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Fonds: Records of the Office of the President

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THE WORLD BANK Washington, D.C.

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Friedman UNCTAD Files - General Correspondence on Supple Filence





For 1967 UNCTAD's Calendar Of Meetings Approved

Special to Journal of Commerce UNITED NATIONS, Dec. 22— A calendar of UNCTAD (U.N. Conference on Trade and Development) meetings for the coming year was approved yesterday at a special meeting here of the Trade and Development Board.

Taking advantage of the post-progress on the price issue," he ponement of the second confer- added.

Calendar	10	UNCTAD	Meetings	for	1967	

Intergovernmental Group on Sup- plementary Financing, second	Date	Duration	Location
Session Committee on Shipping, second	February 6-17	2 weeks*	Geneva
session	Feb. 21-March 8	2½ weeks	Geneva
Conference on Olive Oil Committee on Invisibles and Financing related to Trade.	March 28-April 1	1 week	Geneva
second session	April 4-19	2½ weeks	New York
Permanent Sub-Committee on Commodities, resumed first session Committee on Commodities,	May 9-12	1 week	Geneva
second session	May 9-26	3 weeks	Geneva
Group on Preferences, second session Committee on Manufactures,	July 4-14	2 weeks	Geneva
second session Trade and Development Board.	July 4-21	3 weeks	Geneva
fifth aggain	Ave 15 Cant 8	d wootry	Coneve

ence in New Delhi to Feb. 1-March 25, 1968, the board moved the next session of the Commitmined, include: Advisory Comtee on Commodities from Jan. 10-27, '67 to May 9-26, and the second series of meetings of the Committee on Manufactures from Jan. 31-Feb. 15 to July 4-21. These changes, it was pointed out, will enable the committees to carry out more efparatory bodies to the board. Eth Series Advanaed

5th Session Advanced

The fifth session of the board has also been put ahead from May 4-30 to Aug. 15-Sept. 8, '67. This date will give members of the board ample time to consider the recommendations of the committees and, at the same time, will avoid an overlap with the General Assembly session, which convenes Sept. 19 and continues to the end of the year.

Provision has also been made t in the calendar of conferences, for two commodity conferences, in addition to the one on olive oil, which is to be held in Geneva from March 28 to April 1, '67. The date and place and commodities to be considered will be determined by progress made in discussions and consultations, which are now taking place or may be initiated on sugar, cocoa, and, possibly, coffee. The dates and places for





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TRADE AND DEVELOPMENT BOARD Fourth session Agenda item 13

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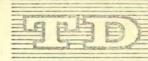
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FAO/UNCTAD Working Party on Timber and Forest Products	31 Oct-7 Nov ^{c/}	l week	Geneva
Sugar consultations	To be determined	To be dete	ermined
Exploratory Meeting on Copper	To be determined	To be dete	ermine <u>d</u> /

- <u>a</u>/ Provision to be made for two further meetings of this Group in 1966-1967 if required. Dates and location of these two meetings to be determined.
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Commodity conference	To be determined	5 weeks 1	to be determined
Committee on Shipping, second session	21 Feb-8 March	$2\frac{1}{2}$ weeks	Geneva
[Permanent Group on Synthetics and Substitutes, first session]	To be determined	9 days 1	to be determined
Committee on Invisibles and Financing- related to Trade, second session	4-19 April	2 ¹ / ₂ weeks	New York
Trade and Development Board, fifth session	4-30 May	i sur i	Geneva, or if Impossible, New York
Commodity conference	To be determined		To be determined
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Sugar consultations	To be determined	To be de	termined
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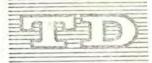
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Eight Expert Groups d/	To be determined	16 weeks	To be determined

Note: All meetings for the remainder of 1967 to be determined in the light of decisions taken at the second session of UNCTAD.

d/ The 1967 budget estimates provide \$115,000 for eight sessions of ad hoc expert meetings and of the Advisory Connittee to the Board and to the Conmittee on Cormodities. These were intended to provide expert advice to the continuing machinery of UNCTAD. A number of similar meetings have already taken place during 1966. It would be the Secretary-General of UNCTAD's intention during 1967 to use this credit to provide for further meetings of some of the expert groups that had already met, and possibly for such groups as might prove useful in connexion with the preparations for the second session of the Conference. It would be envisaged that any new groups concerned with the Conference would arise from meetings of the main committees or the Board that would be held during the first part of 1967.





Distr. LIMITED TD/B/L.94/Rev.l 23 September 1966 Original: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Fourth session Agenda item 13

CALENDAR OF MEETINGS FOR 1967

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Revised suggestions for the calendar between the fourth session of the Board and the second session of the Conference

Note by the Secretariat

In the light of the discussions held at the lllth and ll2th plenary meetings of the Board, the following revised suggestions are presented for the calendar of UNCTAD meetings between the fourth session of the Board and the second session of the Conference:

	1966	Duration	Location
Expert Group on Reinsurance	26 Sep-8 Oct	2 weeks	Geneva
Advisory Committee to the Board and to the Committee on Commodities	27-30 September	4 days	Geneva
Intergovernmental Group on Supplementary Financing ²	10-14 October ^{b/}	l week	Geneva
Preparatory meetings on cocoa	October-November	To be de	termined
FAO/UNCTAD Working Party on Timber and Forest Products	31 Oct-7 Nove/	l week	Geneva
Sugar consultations	To be determined	To be de	termined
Exploratory Meeting on Copper	To be determined	To be de	termined/

<u>a</u>/ Frovision to be made for two further meetings of this Group in 1966-1967 if required. Dates and location of these two meetings to be determined.

b/ Dates approved by the Board at its 95th plenary meeting.

c/ Dates approved by the Board at its 107th plenary meeting.

1) + 1	1967	Duration	Location
Committee on Commodities, second session, and Permanent Sub-Committee on Commodities, resumed first session	10-27 January	3 weeks	Geneva
Committee on Manufactures, second session	31 Jan-15 Feb	$2\frac{1}{2}$ weeks	Geneva
Group on Preferences, second session	31 Jan-8 Feb	9 days	Geneva
Commodity conference	To be determined	5 weeks	To be determined
Committee on Shipping, second session	21 Feb-8 March	$2\frac{1}{2}$ weeks	Geneva
Permanent Group on Synthetics and Substitutes, first session/	To be determined	9 days	To be determined
Committee on Invisibles and Financing- related to Trade, second session	4-19 April	2^{1}_{2} weeks	New York
Trade and Development Board, fifth session	4-30 May		Geneva, or if impossible, New York
Commodity conference UNCTAD, second session	To be determined SCPT.5 - 06-7.20 Decision pending		New Decim Decision pending
Advisory Committee to the Board and to the Committee on Commodities, second session	To be determined	2 weeks	To be determined
Eight Expert Groups d/	To be determined		To be determined
			10 m

Note: All meetings for the remainder of 1967 to be determined in the light of decisions taken at the second session of UNCTAD.

d/ The 1967 budget estimates provide \$115,000 for eight sessions of ad hoc expert meetings and of the Advisory Connittee to the Board and to the Connittee on Conmodities. These were intended to provide expert advice to the continuing machinery of UNCTAD. A number of similar meetings have already taken place during 1966. It would be the Secretary-General of UNCTAD's intention during 1967 to use this credit to provide for further meetings of some of the expert groups that had already met, and possibly for such groups as might prove useful in connexion with the preparations for the second session of the Conference. It would be envisaged that any new groups concerned with the Conference would arise from meetings of the main committees or the Board that would be held during the first part of 1967.

December 28, 1966

FILES

Federico Consolo

Galendar of UN Heetings in 1967

1. The General Assembly has approved the calendar of UN meetings scheduled for 1967. Below is the list of meetings at which the Bank is likely to be represented:-

Month	Meeting	Place	Probable Bank Representation
Jan. 10-27	Governing Council UN Development Programme	New York	Consolo, Riley
Jan. 16-24	UN Programme for Public Admin.	New York	Waterston
Jan. 23-27	Cons. Group on Long-Term Economic Planning and Projections	New York	de Vries
Feb. 6-17*	UNCTAD Inter-Gov. Group on Supplementary Financing	Geneva	Economies
Feb. 6-10	Cons. Committee Public Information	New York	Information?
Feb. 13-25	Econ. Commission for Africa	Lagos	Area Dept?
Feb. 21- Mar. 8	UNCTAD Comm. on Shipping	Geneva	9
Feb. 27-	UN Ad Hoe Group on Capital	New York	Economics?
Mar. 10	Flow		
Mar. 13-24	Preparatory Committee of Administrative Committee on Co-ordination	Geneva	Oonsolo
April 3-4	Inter-Agency Con Sultative Board of UN Development Programme	Geneva	Woods, Demuth? Consolo
April 4-19	UNCTAD Committee on Invisibles	New York	Economics
April 5-6	Administrative Committee on Co-ordination (ACC)	Geneva	Woods, Consolo
April 10-21	UN Committee on Development	Santiago	Economics
April 11-28	Econ. Commission for Europe	Geneva	Paris Office?
April (undet 3-4 weeks)	. UN Industrial Development Board	New York	IFC? Perinban
May 1-5	ECOSOC - Committee on Programme and Co-ordination	New York	Consolo, Perinban
May 1-5	UN Advisory Committee on Science and Technology	New York	Perinbam
May 2-13	Econ. Commission for Latin America	Caracas	Area Dept?
May 8- June 2	E0050C	New York	Consolo, Perinban

