trade preferences without new enabling legislation. The actual mechanism for ascertaining these views will be part of the long-range study of trade policy which the President has charged Ambassador Roth to carry out.

Let me conclude my presentation by a brief commentary on our trade policy as it relates to both primary products and manufactured goods. The United States has been the prime mover in the world-wide effort to reduce unnecessary barriers to trade. This long effort has recently been crowned with success in the outcome of the Kennedy Round negotiations. There has been some unfortunate—and in our view inaccurate—press commentary to the effect that the Kennedy Round accomplished little or nothing for the developing countries. Let me give you our own appraisal of this situation.

One of the principal objectives throughout the Kennedy Round negotiation was to reduce barriers to exports of developing countries to the maximum extent possible. The United States' position throughout
the negotiation was conditioned by its commitment to this objective. The United States concessions benefiting the developing countries cover $900 million of their exports to the United States in 1964. Of this total, the United States is completely eliminating the duty on more than $325 million, either under Section 202 or Section 213 of the Trade Expansion Act. Provisions of the Act are such that eliminations under Section 213, accounting for at least $45 million of imports from developing countries, do not need to be staged over a four-year period. A substantial portion of U.S. concessions—nearly $500 million—are on manufactured and semimanufactured products from developing countries. This represents a significant reduction of our tariffs on items of interest to the developing countries. We made these concessions, moreover, without seeking reciprocal tariff reductions by the developing countries in keeping with the negotiating principle accepted by all the industrialized countries that full reciprocity could not be expected from the low income countries.

We have recently completed a detailed analysis of United States concessions in relation to a list of the products which the developing countries themselves have declared to be of export interest. This list (see Appendix 2) covers 1,376 different tariff classifications of the Tariff Schedules of the United States in which the 1964 trade interest of the developing countries was $622.7 million. The United States is making tariff concessions on 1,160 of these items accounting for $489.8 million of their 1964 trade interest. Thus the U.S. concessions will cover approximately 84% of the items requested and 79% of the developing countries' trade interest in the items contained in this
We do not yet have similar detailed analyses of the significance for developing countries of concessions made by other industrialized countries but we know that, in general, they are of a comparable order of magnitude. The composite effect of the vast reductions by all industrialized countries is that the trade opportunities open to the developing countries are substantially better than ever before.

I would not wish these comments to be misconstrued as implying that developing countries will obtain the major benefits from the Kennedy Round. It is quite clear that trade between the United States and other industrialized countries will be the major beneficiary. But the implication that nothing was done for the developing countries is very much wide of the mark.

We in the Executive Branch are delighted with the successful outcome of the Kennedy Round. We recognize that a period of reflection will be needed to assess--and digest--the results, and that it may be some time before the United States and other major industrialized countries will be ready to undertake another assault on the remaining barriers to trade. But I also would not wish to end this presentation by implying that the Kennedy Round is the end of the road. Indeed, as the President stated at Punte del Este, "The process of freeing trade from unnecessary restrictions will not come to an end when the current and important Kennedy Round negotiations are completed".