* provision may be made for a 3-week session

Mey 9-26	UNCTAD Comm. on Commodities	Geneva	Economics?
June 5-16	ECOSOC Committee on Programme and Co-ordination	New York	Paris Office? (Consolo), Perinban
June(undet. 2 weeks)	UN Industrial Development Board	New York	IFC? Perinbam
June(undet. 2 days)	UN Institute for Training and Research - Heeting of Heads of Institutes	Geneva	EDI?
June 12-30	Governing Council of UN Development Programme	Geneva	Consolo
July 3-14	UN/OPI - Fellowship Programme	Geneva	Information?
July 4-21	UNCTAD Committee on Manufactures	Geneva	Economics? Paris Office
July 4-14	UNCTAD Group on Preferences	Geneva	Sconomics? Paris Office
July 5-10	Joint Hesting Bureau E0050C, Committee Programme and Co-ordination, ACC	Bucharest	Woods? Consolo
July 11- Aug. 4	E00SOC	Geneva-	Consolo, Paris Office
Aug. (undet. 2 weeks)	UN Industrial Development Board	Geneva	IFC?
Aug. 15- Sept. 8	UNCTAD Trade and Development Board	Geneva	DSD? Paris Office? Economics?
Sept. 19- December	UN General Assembly	Hew York	Consolo, Perinbam
Oct. (6-7 days)	PrepGom of ACC	New York	Çonsolo
Oct. (2 days)	Inter-Agency Consultative Board of UN Dev. Programme	New York	Woods, Demuth Consolo
Oct. (2/3 days)	ACC	New York	Woods, Demuth Consolo
Oct. (2 wks)	UN Advisory Committee on Science and Technology	Paris	Paris Office?
Nov. (1st	ECOSOC (Bank Report)	New York	Woods, Consolo, Perinbam
half			

half) Dec. (2/3 ECOSOC New York Consolo, Perinbam days) Dec. (2 wks.) International Symposium on Int. Dev. Athens IFC? Dec.1967?/ UNCTAD Trade and Development New York? DSD? Paris Office? Jan. 1968? Board New Delhi? Economics? (lweek)#

2. This list does not include meetings of:

a) the Regional Development Banks and of subsidiary organs of the regional economic commissions;

* to be decided during August session

- b) UNCTAD II, originally scheduled for Sept./Oct. 1967 in New Delhi and now definitely set for Feb.1/March 25, 1968 always in New Delhi;
- c) the ACC sector Sub-Committees which the Bank normally attends
 - Sub-Committee on Education and Training Feb. 14/17 Geneva
 - Sub-Committee on Development Decade March? Geneva
 - Working Group on Housing etc. early 1967 Burope
 - Inter-Agency Meeting on Statistical Spring 1967 ? Activities
 - Sub-Committee on Water Resources June 1967 New York
- d) the Governing Bodies and/or Executive Committees of specialized agencies (or their subsidiary organs) which the bank regularly attends, i.e. FAG, UNESCO or at which a "presence" is desirable i.e. ILO, VHO and sometimes IAEA.

cc: Mr. Woods

- " Rosen
- " Demath
- * Friedman
- " Graves
- a Kaaarck
- n Miller
- H Karess

FGebmb

January 19, 1967

file

Dear Mr. Prebisch:

Mr. Woods has asked me to answer your letter to him dated November 14, 1966 (reference CE/aw), 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 UNITAD 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 10h 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 Eank 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 Mr. Raul Prebisch

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 sc. 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 spant 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 an 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,

Cleared with Mr. Raj

Irving S. Friedman The Economic Adviser to the President

cc: Mr. A. M. Kamarck Mr. R. B. Steckhan Mr. F. Consolo

JHCollier:vmc January 18, 1967 January 18, 1967

Dear Dr. Prebisch,

I am transmitting herewith copies of two additional papers prepared for the Intergovernmental Group on Supplementary Finance. I am also sending copies to Mr. Dell.

We are working on a paper on Import Prices which I hope to be able to send to you shortly, with a copy to Mr. Dell.

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman

Dr. Raul Prebisch UNCTAD New York, N.Y.

cc: Mr. Sidney Dell Office of the Secretary-General New York, N.Y.

INTERNATIONAL DEVELOPMENT ASSOCIATION	INTERNATIONAL FINANCE CORPORATION
ROUTING SLIP	Date January 13, 196
OFFICE OF THE F	PRESIDENT
Name	Room No.
Mr. Wishart Expand to pell	Jan 17 1 L fall
patrifactul -	UF
Action	Note and File
Approval	Note and Return
Comment	Prepare Reply
Full Report	Previous Papers
Information	Recommendation
Initial Remarks	Signature
May I come along and s this in a few minutes? (M. Nichart will on details at your	

DATE RECEIVED

JAN 13 1967



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AEFEAENCE IBRD. TDS 211(4)

10 January 1967

Dear Irving,

Washington D.C. 20433

A report of Mr. Woods' speech at the Wiesbaden Conference has just reached me. As usual, the speech is very stimulating and constructive, but there is one thing in it that surprised me. I refer to the following passage:

"Personally, I don't take much notice of the \$20 billion estimate. It is a frightening figure, and from my own experience I wouldn't know how to go about using it".

It is not completely clear from the report I have what Mr. Woods was referring to but from the context I assume he meant the estimate of the trade gap put forward at the first Trade Conference. If so, I am afraid there may have been some misunderstanding.

The \$20 billion was not an estimate of capital requirements but a projected trade gap which could be bridged in a variety of ways. As a matter of fact, if you look at Volume VI of the UNCTAD proceedings page 95, you will see that the following illustrative adjustments were set out (in billions of dollars in 1960 prices and exchange rates):

1970 Hypothetical 1. Projected initial gap of developing 20 countries on current account 2. Less net inflow of long-term capital and official donations calculated on the basis of trends in the period 1950-60 9 3. Equals hypothetical gap on current and capital account 11 4. Illustrative adjustments to close the gap a. Increase in exports resulting from acceleration of rate of economic growth in developed market economies implicit in OECD target 2 Mr. Irving Friedman Economic Adviser to the President 1 ... International Bank for Reconstruction and Development



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-2-

b. Required contribution of other policy changes: export drive; increased import substitution; measures to improve net balance of service transactions; and achievement of General Assembly target for flow of capital.

It will thus be clear that there was no question of projecting capital inflow requirements of \$20 billion.

You may also recall that you agreed to our inclusion of the following statement in a progress report to the Trade and Development Board some time ago:-

"Since the current rate of public and private capital flow to developing countries from all sources is of the order of \$9 billion a year, the World Bank's study implies the need for an average flow of \$12 to \$13 billion a year from 1965 to 1970. This would be consistent with a gradual and progressive increase in requirements from the current rate to, say, \$14-15 billion per annum in the year 1970".

I myself had been encouraged by the similarity between the World Bank's assessment of the situation and the UN assessment, and I would hope that Mr. Woods might also see the matter this way if he examined the figures.

Yours sincerely,

S. Dell, Director New York Office of UNCTAD

Paulo Leon is handling the reply to Toren (memo attached from Mr. Kamarck to Leon)

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

DATE: December 9, 1966

FROM: Andrew M. Kamarck

SUBJECT:

In connection with the memorandum from Toren to Consolo on work for UNCTAD on external debt, this I assume refers to the report we prepared a number of months ago on the action that had been taken in various parts of the Bank on implementation of the UNCTAD resolutions.

We already have underway a study updating an earlier draft study on rescheduling operations which presumably would be useful for this exercise. FORM NO. 58

INTERNATIONAL DEVELOPMENT INTERNATIONAL BANK FOR ASSOCIATION RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Mr. P. Leon TO:

DATE: December 9, 1966

Andrew M. Kamarck FROM:

SUBJECT:

Please handle the attached request from Toren on rescheduling of external debt study. You might inform Mr. Toren that you will have this underway, with a copy of your letter to Mr. Kalmanoff as well as to Mr. Consolo.

Attachment

INTEROFFICE MEMORANDUM



SPECIAL RELIVERY NATIONS UNIES

MEMORANDUM INTERIEUR

TO: A.

Mr. F. Consolo Special Representative for UN Organizations DATE: 6 December 1966 REFERENCE: TDS 213(1)

1. H. Friedman

2. " Komarch

Invisibles

THROUGH:

B. Toren, Chief FROM: DE:

est. Financing for Trade Section

SUBJECT: RESCHEDULING OR CONSOLIDATION OF EXTERNAL DEBT

The Committee on Invisibles and Financing related to Trade plans to discuss next April problems of debt servicing under item 4(d) of its Provisional Agenda.

With the active help of the Bank, we are preparing a paper to discuss the quantitative aspects of the problem. We do not have any papers discussing the rescheduling or consolidation of external debt.

You may recall that the Bank prepared a brief report on this subject, in connexion with the implementation report (see TD/3/82/Add.2, pages 132-136). This report summarized a number of general points and discussed more in detail the rescheduling of external debts in a number of relevant countries.

I wonder if it would be possible for the World Bank to update this report, so as to have it in appropriate form before the next meeting of the Committee on Invisibles and Financing.

cc: Mr. Dell

Could you please tet toucome To handle this, with a coby for me of any letter which may be withen to UNCIAD hanny thranks

Courts Dec. 7

CONFERENCE ON TRADE AND DEVELOPMENT

OFFICE OF THE SECRETARY-GENERAL OF UNCTAD

Télégrammes : UNATIONS, GENÊVE Télex : 22.212 ou 22.344 Téléphone : 34 60 11 33 40 00 33 20 00 33 10 00

REF. Nº :



NATIONS UNIES

CONFÉRENCE SUR LE COMMERCE ET LE DÉVELOPPEMENT

BUREAU DU SECRÉTAIRE-GÉNÉRAL DE L'UNCTAD

> Palais des Nations 1211 GENÈVE 10

24 January 1967

Dear Mr. Friedman,

In the absence of Dr. Raúl Prebisch, I wish to acknowledge with thanks and appreciation your letter of 19 January 1967, containing your comments on the UNCTAD reports on trade expansion, economic co-operation and integration among developing countries. Your letter will be seen by Dr. Prebisch soon after he returns to Geneva early next week. In the meantime, we in UNCTAD Secretariat appreciate very much the positive contents of your letter.

Sincerely yours,

Recis he and

R. Krishnamurti Special Assistant to the Secretary-General

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

DATE RECEIVED

JAN 81, 1967

Copy sent to: Mr. Kamarck Mr. Collier Mr. Consolo Feb.2/67

1967 JAN 31 AM 9:36

COMMUNICATIONS

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OFFICE OF THE SECRETARY-GENERAL OF UNCTAD

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Phinghon and

R. Krishnamurti Special Assistant to the Secretary-General

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

DATE RECEIVED

Copy sent to: Mr. Kamarck Mr. Collier Mr. Consolo Feb.2/67

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UNITED NATIONS

CONFERENCE ON TRADE AND DEVELOPMENT

OFFICE OF THE SECRETARY; GENERAL OF UNCTAD

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REF. Nº :



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BUREAU DU SECRÉTAIRE-GÉNÉRAL DE L'UNCTAD

> Palais des Nations 1211 GENÈVE 10

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Sincerely yours,

Recis he amount

R. Krishnamurti Special Assistant to the Secretary-General

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

DATE RECEIVED

JAN 81 1987.

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT



CONFÉRENCE DES NATIONS UNIES SUR LE COMMERCE ET LE DÉVELOPPEMENT

OFFICE OF THE SECRETARY-GENERAL OF UNCTAD

Télégrammes : UNATIONS, GENÉVE Télex : 22.212 ou 22.344 Téléphone : 34.50.11 33.40.00 33.20.00 33.10.00

REF. No .: CE/aw

DE L'UNCTAD

BUREAU DU SECRÉTAIRE-GÉNÉRAL

Palais des Nations CH - 1211 GENÈVE 10

14 November 1966

Dear Mr. Woods,

Pursuant to paragraph 2 of the Resolution of the 4th Session of the Trade and Development Board (text of which I enclose), I have the honour of transmitting to you formally the reports of an Expert Group and of the UNCTAD Secretariat dealing with trade expansion, economic co-operation and integration among developing countries (TD/B/68 and TD/B/85).

The purpose of this transmission is to offer the institutions of the World Bank group the opportunity to comment on the suggestions contained in the reports that relate to it. The main responsibility in this field falls no doubt upon the developing countries themselves. But since the Trade and Development Board will at its 5th Session, i.e. next May, discuss also "the international action to be taken in support of the efforts of the developing countries" in regard to trade and integration among themselves, it would be very useful for us if we could be informed, in the manner you would regard as suitable, of your views on the suggestions contained in the reports mentioned.

As you can see in Chapter VII (particularly paragraphs 27 to 39) of TD/B/85, we have tried to suggest some guide-lines and principles that night form part of a more systematic and explicit policy of outside support to integration attempts in the developing part of the The suggestions are the fruit of a detailed study of the world. practical problems which developing countries in all parts of the world encounter when envisaging trade expansion, economic co-operation and integration among themselves. Moreover, at a moment when there is ever more insistence on the necessity of a more economic use of aid resources, we feel that there is a case for examining the possibilities for ensuring that aid to individual countries would take more fully into account regional and sub-regional perspectives. In view of the special difficulties of the integration process among developing countries, our study has also led us to believe that the knowledge that international assistance would be available for solving some of these special problems might enable the developing countries to tackle regional or sub-regional co-operation in a more forthcoming manner.

Mr. George D. Woods Fresident International Bank for Reconstruction and Development 1818 H Street NW Washington, D.C. 20433 Etats-Unis d'Amerique. Your comments on these and other points would no doubt facilitate the definition of the action programmes that are envisaged in this respect by the resolution referred to above. The UNCTAD Secretariat is, of course, at your disposal for any clarifications that may be required.

Yours sincerely,

King dur

Raul Prebisch





Distr. LIMITED TD/B/L.97 22 September 1966 Original: ENGLISH

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United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Fourth session Agenda item 17

TRADE EXPANSION, FOONOMIC CO-CPERATION AND INTEGRATION

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Trade expansion and economic integration among developing countries

Argentina, Bolivia, Brazil, Cameroon, Ceylon, Chile, Congo (Democratic Republic), Dahoney, Ecuador, El Salvador, Ethiopia, Ghana, Guinea, Honduras, India, Indonesia, Iran, Irac, Lebanon, Madagascar, Mali, Morocco, Mexico, Migeria, Pakistan, Philippines, United Arab Republic, United Republic of Tanzenia, Uruguay and Yugoslavia: Joint draft resolution

The Trade and Development Board

<u>Recelling</u> the recommendations of the First Conference regarding the necessity of expanding trade and promoting economic co-operation and integration among developing countries on a mutually beneficial basis;

<u>Conscious</u> of the significant contribution which collective self-help efforts among developing countries could make for accelerating development;

<u>Taking note</u> of the efforts undertaken by developing countries to expand trade among themselves, to establish regional or sub-regional markets and to plan dovelopment on an integrated basis;

Appreciating the sustained efforts undertaken by the Regional Economic Commissions and the Reconcinc and Social Office in Beirut in this field;

<u>Considering</u> that the reports submitted to the Board (report of the group of experts on "Trade Expansion and Economic Co-operation among Developing Countries", TD/B/6S; report of the UNCTAD Secretariat on "Trade Expansion and Economic Integration among Developing Countries", TD/B/85); require detailed study and discussion with a view to defining the action programmes that might be adopted by the time of the Second Conference;

TD. 66-3363

TD/B/L.97 page 2

- <u>Requests</u> the Secretary-General of UNCTAD to transmit the two reports to the Regional Economic Commissions, the Economic and Social Office in Beirut and the existing economic groupings of the developing countries for their consideration, comments and suggestions;
- <u>Requests</u> the Secretary-General of UNCTAD to transmit the reports to the international and regional financial institutions and appropriate intergovernmental organizations offering them the opportunity to comment on the suggestions contained therein that relate to them;
- <u>Decides</u> that a discussion on trade expansion, economic co-operation and integration, on a regional, sub-regional and inter-regional basis, among developing countries will take place at its 5th session with special regard to the following points, such as;
 - (a) the action to be taken by developing countries
 - (b) the international action to be taken in support of the
 - efforts of the developing countries
 - (c) the further steps for preparing the programmes to be considered in this respect at the Second Conference.
- <u>Invites</u> the Secretary-General of UNCTAD to assist, as may be requested, existing economic groupings of the developing countries in the consideration and preparation of this subject matter.

Form No. 58	INTERNATIONAL DEVELOPMENT ASSOCIATION	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMEN	T INTERNATIONAL FINANCE CORPORATION
	OFFIC	CE MEMORAN	DUM
TO:	Mr. Irving S. Friedm	an	DATE: September 29, 1966
FROM:	P. Pereira Liga and	Bimal Jalan	
SUBJECT:	Provisional Agenda f	or the Intergovernmental	Group - Meeting in Geneva.

The Secretary-General of the UNCTAD has sent us the Provisional Agenda for the Meeting of the Intergovernmental Group on Supplementary Financing in Geneva on October 10.

Attached to this is a questionnaire listing various issues raised by country delegations in April 1966. All the suggestions that you had made to Mr. Delt on an earlier version of the questionnaire in July, with one exception, have been accepted in the present version. You had suggested that Q. 1(a) be dropped since it was already settled but the Secretariat has decided to keep it in.

-Rea 1 9/20

	ASSOCIATION	BANK FOR DEVELOPMENT INTERNATIONAL FINANCE CORPORATION
	ROUTING SLIP	Date Sept.26, 196
	OFFICE OF THE	PRESIDENT
	Name	Room No
	Mr. Pereira Lira	1035
	Mr. Jalan	1026
	Mr. Friedman	1223
	Action	Note and File
	Approval	Note and Return
XX	Comment	Prepare Reply
	Full Report	Previous Papers
XX		
_		Signature
XX Remark	Information Initial «s	Recommendation Signature

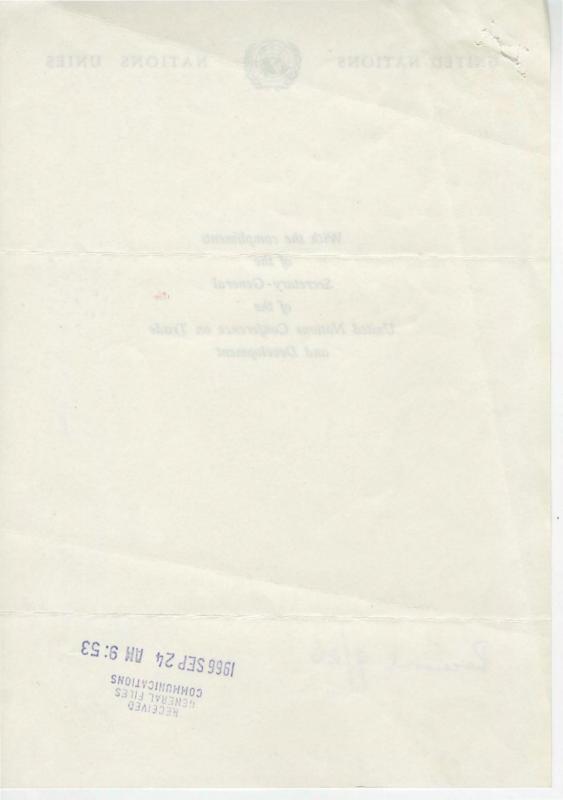
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With the compliments of the Secretary-General of the United Nations Conference on Trade and Development

Received 9/26







Distr. GENERAL

TD/B/C.3/AC.3/1 6 September 1966 Original: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Committee on Invisibles and Financing rolated to Trade Intergovernmental Group on Supplementary Financing 10 October 1966 Geneva

PROVISIONAL AGENDA

- 1. Opening of the session
- 2. Adoption of the agenda
- 3. Election of officers
- 4. Organization of work
- 5. Study of the proposed scheme for supplementary financing
- 6. Other business
- 7. Adoption of the report of the Intergovernmental Group on Supplementary Financing to the Committee on Invisibles and Financing related to Trade

TD.66-2761

TD/B/C.3/AC.3/1 page 2

ANNOTATIONS TO THE PROVISIONAL AGENDA

- Item 1: Opening of the session
- Item 2: Adoption of the agenda
- Item 3: Election of officers

Rule 63.2 of the rules of procedure of the Committee on Invisibles and Financing related to Trade states that Sections I to VII and IX to XVI of the rules of procedure of the Committee shall apply, as appropriate, to the proceedings of the subsidiary bodies of the Committee.