Not all of the issues we and our negotiating partners had hoped to come to grips with during the Kennedy Round could be dealt with during the marathon sessions of the final months. One issue in particular of major interest to the developing countries has been
left over for further consideration next fall. That is the question of extending the benefits of the Kennedy Round reductions to the developing countries without the normal staging requirement. The United States has not taken a firm position on this point. It would, of course, require specific legislative authority. If this were done in a preferential way, i.e. covering all products but for developing countries only, it would constitute a precedent for the longer-term problem of temporary tariff advantages. We will be exploring this issue with our major trading partners over the coming months and, of course, with the Congress.
<table>
<thead>
<tr>
<th>Country</th>
<th>G.N.P. per Capita</th>
<th>Country</th>
<th>G.N.P. per Capita</th>
<th>Country</th>
<th>G.N.P. per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuwait</td>
<td>3,290</td>
<td>Yugoslavia</td>
<td>390</td>
<td>Congo (Brazzaville)</td>
<td>140</td>
</tr>
<tr>
<td>United States</td>
<td>3,020</td>
<td>Albania</td>
<td>380</td>
<td>Ceylon</td>
<td>130</td>
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<tr>
<td>Sweden</td>
<td>2,040</td>
<td>Cuba</td>
<td>360</td>
<td>Korea (South)</td>
<td>120</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2,030</td>
<td>British Honduras</td>
<td>360</td>
<td>Cambodia</td>
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</tr>
<tr>
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<td>1,940</td>
<td>Costa Rica</td>
<td>360</td>
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<tr>
<td>Luxembourg</td>
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<td>Barbados</td>
<td>360</td>
<td>Cameroon</td>
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<td>1,730</td>
<td>Surinam</td>
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<td>Colombia</td>
<td>270</td>
<td>Central African Rep.</td>
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<tr>
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<td>220</td>
<td>Swaziland</td>
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<td>Brazil</td>
<td>220</td>
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<td>Oceania</td>
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<td>890</td>
<td>Jordan</td>
<td>220</td>
<td>Haiti</td>
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<td>Libya</td>
<td>210</td>
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<td>70</td>
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<td>Dahomey</td>
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<td>210</td>
<td>Guinea, Republic of</td>
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<tr>
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<td>660</td>
<td>Iran</td>
<td>210</td>
<td>Indonesia</td>
<td>70</td>
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<td>Bulgaria</td>
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<td>200</td>
<td>Nepal</td>
<td>70</td>
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<tr>
<td>Argentina</td>
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<td>Paraguay</td>
<td>200</td>
<td>Tanzania</td>
<td>70</td>
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<td>Trinidad and Tobago</td>
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<td>Honduras</td>
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<td>Bechuanaland</td>
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<td>Ecuador</td>
<td>190</td>
<td>Mali</td>
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<td>Saudi Arabia</td>
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<td>China, Rep. of</td>
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<td>Basutoland</td>
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<td>Syria</td>
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<td>Laos</td>
<td>60</td>
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<td>Greece</td>
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<td>Tunisia</td>
<td>180</td>
<td>Angola</td>
<td>60</td>
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<td>180</td>
<td>Burundi</td>
<td>50</td>
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<tr>
<td>Chile</td>
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<td>Senegal</td>
<td>170</td>
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<td>Ethiopia</td>
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<tr>
<td>Mexico</td>
<td>430</td>
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<td>Jamaica</td>
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<td>Philippines</td>
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<td>Malawi</td>
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<td>Malta</td>
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<td>Bolivia</td>
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<td></td>
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<tr>
<td>Lebanon</td>
<td>390</td>
<td>Mauritania</td>
<td>140</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: World Bank Atlas of Per Capita Product and Population, I.B.R.D., September 1966. The data are for G.N.P. and relate to 1963 and 1964. It is stressed by the Bank that the figures should not be regarded as official and must be taken with some reserve.
### TABLE 2

Growth of real gross product of developing countries by region, and of developed countries, 1950-65

<table>
<thead>
<tr>
<th>Annual compound growth rates (percentage)</th>
<th>1950-55</th>
<th>1955-60</th>
<th>1960-65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing countries a/</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita</td>
<td>4.7</td>
<td>4.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Asia</td>
<td>2.7</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Per capita</td>
<td>4.2</td>
<td>3.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Latin America</td>
<td>2.2</td>
<td>1.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Per capita</td>
<td>5.0</td>
<td>5.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Developed market economy countries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita</td>
<td>2.9</td>
<td>1.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Socialist countries of Eastern Europe and Asia b/</td>
<td>9.8</td>
<td>8.2</td>
<td>6.7</td>
</tr>
<tr>
<td>Per capita</td>
<td>8.2</td>
<td>6.6</td>
<td>5.4</td>
</tr>
</tbody>
</table>


a/ Includes the following African and Middle Eastern countries: Algeria, Congo (Kinshasa), Ghana, Kenya, Malawi, Morocco, Nigeria, Southern Rhodesia, Sudan, Tanzania (Tanganyika only), Tunisia, Uganda, United Arab Republic, Zambia; and Iraq, Israel, Lebanon, Syria.