The rules of procedure of the Committee on Invisibles and Financing related to Trade are contained in document TD/B/63-TD/B/C.3/16. The election of officers is dealt with in part IV thereof.

Item 4: Organization of work

The Group may wish to discuss the manner in which it will proceed with its work, including the scope of its first session and of any subsequent session or sessions.

Item 5: Study of the proposed scheme for supplementary financing

The Group may wish to refer to the points listed in paragraphs 2 and 3 of its terms of reference, annexed to the resolution adopted by the Committee on Invisibles and Financing related to Trade at its thirty-fifth meeting on 20 April 1966.

To facilitate discussion under this item, the Secretariat has circulated a document: Consideration of the scheme for supplementary financial measures contained in the report of the International Bank for Reconstruction and Development - Note by the Secretary-General of UNCTAD (TD/B/C.3/25).

In addition, a limited number of copies of documents TD/B/43 (Study on Supplementary Financial Measures by the International Bank for Reconstruction and Development) and TD/B/73-TD/B/C.3/22 (Report of the Committee on Invisibles and Financing related to Trade on its resumed first session), which have previously been distributed, will be available to delegations for reference purposes.

Item 6: Other business

Item 7:

Adoption of the report of the Intergovernmental Group on Supplementary Financing to the Committee on Invisibles and Financing related to Trade

The terms of reference of the Group specify that "having regard to the time-table for the next Conference, the Group should endeavour to submit the report in good time for consideration by the Committee [on Invisibles and Financing related to Trade] at its second session, in November 1966".





Distr. GENERAL TD/B/C.3/25 25 July 1966 Original: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Committee on Invisibles and Financing related to Trade Second Session Geneva, 21 November 1966

> CONSIDERATION OF THE SCHEME FOR SUPPLEMENTARY FINANCIAL MEASURES CONTAINED IN THE REPORT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Note by the Secretary-General of UNCTAD

In connexion with the study by the proposed Intergovernmental Group of the scheme for <u>supplementary financial measures</u>, the following questions have been prepared on the basis of the report of the Committee on Invisibles and Financing related to Trade on its resumed first session (TD/B/73) and its annexes, as well as of the Bank Study on supplementary financial measures (TD/B/43). The questions have been organized under the headings contained in the terms of reference of the proposed Group (TD/B/73, Annex A(i)). The staff of the World Bank is engaged in a study of the issues raised in the Committee, in preparation for the meeting of the Intergovernmental Group, should the establishment of this body be approved by the Board.

1. Questions affecting the scope of the scheme, including the treatment of overages and the regard to be paid to import prices.

- (a) Is the primary objective of supplementary finance to avoid disruption of development programmes?
- (b) Should a <u>prima facie</u> case for assistance under the scheme be established on the basis of an adverse movement in export proceeds in real as well as in money terms?
- (c) What arrangement would be appropriate in respect of a country which experiences an excess of exports (overage) over projected estimates?
- (d) Should such overages be earmarked for offsetting shortfalls?
- (e) Are there circumstances in which overages might be used for other purposes?

TD/B/C.3/25 page 2

2. The form, terms and conditions for the provision of financial assistance to countries participating in the scheme.

- (a) How could it be ensured that supplementary finance would be timely and certain?
- (b) Should the terms of supplementary finance be similar to those being applied to basic development finance by the various international lending agencies?
- (c) Should the administering Agency tailor the terms and conditions of supplementary finance to the over-all financial and economic position of the country concerned?
- (d) In what way would the debt service position of developing countries be taken into account in the determination of the terms and conditions of supplementary finance?
- (e) What would be the most desirable length of maturity for loans
- of its resources?
- (f) Should the Agency have the right in certain circumstances to request payment from participating countries earlier than originally stipulated?
- (g) Should all feasible domestic adjustments be made which would not disrupt development programmes?
- (h) Should such adjustments include "not encouraging continued investment and output in export sectors when world demand is falling, re-examining and adjusting some public expenditures to ensure the postponement of the relatively less urgent or less important, or altering the tax structure to the changed conditions"?¹/
- (i) If a reduction in planned investment in the export sector is indicated by structural change in world demand or supply, should correspondingly larger investments be made in diversifying the rest of the economy?
- (j) Would the scheme assist in this diversification?

1/ TD/B/43, p.51

3. <u>Measures for establishing a relationship between the resources available and the</u> resources required: in this connexion the Group should examine the implications for the scheme of the hypothesis that resources on the scale suggested in the Bank staff study (taking account of any modifications which the Group may suggest) would be available.

- (a) Is it agreed that \$300 to \$400 million per year would be the amount required to operate the scheme?
- (b) To what extent should the ordinary resources of IMF, i.e. gold and credit tranches, be used in addition to the compensatory financing facility prior to utilization of supplementary finance?
- (c) If supplementary finance is to be granted only after reasonable use has been made of other sources of finance, how is such reasonable use to be interpreted?
- (d) In what circumstances would a country be required to draw down its reserves or utilise credit facilities before receiving assistance?

4. The need to establish a boundary between problems of an economic nature and those which fall within the political sphere in the administration of any scheme.

- (a) Assuming that the Agency and the recipient country are to agree upon certain performance requirements, should such requirements be limited to the results achieved by development programmes or should they extend to particular policies whereby such results are obtained?
- (b) In what way could a distinction be drawn between technical and political aspects of development programmes?
- (c) Which features of a development programme would be the subject of agreement between the Agency and the recipient country?
- (d) What provisions would be made for countries without an over-all development plan?
- (e) Would it be possible for a country to modify its plan or programme in certain respects without seeking the consent of the Agency?
- (f) Would the understanding between the Agency and recipient countries differ in any respect from understandings required by international financial agencies in the provision of basic development finance or short-term balance of payments accommodation?

TD/B/C.3/25 page 4

5. <u>Questions relating to the methodology to be applied in the formulation of the</u> projections and the technical assessment of the policies on which the development plans of individual countries are based, the circumstances which may give rise to a claim on the scheme, and the considerations which the Agency should take into account in dealing with such a claim.

- (a) Do the projections of export earnings of the type provided for in the Bank study constitute an acceptable method of determining "reasonable expectations"?
- (b) What would be the relationship between calculations of shortfalls by the Bank and the Fund?
- (c) Is it possible to determine in advance the extent of the discretion of the Agency in determining whether or not supplementary finance was to be provided in particular cases?

6. The appropriate period of time for which the relevant projections of exports should be established and for which the concomitant obligations of the Agency and the developing country concerned respectively should be assumed.

- (a) Should the projections and obligations referred to above conform to the planning period of the countries concerned?
- (b) Under what circumstances should export projections be revised?
- (c) What minimum period of time should elapse before a revision in projections could be undertaken?
- (d) How would such revisions affect the obligations ensuring the implementation of a development programme of the Agency, donor countries and recipient countries?

7. The relationship between supplementary financial measures and other types of economic assistance both multilateral and bilateral, with particular regard to the need to ensure compatibility between them as regards the terms, conditions and criteria on which they are to be provided.

(a) How is co-ordination to be achieved among performance requirements in connexion with bilateral aid programmes, other sources of development assistance, IMF stabilization programmes and the proposed supplementary financial measures?

- (b) What would be the relationship between the Fund's compensatory financing facility and the proposed supplementary financial measures?
- (c) If a country had resorted to other sources of finance to meet an export shortfall, would the proposed scheme provide assistance if exports had not recovered sufficiently to permit repayment of the previous loans without disruption of the countries development programmes?

8. The comparative effects on economic development of the scheme proposed and of other possible methods which might be employed for the same purpose but with due regard to the primary task laid down in the fifth and sixth paragraphs of the resolution¹/to which the terms of reference of the proposed Group are annexed.

The fifth and sixth paragraphs of the resolution are as follows: "The Committee on Invisibles and Financing related to Trade:

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"AGREES that the scheme of supplementary financial measures set out in the study prepared by the staff of the International Bank for Reconstruction and Development should be further studied and elaborated in the light of the discussion of this Committee, as a means of dealing with this question, and therefore

"DECIDES for this purpose, subject to the approval of the Board, to establish under rule 63 of the rules of procedure of the Committee a small group of representatives of governments, with the requisite expertise, consisting of 13 to $15^{2/}$ members, to study and report on this matter to the second session of the Committee, with the terms of reference set out in the annex to this resolution."

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1/ TD/B/73, Annex A(i)

2/ Argentina, Brazil, Caylon, Federal Republic of Germany, France, Ghana, India, Japan, Sweden, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia. If one or two members of Group D wish to join, their countries would be added to the list of members. TD/B/C.3/25 page 6

9. The status, membership and function of the Agency and its relations with other international bodies, having regard to pargraphs 7 and 8 of part A of recommendation A,IV.16.

Paragraphs 7 and 8 of the recommendation are as follows:

"7. Once a <u>prima facie</u> case has been established there should be an examination, under the International Development Association, of all relevant circumstances (see Note 3)^{*}/in order to assess how far assistance from the scheme would be required and justified in order to help avoid disruption of development programmes. Subject to these points, assistance could cover a substantial proportion of a shortfall from reasonable expectations.

8. Resources from the scheme, which would be administered under the International Development Association, should be in the form of additional commitments, prescribed in advance, for contributions to the Association; all the major Part I member countries of the Association should contribute."

/ "Note 3. Among other matters, these would include adverse effects from significant rises in import prices."

FORM NO. 57

INTERNATIONAL DEVELOPMENT INTERNATIONAL BANK FOR ASSOCIATION RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUN

TO: Mr. Irving S. Friedman DATE: October 19, 1966

Paulo Pereira Liba and Bimal Jalan FROM:

SUBJECT:

Papers to be Presented to the Intergovernmental Group on Supplementary Financing

As a practical outcome of the first meeting of the Intergovernmental Group on Supplementary Financing which took place in Geneva - October 10 to 14, the Bank is being expected to present to UNCTAD, by the end of next November, a number of papers.

The next meeting of the Intergovernmental Group is scheduled for the second week of February 1967, and the months of December and January are needed for translation and circulation of the documents and allowance of an adequate amount of time for governments to study them.

It should be observed that the idea of having the next meeting only in February of next year - instead of December of 1966 as had been initially contemplated - was justified on the basis of the need of governments to carefully study the papers. The prevailing impression was that the next meeting can only be a fruitful one if it has the support of the papers which the Bank is to prepare by November.

These papers have two origins; some of them were indicated by the Bank representative in the opening session of the meeting as subjects on which the Bank Staff was already working; the remainder was requested from the Bank, during the course of the discussions and listed in a formal document approved by the Intergovernmental Group (enclosed copy). Mr. Kamarck participated in the work of the small group which drafted the document and included the Acting Chairman (Mr. Jo Saxe, of the United States), the delegate from Germany (Mr. Koinzer) and the representative of the IMF (Mr. Fleming).

The French delegate also presented a separate list of questions addressed to the Bank Staff (copy enclosed).

Papers promised by the Bank.

The papers initially promised by the Bank deal with the following subjects:

- 1. Shortfalls and "overages" in the Supplementary Finance Scheme.
- 2. Forms and terms of assistance.
- 3. Supplementary Finance and other types of assistance in financing the shortfalls.

- 4. Invisibles.
- 5. Import prices.
- 6. Performance in the Supplementary Finance.
- 7. Export Projections.

These are the papers on which we have been working, and in mentioning them to the Group we indicated that papers 1 to 4 could be made available in three weeks' time.

Papers requested from the Bank.

Among the additional studies requested by the Group, most of them involve the Bank's participation. They are:

> The relative importance of export shortfalls and other causes of instability in the external financing of development and, to the extent possible, estimates of the effects of those causes on selected countries.

The Bank is supposed to have major responsibility for the study, and consult with the Fund in its preparation. This study resulted from requests of the Governments of Germany and the U.S. The latter told us that they had prepared some material on the subject.

9. "The Group invites the Bank and the Fund to communicate to the Group any views they may feel able to express on how Supplementary Finance would fit into the existing international financial system."

This is meant to be a joint Bank-Fund paper.

 A presentation of the methods used by the Bank Staff in arriving at its estimates of the annual cost of the Scheme (in quantitative terms).

This is essentially the paper available on the subject, and which was circulated as a confidential draft to the delegates of Germany, U.K., U.S., Japan, France and Sweden. An estimate of the effects of recent changes in the Fund's compensatory financing facility on the annual cost of the Scheme.

This paper is to be the major responsibility of the Fund, which in its work is supposed to consult with the Bank. It seems for practical purposes, however, that the paper implies a re-run of the simulation exercise with changed assumptions as to the use of the Fund's facility.

Given the November deadline and the feeling that the work of the Intergovernmental Group depends on the availability in time of these papers, you may wish to consider having a meeting to discuss this matter at your convenience.

cc. Messrs. Kamarck

Professor Frank

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Cuestions posées per la Délégation Française du graupe des Experts couvernementaux eur les masures de financement supplémentaire

Evaluation des projections d'expertation et constatation des "shortfalls"

Le Banque et le Fonds pourreient-ile se mettre d'accord pour appliquer une méthode unique de calcul des "shortfalle" afin d'éviter des doubles emplois coûteux et des contradictions dans les diagnostics et les remèdes ?

Le Banque pruzzait-olle Studior une méthode de calcul permettant de déduire des "shortfalls" constatés à l'expertation les surplus enregistrés dans le domaine des nanufacturés et des invisibles, le not surplus désignant tout acordisement constaté à partir du niveau atteint lors de l'instauration de la procédure de finarcement supplémentaire ?

La Barque peut-sile préciser la nature des contrôles que l'Agence pourrait exercer sur les statistiques d'exportations réalles afin d'épargner un pays donateurs de compenser au profit des pars participante des réductions fictives d'exportations ?.

II - Prévisions d'écultibre financier des programmes de développement

Do quellos données la Banque asti-c-t-olle què-l'institution do gostion devue disposer - notement en ce qui ocueerne los apports financiare entérieure - pour poureir se reture d'accord avec un pays en voie de développment désireux de participer au nécemirne de financurent cupplérentrire sur son programe et se politique de développement pour quirie de 3 à 5 ens ? III - Notion d'excédent et compensation éventuelle des "shortfalls"

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La notion d'excédent étant une notion statistique et celle du financement supplémentaire une notion comptable ou financière, l'Agence ne sera-t-elle pas amenée en fait à remplacer le principe de la déduction des excédents par une surveillance minutieuse de la gostion des réserves de devises et de la politique d'importation des bénéficiaires ?

IV - Incidence des "shortfalls" sur les plans de développement

Un "shortfall" n'ayant pas nécessairement d'effet sur le financement du plan de développement d'un pays, notamment dans le cas où le financement de base est assuré par ailleurs, tant par des crédits étrangers que par l'épargne publique ou privée nationale, la Banque pourrait-elle préciser les modalités du calcul que l'Agence appliquerait pour déterminer le montant du financement supplémentaire à accorder ?

Lorsque l'Agence constatera que le plan de développement est mis en échec tant par un shortfall des exportations que par une carence des financements de base interne ou externe ou par tout autre difficulté d'op ire politique ou technique, comment pourra-t-elle déterminer la part du retard imputable su shortfall et par suite calculer le montant du financement supplémentaire à accorder ?

La BIRD préconisant l'admission au système de pays en voie de développement dotés de plans incomplets, comment envisage-t-elle, en ce cas, de mesurer la désorganisation d'un Plan, par définition partiel, du fait de l'apparition d'un shortfall ?

V - Coût probable du mécanisme

La Banque pourrait-elle expliquer comment elle a ramené le coût annuel du mécanisme de 1,6 à 0,4 millions de dollars et plus spécialement préciser si ce chiffre de 0,4 doit être considéré comme correspondant à un rythme de croisière ou seulement à un rythme de démarrage ? VI - <u>Condition des prêts</u>

De quels principes s'inspirera l'Agence pour fixer les conditions dont seront assortis les prêts accordés au titre du Financement supplémentaire ?

RESTRICTED TD/B/C.3/AC.3/Conf.Room Paper 10 14 October 1966 Original : ENGLISH

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Distr.

Trade and Development Board Colmittee on Invisibles and Financing related to Trade Intergovernmental Group on Supplementary Financing 10 October 1965 Geneva

Subject of studies which the Group has requested during his first meeting

The relative importance of export shortfalls and other causes of instability in the external financing of development and to the extent possible, estimates of the effects of these causes on selected countries.

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6.

1.

The Group invites the Bank and the Fund to communicate to the Group any views they may feel able to express on how supplementary finance would fit into the existing international financial system.

- 3. A revision (to include data as recent as possible) of Table I. "Adequacy of External Liquidity to Finance Fluctuations in Export of Some Fund Members" (page 19) of the study produced in 1963 by the International Monetary Fund "Compensatory Financing of Export Fluctuations".
- A study of the differences between and the respective merits of the methods used for the determination of export shortfalls.
- 5. A presentation of the methods used by the Bank staff in arriving at its estimates of the annual cost of the Scheme (in quantitative terms).

An estimate of the effects of recent changes in funds' compensatory financing facility on the annual cost of the Scheme.

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

OFFICE OF THE SECRETARY-GENERAL OF THE CONFERENCE

REF. NO.

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18 October 1966

Dear Irving,

Many thanks for your thoughtful notes of 3 and 13 October. I highly appreciate all the background information that you were kind enough to send me in connexion with the persons recommended by you. I certainly intend to keep them very much in mind.

Of the names mentioned by you, I know Mr. H. W. Allen personally, and he impressed me, too, in a very positive way. I hope to have an opportunity to see him in the not-too-distant future.

I have received a brief account from Sidney Dell about the meeting on supplementary financing which has just concluded in Geneva. He found that it had been useful in clarifying positions and also in indicating the main areas in which we should endeavour to concentrate our efforts. It has been agreed, to hold the next meeting in Geneva for about three weeks, starting on 6 February, with a further meeting in the spring, also in Geneva, if this is considered necessary.

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

Received

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

OFFICE OF THE SECRETARY CEMERAL OF THE CONFERENCE

18 October 1960

Dear Irving.

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> Mr. Irving 5. Friedman Sconomic Adviser to the Fresident International Bank for Seconstruction and Development 1818 H Street, W.W. Washington D.C. 20433, U.S.A.

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- 2 -

Sidney will be getting in touch with you on this and other matters probably as soon as he returns from Europe. I may have occasion to visit Washington in late November, and look forward to the possibility of meeting you there.

With best regards,

Sincerely yours,

in a

Raul Prebisch

FORM NO. 75 INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (2-60) INTERNATIONAL FINANCE

INTERNATIONAL DEVELOPMENT

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FORM NO. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL FINANCE

OFFICE MEMORANDUM

TO: Files

DATE: October 7, 1966

FROM: Vinod Dubey

SUBJECT: Statement by Mr. Prebisch at the 93rd Planning Meeting of the Trade and Development Board.

> In his statement before the Fourth Session of the Trade and Development Board at Geneva, (August - September 1966) Dr. Prebisch made the following points:

1. The Problem of the Developing Countries: The growth targets of the Development decade are not being met. This arises from the contradictions between modern technology and the ability of the developing countries to assimilate it. This technology is capital absorbing while their capacity for capital formation is low. By reducing death rates, modern technology increases population growth and aggravates the "dynamic weakness" of developing countries. Attempts to increase productivity by applying new techniques to agriculture and marketing would tend to intensify the problem of surplus labour and underemployment.