b/ Gross material product.
# TABLE 3

**Developing countries: Receipts and uses of external financial resources**

(Billions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Commodity exports (f.o.b.)</th>
<th>Foreign private investment (net)</th>
<th>Official flows (gross)</th>
<th>Total</th>
<th>Receipts</th>
<th>Uses</th>
<th>Changes in official reserves (net: + = increase)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Debt service</td>
<td>Other Investment income payments</td>
<td>Miscellaneou s uses (net)</td>
<td>Commodity imports (c.i.f.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Amortization</td>
<td>Interest</td>
<td>payments</td>
<td>(net)</td>
</tr>
<tr>
<td>1957</td>
<td>25.4</td>
<td>3.4</td>
<td>4.5</td>
<td>33.3</td>
<td>0.8</td>
<td>0.2</td>
<td>3.5</td>
<td>→</td>
</tr>
<tr>
<td>1958</td>
<td>24.7</td>
<td>2.6</td>
<td>5.1</td>
<td>32.4</td>
<td>1.0</td>
<td>0.3</td>
<td>4.5</td>
<td>→</td>
</tr>
<tr>
<td>1959</td>
<td>25.7</td>
<td>2.2</td>
<td>4.8</td>
<td>32.7</td>
<td>1.1</td>
<td>0.3</td>
<td>3.5</td>
<td>→</td>
</tr>
<tr>
<td>1960</td>
<td>27.3</td>
<td>2.4</td>
<td>5.4</td>
<td>35.1</td>
<td>1.4</td>
<td>0.4</td>
<td>2.1</td>
<td>1.3</td>
</tr>
<tr>
<td>1961</td>
<td>27.7</td>
<td>2.4</td>
<td>6.7</td>
<td>36.8</td>
<td>1.5</td>
<td>0.5</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>1962</td>
<td>28.9</td>
<td>1.8</td>
<td>6.8</td>
<td>37.5</td>
<td>1.7</td>
<td>0.6</td>
<td>2.3</td>
<td>2.1</td>
</tr>
<tr>
<td>1963</td>
<td>31.5</td>
<td>1.6</td>
<td>7.5</td>
<td>40.6</td>
<td>1.8</td>
<td>0.7</td>
<td>2.6</td>
<td>2.3</td>
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<tr>
<td>1964</td>
<td>34.4</td>
<td>2.3</td>
<td>7.8</td>
<td>44.5</td>
<td>2.3</td>
<td>0.8</td>
<td>3.0</td>
<td>3.2</td>
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<tr>
<td>1965</td>
<td>36.6</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
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Source: UNCTAD Secretariat document TD/B/82/Add. 1, July 20, 1966
<table>
<thead>
<tr>
<th>Category of Products</th>
<th>Million dollars</th>
<th>1965</th>
<th>1964</th>
<th>1960</th>
<th>1956</th>
<th>Increase from 1956 to 1965</th>
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</thead>
<tbody>
<tr>
<td>Textiles and clothing (8 groups)</td>
<td>1,122</td>
<td>1,020</td>
<td>598</td>
<td>301</td>
<td>273%</td>
<td></td>
</tr>
<tr>
<td>Foodstuffs and tobacco (8 groups)</td>
<td>462</td>
<td>428</td>
<td>315</td>
<td>256</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Precious stones and jewellery (2 groups)</td>
<td>378</td>
<td>196</td>
<td>62</td>
<td>54</td>
<td>600%</td>
<td></td>
</tr>
<tr>
<td>Articles of wood and furniture (4 groups)</td>
<td>170</td>
<td>159</td>
<td>61</td>
<td>39</td>
<td>336%</td>
<td></td>
</tr>
<tr>
<td>Leather - leather and rubber articles - footwear (6 groups)</td>
<td>174</td>
<td>158</td>
<td>105</td>
<td>79</td>
<td>120%</td>
<td></td>
</tr>
<tr>
<td>Iron-steel-metal articles (2 groups)</td>
<td>140</td>
<td>124</td>
<td>71</td>
<td>51</td>
<td>175%</td>
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<tr>
<td>Chemicals (4 groups)</td>
<td>146</td>
<td>103</td>
<td>75</td>
<td>80</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>Paper - paperboard and manufactures thereof (2 groups)</td>
<td>11</td>
<td>12</td>
<td>3</td>
<td>10</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Glass and ceramics (3 groups)</td>
<td>12</td>
<td>11</td>
<td>3</td>
<td>2</td>
<td>500%</td>
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</tr>
<tr>
<td>Miscellaneous (10 groups)</td>
<td>255</td>
<td>207</td>
<td>93</td>
<td>40</td>
<td>538%</td>
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<tr>
<td>Total (49 groups)</td>
<td>2,870</td>
<td>2,417</td>
<td>1,393</td>
<td>912</td>
<td>215%</td>
<td></td>
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</table>