2. The Role of International Cooperation: (a) Provision of finance: For the problem to be tackled, the rates of growth of the developing economies have to be raised, and international cooperation has a fundamental role in this. The flow of resources from industrial countries to the developing countries declined from 0.83% of the gross product of the industrial countries in 1961 to 0.65% in 1964 and 0.69% in 1965. The burden of repayment is growing. If the net result of international cooperation is measured by the excess that the developing countries are able to import over their export earnings, this has fallen from \$2,900 million in 1958 and \$3,100 million in 1961 to \$500 million in 1964 and \$400 million in 1965. In addition the terms of assistance have become more unfavourable and the tying of loans has reduced their real content.

(b) The problem of external instability. The supplementary finance scheme of the IBRD is a step forward in tackling the problem of external instability which is a serious obstacle to attaining higher growth rates in the LDCs. Another is the problem of establishing workable buffer stock schemes for important primary commodities. Unfortunately none of the international financial agencies are "equipped by their statutes or policies" to tackle this problem.

(c) Preferences for export of manufactures. The growth of exports of manufactures from LDCs is also necessary, even if the Kennedy Round is highly successful. The argument that preferences to LDCs would militate against the MFN clause and multilateral world trade ignores the fact that these can only work in an environment of growing trade. During the Great Depression when world trade shrank these principles were given up by many countries. The developing countries facing a declining share in world trade are in this situation, and in the absence of preferences are forced to follow import substitution policies tending to break them up into "separate watertight compartments". In any case, the MFN clause and multilateralism is already endangered by the growth of "vertical preferences" -- a system whereby certain industrial countries obtain preferences from certain LDCs, granting preferences to them in return.

- 2 -

(d) Intensification of technical assistance for export promotion. Preferences would be of help immediately only to the more industrial of the LDCs. This problem should be tackled by a vigorous policy of establishing industries in the relatively less developed countries. Full use should be made of existing channels for providing technical assistance in export promotion, market analysis and training of technicians from LDCs.

3. The Role of the LDCs. The object is a structural change in the international economy so that LDCs can "export more in order to import more". However, LDCs have to make great efforts to assimilate modern technology. Social mobility has to be increased, land reform undertaken, education spread. These structural reforms can be carried out more easily if the economy is growing rapidly.

4. Need for Convergence: A World Development Policy. It is necessary that both developing and developed countries take "convergent, simultaneous and properly concerted measures" for there to be an effective world development policy. Elements of such a development policy at the "national and international level" are emerging. The Bank's scheme of supplementary finance is one. The FAO outline plan for agricultural production now being undertaken, is another. Agreement has to be reached in bodies on criteria and principles for assessing the validity of national economic plans, and an impartial group of international experts may asses them on these bases before they are submitted to lending agencies.

cc: Messrs. Kamarck, de Vries, Kalmanoff, Leon.

Cleared with Mr. Leon.

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October 3, 1966

Dear Raul,

I must deeply apologise. It seems that in the excitement of the Governors' Conference I thought I had written you and now find that I had not.

I have given some thought to the kind of person who would be useful to you. I would like to recommend strongly Mr. Gengo Suzuki. At present he is the Japanese Executive Director in the Fund and the Bank but will be finishing his tour of duty at the end of October. He has a very broad experience in finance, good training in economics and has spent a number of years in the Fund and the Bank as Executive Director. His English is very good and he gets along well with people. He is going back to some position in the Bank of Japan but I believe could be made available if he found something else he wished to do.

Please forgive this oversight. I am still planning to go to Geneva next week unless the work on IDA replenishment makes it simply impossible.

With warm regards,

Sincerely yours,

Irving S. Friedman

Dr. Raul Prebisch Secretary General U.N. Conference on Trade and Development UNITED NATIONS, N.Y.

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Distr. GENERAL

TD/B/103/Rev.1 6 September 1966 ENGLISH/FRENCH/SPANISH only Original: SPANISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Fourth session Geneva, 30 August 1966

> STATEMENT BY MR. RAUL PREBISCH, SECRETARY-GENERAL OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, AT THE NINETY-THIRD PLENARY MEETING OF THE TRADE AND DEVELOPMENT BOARD ON 31 AUGUST 1966

Mr. President, distinguished representatives and observers, and my good friend and colleague Philippe de Seynes.

I am most grateful to you, Mr. President, for calling upon me this morning to introduce the secretariat's first Review of the implementation of the recommendations of the First Conference. I do not think it desirable that I should take up the Board's time by commenting on the report. I would like rather to take this opportunity of saying a few words about past events and also to turn my mind towards the immediate future, namely, the preparations for the Second Conference on Trade and Development.

The figures presented in the report give no grounds for complacency. What we were pleased to call, with high hopes, the Development Decade, is taking on more and more the familiar look of illusions which are soon to be shattered. The average growth rate - 4 per cent - recorded by the developing countries during the 1960-1964 period is still very far from the 5 per cent minimum fixed as the target of the Development Decade. I believe that it is of the utmost importance to consider why this policy which had begun to take shape has not borne the fruit that was expected. To use the word policy is something of an over-statement, because I wonder, in view of developments, whether there really was a world development policy, whether there really ever was a series of properly interrelated measures reflecting the highly complex reality of a world in the process of development and at the same time taking into account the magnitude of the problems to be solved.

TD/B/103/Rev.1 page 2

In saying this I do not mean to deny that a series of measures - many of them very sound and in part effective - have been taken; but they are far from providing a complete answer to an economic and social situation which is essentially different from that which had to be faced during the growth of capitalism by the countries which have now reached an advanced stage of economic development. The phenomena we are facing today are new both in kind and in degree, and it is useless to look. for historical parallels. There are, of course, certain similarities; but the nature of the problems to be solved today in the economic and social development of the peripheral countries is fundamentally different from those which faced the great industrial countries as they evolved. These phenomena reflect, essentially, the complexity of the process whereby modern scientific and technological advances are making headway in the developing world. We are witnessing the transplantation of a highly sophisticated technology, which requires an extremely high capital investment per unit of manpower in order to save labour, into countries where manpower is relatively abundant but the capacity for capital formation is very low. This is creating the extremely serious problem of inability of the advanced sectors of the economy to absorb manpower productively. I have drawn attention to this problem on many occasions, and I believe that we must be prepared to see it get worse rather than better unless there is a fundamental change in policy.

While the developing countries are faced with this contradiction between modern technology and their ability to assimilate it, the problem of the dynamic weekness of the developing countries is aggrevated by other consequences of technical progress: is not the rising growth rate of the population in the peripheral countries likewise a consequence of scientific and technical progress? At the same time, we find that during the last few decades this same modern technology as applied to the media of mass communication has been largely responsible for spreading throughout the third world social phenomena and consumption patterns typical of the advanced countries, in an attempt to imitate their way of life. Finally, when the developing countries try to speed up their rate of growth they find that, in addition to the internal obstacles to this process, their path is blocked by external obstacles as well, some of them similarly deriving from the advanced countries. I am referring to the well-known direct and indirect effects of scientific and technical progress on the demand for primary products. FORM NO. 26 (6-65)

INTERNATIONAL DEVELOPMENT INTERNATIONAL BANK FOR INTERNATIONAL FINANCE CORPORATION

hen Friedman

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INCOMING CABLE

DATE AND TIME			ROUTING	
OF CABLE:	SEPTEMBER 9, 1966			
LOG NO.:	WU 15 - SEPTEMBER 12	ACTION COPY:	MR. WOODS	
TO:	PRESIDENT INTBAFRAD	INFORMATION COPY:	MR. DEMUTH	
FROM:	GENEVE VIA UN NEW YORK	DECODED BY:		

TEXT:

REF TDO 250(2ND) HAVE HONOUR INFORM YOU MY INTENTION TO PROPOSE TO TRADE AND DEVELOPMENT BOARD AT CURRENT SESSION THAT IT AUTHORIZE POSTFONEMENT BY ABOUT SIX WEEKS SECOND SESSION COMMITTEE ON COMMODITIES ORIGINALLY SCHEDULED TO OPEN ON & OCTOBER. PROPOSED POSTPONEMENT MOTI-VATED BY FACT THAT PREPARATION OF DOCUMENTS FOR COMMITTEE ON COMMODITIES HAS BEEN SERIOUSLY DELAYED BY HEAVY WORKLOAD IMPOSED ON SECRETARIAT ESPECIALLY COMMODITIES DIVISION BECAUSE OF SUBSTANTIAL AND COMPLEX DOCU-MENTATION AND SERVICING NECESSITATED BY LARGE NUMBER OF MEETINGS IN COMMODITY FIELD INCLUDING PERMANENT SUBCOMMITTEE ON COMMODITIES AND ADVISORY COMMITTEE TO BOARD AND TO COMMITTEE ON COMMODITIES AS WELL AS MEETINGS ON SPECIFIC COMMODITIES. WILL CABLE DECISION BY BOARD ON POST-PONEMENT OF SECOND SESSION COMMITTEE ON COMMODITIES AS SOON AS POSSIBLE

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

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PREBISCH SECRETARY GENERAL UNCTAD UNATIONS GENEVE

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September 28, 1966

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Michael L. Hoffman

UNCTAD - Economist to work with Hr. Stikker

Richard Catalano of the Ford Foundation called this morning to say that after discussions with Mr. Stikker it has turned out that what he wants is a senior economist, U.S. or British by preference (no French), to live for a year in Lugano. The job would be to work closely with Stikker on developing recommendations for Prebisch on how private enterprise can play a greater role in developing countries. This is quite different from the requirement as first presented to me by Champ Ward. I promised Mr. Catalano to consider whether we would have any names we could recommend.

MLHoffman/pan

- cc: Mr. Demuth
 - Mr. Friedman
 - Mr. Adler
 - Mr. Clark
 - Mr. Kamarck

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(2-60) INTERNATIONAL FINANCE CORPORATION

FORM No. 75

INTERNATIONAL DEVELOPMENT ASSOCIATION

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HEADQUARTERS: WASHINGTON 25, D.C.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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INTERNATIONAL DEVELOPMENT ASSOCIATION CABLE ADDRESS-INDEVAS

> EUROPEAN OFFICE: 4. AVENUE D'IÉNA PARIS (16 .) - FRANCE TELEPHONE: KLEBER 25-10



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June 18, 1965

Mr. Richard H. Demuth Director of Development Services Department I.B.R.D. ISIS H Street, N.W., Washington, D.C., 20433, USA

Dear Dick :

Prebisch was in Paris the other day. He was accompanied by his new director for public relations, Tibor Mende, former Hungarian and quite well-known French newsman.

Prebisch told me about the Italians having offered him three floors in the ENI building at EUR Rome for purposes of his Secretariat. Therefore, the entire matter of his geographic location continues to be in suspens. (The British tell us that they oppose Rome : UNCTAD should be either in Geneva or in New York).

In the course of our conversation he brought up Horowitz and the UK/Swedish proposal. Both will be discussed next November at the meeting of the Committee on Invisibles. Will the Bank's study on Supplementary Financing be completed on time ? - As far as Horowitz is concerned he, Prebisch, is wondering whether the Bank is not a little too cautious in its conclusions ?

All this was said in a very quiet and objective manner. This is the new Prebisch style, the style of the UN statesman who is not in the "periphery" any more, whose only purpose is to bring people together.

After dinner, given by the French Economic Society, we listened to an address of Prebisch.

UNCTAD is not against GATT, on the contrary, he would like GATT to become a useful element in the work of economic development. The partisan times are over. It is clear that efforts have to be made not only by the industrialized but also the developing countries. Such efforts have started already in the LDC's but can only lead to success if means are found to finance the Gap. It is a pity that the Gap should have been made a sort of a metaphysical notion ; in reality it is just a practical problem : if we do not enable the Part II countries to buy \$ 20 billion more in I970 (or, and that is the same : if the Part I world cannot <u>sell</u> \$ 20 billion more to Part II) there will be no balanced growth in the world.

Aid is not fundamental solution - says Prebisch. It can only be temporary.

Thus trade and not aid ; give preferences to Part II manufactures, give subsidies, reduce tariffs. The Kennedy Round will be a useful exercise if tariff duties are reduced faster in favor of LDC manufactures than among industrialized countries. GATT can do a useful work if it "adapts itself to the needs of the less developed world".

In short, it was a sermon on trade questions only which, as compared to 1964, did not contain really new elements. He spoke in English, a language that takes away most of his "élan" which was so characteristic for the Prebisch of the good old times.

Most of us who were sitting around him at the dinner table had come from Royaumont where we have spent the entire day at a symposium. Royaumont is a reconstructed abbey from the middle ages serving as a meeting place, a sort of Ditchley, for scientific (or pseudo-scientific) seminars. The meeting at the abbey was a rather curious introduction to the Prebisch dinner because at Royaumont ambassador Forthomme, Belgium - very often the official spokesman for the Common Market - was proving to us with every means at his disposal that the LDC's had no hope whatsoever to increase their manufactured exports to industrialized countries considerably and, in any case, tariff reduction or subsidies would not help them in that respect.

However, all this had happened at Royaumont and not at the dinner party. At the latter place everyone was discreet and did not reveal to Prebisch the Forthomme conclusions of the morning.

Kind regards,

Aith ..

Arthur Karasz Assistant Director European Office

UNCTAZ

May 27, 1966

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Andrew M. Kamarck

UNCTAD

Sidney Dell, New York office of UNCTAD, called me on May 25. We covered the following points:

If we were still interested in preparing a paper on Performance, UNCTAD would like it, if possible, by the end of September so that it could get to the Committee on Invisibles in November.

The same applies to any paper on Coordination between Bilateral and Multilateral Aid. I said that Mr. Hoffman had prepared an excellent paper on Consultative Groups for a conference which might also be suitable for this. I would check with him on it.

There will be no meeting of the Special Supplementary Finance Group called before the end of September.

cc: Mr. Friedman " Mr. Hoffman Mr. Collier

AMK/vhw

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CONFERENCE ON TRADE AND DEVELOPMENT



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REF. Nº :

Palais des Nations 1211 GENÈVE 10

9 May, 1966.

Dear Mr. Friedman,

Thank you very much for your letter of 28 April, 1966, with which you forwarded to me the materials to assist in preparation of the Annual Report on Trade and Development for the next session of the Board. Mr. Sidney Dell has, of course, kept me informed of his communications with the Bank on the same subject.

The co-operation of the Bank, and your personal help in particular, have been greatly appreciated. May I also take this opportunity to say how much I valued your outstanding contribution to the last session of the Committee on Financing.

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. U.S.A.

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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. U.S.A.

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April 28, 1966

Jile.

Dr. Raul Prebisch Secretary-General U.N. Conference on Trade and Development United Nations Geneva, Switzerland.

Dear Dr. Prebisch:

In the absence of Mr. Woods I am pleased to reply to your letter of February 24, 1966 in which you request certain information to help your Secretariat in preparing a report for the Trade and Development Board.

Much of the material requested was covered in a letter from our Mr. Consolo to Mr. Sidney Dell, dated March 31, 1966. I am attaching a copy of this letter and its enclosures. Mr. Dell subsequently requested certain additional information. The additional material we have prepared in response to this letter is also enclosed.

In addition to the material contained in these enclosures. I am pleased to transmit herewith tables on the volume of assistance provided by the three agencies of the World Bank Group during the calendar years 1964 and 1965. As you will note, these tables include a country and regional breakdown of that assistance. The information on the World Bank relates to its loans only to developing countries, and includes commitments, disbursements and repayments. The table on IDA, which gives commitments and disbursements, covers all of its credits since it provides credits only to developing countries. There have been no repayments for IDA credits since it has been operating for only about five years, and its credits uniformly provide for an initial period of grace of ten years. The information on the IFC, like that for the World Bank, relates only to its operations in developing countries. Total repayments received by the IFC from developing countries amounted to \$3.1 million in 1964 and \$3.7 million in 1965.

With respect to the terms of the assistance, all World Bank loans to developing countries in 1964 and 1965 were at an interest rate of 52 percent per annum. The weighted average of their grace periods, i.e., the period between the date of contract and the date of the first principal repayment, was 4.4 years for the commitments of 1964 and 4.6 years for the commitments of 1965. The weighted average Dr. R. Prebisch

of maturities, i.e., the period between the date of contract and the date of last principal repayment, was 24.2 years for 1964 commitments and 21.8 years for 1965 commitments. As regards IDA credits, they uniformly bear only a service charge of 3/4 of 1 percent per annum; IDA credits have an initial grace period of ten years, with repayment of principal at the rate of 1 percent per year for the succeeding ten years and 3 percent per year for the following 30 years. The terms of IFC investments, which consist of a combination of loans, loans with equity options of various types, direct investments in equity, and standby and underwriting commitments, are quite variable, though, in view of the particular nature of IFC activities, they generally conform to private investment practices.

As regards the foreign debt of developing countries, the latest comprehensive data which are now available are those that appear in the Annual Report of the World Bank and IDA for 1964-65. These statistics are included in the section of the report on "External Indebtedness of Developing Countries", pages 57-59.

I trust that this information will be useful to you in connection with the preparation of your report for the Trade and Development Board.

Sincerely yours,

(signed) Irving S. Friedman

Irving S. Friedman The Economic Adviser to the President

Enclosures

cc: Messrs. Wishart (with all enclosures) Consolo (3 tables only) Kamarck " Kalmanoff Sidney Dell, Director New York Office, UNCTAT (3 tables only)

GKalmanoff:vlb

May 9, 1966

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Messrs. Pereira-Lira and Jalan

Irving S. Friedman

Supplementary Finance

I would like to have a list of subjects no later than tomorrow morning on which we have to have assignments agreed on Supplementary Finance and would like to meet with you and Mr. Isaiah Frank on this tomorrow morning at 11 a.m.

cc: Mr. Isaiah Frank

file - UNCTAD

March 1, 1966

Dear Sidney,

I have been out of the office and just returned this morning. In the meantime I have looked more carefully at your February 17 draft and I think it should be very useful. However, may I suggest the following changes:

<u>Delete 1. (b) and (c)</u> - I believe this will tend to broaden the already broad discussion and might take it off the track.

<u>Delete 2. (b)</u> - I believe any reference to the administering agency might be premature.

3. (a) might read as follows: "That shortfalls in export earnings must be measured against objective estimates: if so, do projections of the type provided for in the Bank staff study constitute an acceptable method? What would be the relationship"

3. (c) - I suggest the deletion of the second sentence, again on the grounds that it might be broadening the discussion more than you want and could prove to be a red herring.

3. (e) and (f) - delete; on the grounds that it is already caught up in 3. (d).

Delete h. (c) - since I think it is covered in h. (a).

<u>h. (e)</u> - deletion of second and third sentences. I believe the questions are caught up in the first sentence and perhaps sound more contentious than necessary.

<u>h. (f)</u> - might read as follows: "To what extent would the stabilization programmes of the DMF, be similar to" 5. (a) - might read as follows: delete last sentence and substitute "Are the arguments for the \$300 to \$400 million per year figure reasonable?"

Delete 5. (c) - because I believe it is well covered by 5. (b).

Delete 6. (a) - could become a red herring.

6. (c) - might read as follows: "Should all adverse movements in export earnings that can be foreseen be excluded from the scope of the scheme?" Delete rest of paragraph.

Needless to say these are merely informal suggestions from me for whatever use they are.

It was nice seeing you the other day in Washington.