Source: OECD Secretariat
OFFICE MEMORANDUM

TO: Mr. Isaiah Frank
FROM: Irving S. Friedman
SUBJECT: Joint Economic Committee

DATE: July 19, 1967

Thanks very much for your note. I would appreciate it if you would follow up this point made by Solomon before the Joint Economic Committee. As for working with State Department people in developing their revisions, my own first reaction is that we should be working with them if we think their revisions are worthwhile, but not get ourselves involved in hidden common authorship of schemes which we don't like.

You may be interested to know that the Inter-American Bank in ECOSOC has endorsed our Supplementary Finance proposal and instructed de Santa-Maria to pursue the matter.

I think the phraseology of Solomon's statement is kind of foreboding. I would have been much happier with the kind of language which the CED Research and Policy Committee used. May I again express my appreciation for your part in it?

cc: Mr. Sarma
Mr. Isaiah Frank

Irving S. Friedman

Joint Economic Committee

July 19, 1967

Thanks very much for your note. I would appreciate it if you would follow up this point made by Solomon before the Joint Economic Committee. As for working with State Department people in developing their revisions, my own first reaction is that we should be working with them if we think their revisions are worthwhile, but not get ourselves involved in hidden common authorship of schemes which we don't like.

You may be interested to know that the Inter-American Bank in ECOSOC has endorsed our Supplementary Finance proposal and instructed Santacoria to pursue the matter.

I think the phraseology of Solomon's statement is kind of foreboding. I would have been much happier with the kind of language which the CED Research and Policy Committee used. May I again express my appreciation for your part in it?

cc: Mr. Sarma
MEMORANDUM

TO: Mr. Irving Friedman
FROM: Isaiah Frank

I thought you would be interested in the following excerpt from the statement by Tony Solomon before the Joint Economic Committee on July 12, 1967.

... We have supported the liberalization of the compensatory financing facility in the International Monetary Fund, and developing countries are making increasing use of that facility. We are also considering the feasibility of supplementing that facility in the case of deep or protracted shortfalls in the export earnings of developing countries that are disruptive of their development and that may require longer-term assistance than the Monetary Fund facility provides. The World Bank has developed a proposal for such a supplementary facility. The specifics of the Bank scheme raise a number of serious questions and we are not prepared to endorse it as formulated, but we are studying variants of the proposal that we may be able to support.

Are we familiar with the variants to which Tony refers? Perhaps we should be working with his people in developing their revisions of our proposal.
Mr. George D. Woods

Andrew M. Kamarck

"Trade Policy Towards Low-Income Countries"

You might be interested in the attached statement prepared by the Research and Policy Committee of CED in association with similar organizations of businessmen in Japan, Britain, Sweden, France, Germany and Italy.

From our narrow institutional point of view, what is of particular interest is their stating that:

"...it would be desirable for all countries to adhere to the World Bank's Convention on the Settlement of Investment Disputes." (p. 13);

"For recommendations as to the precise products with respect to which the reduction of (trade) barriers would be most fruitful, governments might well seek advice from the staffs of appropriate international organizations such as the GATT, the United Nations Industrial Development Organization, and the World Bank, as well as from other experts with relevant experience." (p. 21);

"RECOMMENDATION 11. The high-income countries should support a project such as that proposed by the World Bank for supplementary finance to prevent sound plans for long-term development of low-income countries from being disrupted by unexpected export shortfalls beyond the control of the countries concerned." (p. 32).

AMK:ner

cc: Messrs. Friedman / Broches