Yours sincerely,

Irving S. Friedman

Mr. Sidney Dell United Nations Conference on Trade and Development New York Office of UNCTAD United Nations New York, N.Y.

INTERNATIONAL DEVELOPMENT ASSOCIATION	INTERNATIONAL FINANCE CORPORATION	
	Date	
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February 23, 1966

Dear Sidney,

I have just received your letter of February 17 and thank you for your kind comments on my presentation.

I have glanced at the proposed annotated Agenda and will get in touch with you as soon as I have had an opportunity to give it the attention it merits.

Yours sincerely,

Irving S. Friedman

Mr. Sidney Bell United Nations Conference on Trade and Development New York Office of UNCTAD United Nations New York, N.Y.

17 February 1966

COMMITTEE ON INVISIBLES AND FINANCING RELATED TO TRADE RESUMED SESSION APRIL 4-13 1966

Annotated Agenda: First Draft

1. The nature of the problem

- (a) Is it agreed that developing countries frequently face "problems arising from adverse movement in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance of payments support."¹/?
- (b) Is it agreed that whatever direct steps may be taken to stabilize commodity prices and expand outlets for the exports of developing countries, the problem referred to in (a) above may be mitigated but is not likely to be eliminated entirely?
- (c) Are there circumstances, beyond the control of developing countries, other than "adverse movement in export proceeds" in which developing countries might face disturbance to their balance of payments, and hence disruption of their development programmes, of a nature or duration which cannot be dealt with by short-term balance of payments support?

2. Character of the solution

- (a) Should the solution take the form of an internationally administered programme for the provision of supplementary finance?
- (b) If so, should the administering agency be established within the World Bank framework?

5. Criteria for the provision of supplementary finance

Should the following criteria be applied?

(a) That shortfalls in export earnings must be measured against objective estimates: if so, do projections of the type provided for in the Bank staff study constitute such objective estimates, and what would be the effect of errors in such projections? What would be the

Final Act, Annex A.IV.18, paragraph 1.

2/ See statement by the Economic Adviser to the President of the International Bank for Reconstruction and Development, TD/B/59, page 6. relationship between Bank and Fund calculations of shortfalls, and what is the rationale of the differences in methodology?

- (b) That shortfalls must be of a nature or duration which could not adequately be dealt with by available short-term balance of payments support.
- (c) That shortfalls must result from causes beyond the control of the affected country. Should such causes be confined to those affecting export earnings, or should they be extended to those affecting other external receipts or import expenditure? 7
- (d) That all feasible domestic adjustments are made short of adjustments that would disrupt development programmes. What type of adjustments is envisaged here?
- (e) That the Scheme should not avoid adjustments resulting from the unexpected decline in exports, such as "not encouraging continued investment and output in export sectors when world demand is falling, re-examining and adjusting some public expenditures to ensure the postponement of the relatively less urgent or less important, or altering the tax structure to the changed conditions."¹ How should the line be drawn between public expenditures that can, and those that cannot, be postponed without disruption of agreed development programmes?
- (f) That where an export shortfall is due to an important structural change in world demand or supply, it may be necessary to revise priorities in the development programme, "or even change the magnitude of total plan expenditures."²/ In such cases should a reduction in planned investment in the export sector be offset by correspondingly larger investments in diversifying the rest of the economy, and in what way should the financial facilities provided by the Scheme assist in this task of diversification?

Bank Study, page 51.
 Bank Study, page 52.

(d)

-2-

- (g) That supplementary finance is residual finance, granted only after reasonable use has been made of other available sources of finance, including any previous earnings, during the projection period, in excess of the agreed export projection. If so, how is "reasonable use of other available sources" to be interpreted? In particular, should such use extend only to the compensatory financing facility of the IMF, or to the ordinary gold and credit tranches as well? In what circumstances would a country be required to draw down its reserves before receiving assistance?¹ Would "other sources of assistance" to be utilized prior to operations under the Scheme include credits bearing market rates of interest?
- (h) That when a shortfall occurs which cannot be offset by other means, assistance must be timely and certain.

4. Performance requirements

(a) Is it agreed that the provision of development assistance, whether in the ordinary way or in the form of supplementary finance, may be made conditional upon satisfactory performance by recipient countries in the carrying out of development programmes? Should a new relationship be established "between individual developing countries and the international community through which the incentives and prospects for effective internal development performance would be greatly strengthened"?^{2/}

1/ Bank Study, page 13.

2/ Bank Study, page 5.

- (b) is it agreed that the primary objective of supplementary finance is to avoid disruption of development programmes?
- (c) If so, is there a need for prior account between the administering agency and all potential recipients of supplementary finance as to the performance requirements in each case?
 - (d) Assuming that the need to meet certain performance requirements is accepted, should such requirements be limited to the results to be achieved by development programmes or should they be extended to the particular policies whereby such results are achieved?
 - (e) Should the performance requirements be the same in providing supplementary finance as in providing ordinary development assistance? Or should the provision of supplementary finance involve "more emphasis on good performance"?¹ If the requirements are not identical, would export projection errors lead to arbitrary shifts in performance requirements by increasing or decreasing the relative importance of supplementary finance in the total volume of development assistance provided?
 - (f) To what extent would the performance requirements under bilateral aid programmes, as well as under stabilization programmes of the IMF, be identical with performance requirements under the proposed supplementary financing scheme? How is co-ordination to be achieved? What is to be done in case of conflict?
- 5. Volume, terms and conditions of supplementary assistance
 - (a) According to the Bank Study, "\$1.5 billion to \$2.0 billion would be required for an initial experimental pariod of five years." It is further stated that this estimate "is a small part (about 20 per cent) of the figure of the gross shortfalls that emerged from the statistical analyses of past shortfalls between export projections and actual realizations." To fix agreed that the reasons for the lower estimate given on pages 13-14 and 70-1 of the Bank Study are valid?
 - (b) Is it agreed that the administering agency should tailor the terms and conditions of supplementary assistance to the overall financial and economic position of the country concerned; and that "the terms

Var the arguets for the \$300 to \$ 400 m. peng figure reasonable.

/ Bank Study, page 4.

should be similar to those being used for the extension of development finance for normal purposes by the various international leading agencies"?1/

- (c) Is there a case for softer terms for supplementary assistance, or for grants, because of the catastrophe aspect of unerpected shortfalls, and because of
 the need to avoid impairing the borrowing capacity of developing
- $\mathcal{P}_{\mathcal{P}}^{\mathcal{P}}(\mathcal{N})$ countries as a result of circumstances over which they have no control?
 - Scope of the Scheme
 - (a) If it is egreed that the administering agency should be given extensive discretion in deciding whether or not to provide supplementary assistance in particular cases, should such discretion be enlarged to include problems affecting import expenditure, as well as export earnings - including, for example, problems of vising import prices, or of unforseen import requirements resulting from a series of crop failures?
 - (b) Would the proposed Scheme provide assistance if, as cited in Note 2(ii) of resolution A.IV.18, "when IMF drawings were due to be repaid, exports had not recovered sufficiently for this to be possible without disruption of development?"
 - (c) Should all adverse movements in export earnings (or junction expenditure) that can be foreseen be excluded from the scope of the scheme? Where foreeeable adverse movements in export earnings, though disruptive of development programmes, are not fully offset by additional regular development assistance, is there a case for granting recourse to supplementary finance? If not, how is the disruption of development programmes by forseeable adverse movements in export earnings to be prevented?

1/ Bank Study, page 12.

February 23, 1966

Dear Sidney,

I have just received your letter of February 17 and thank you for your kind comments on my presentation.

I have glanced at the proposed annotated Agenda and will get in touch with you as soon as I have had an opportunity to give it the attention it merits.

Yours sincerely,

Irving S. Friedman

Mr. Sidney Bell United Nations Conference on Trade and Development New York Office of UNCTAD United Nations New York, N.Y.

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REF. NO. EC 231/3 (2-8)

17 February 1966

Dear Irving,

May I say first how much we appreciated having you here to present the Bank Staff Study on Supplementary Financial Measures to the Board: several people, including the President of the Board, have commented to me that your statement and that of Lord Kahn the following morning were among the high points of the current session.

As I mentioned to you when you were here, the Committee on Invisibles and Financing Related to Trade has asked the Secretariat to prepare an annotated agenda for the resumed session that is to examine the Bank Staff Study from April 4-13 in Geneva. It was also suggested that the annotations might take the form of questions relating to the respective agenda headings.

I have now prepared a first draft of such an annotated agenda and am enclosing six copies for your consideration. I realise that some of the questions raise exceedingly difficult issues but I have, on the whole, felt inclined to face up to these things rather than to withhold particular questions on the grounds that the discussion of them might encounter difficulties. I have the feeling that all these questions are going to arise sooner or later in one form or another, and that one might as well anticipate this, and draft the questions correctly, rather than allow the thing to emerge from the debate, possibly in a confusing form.

On the other hand, I am by no means wedded to this particular draft, or to any or all of the questions contained in it, and would certainly intend to do my utmost to meet any criticisms that you may make. It is, of course, understood that in line with your own wishes, the UNCTAD Secretariat will take full and sole responsibility for the agenda and its annotations.

I look forward to hearing from you as soon as you have had an opportunity to consider the matter.

Yours sincerely,

S.Dell, Director New York Office of UNCTAD

Mr. Irving Friedman Economic Advicer to the President International Bank for Reconstruction and Development Washington D.C. 20433



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COMMITTEE ON INVISIBLES AND FINANCING RELATED TO TRADE RESUMED SESSION APRIL 4-13 1966

Annotated Agenda: First Draft

1. The nature of the problem

- (a) Is it agreed that developing countries frequently face "problems arising from adverse movement in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance of payments support."¹/?
- (b) Is it agreed that whatever direct steps may be taken to stabilize commodity prices and expand outlets for the exports of developing countries, the problem referred to in (a) above may be mitigated but is not likely to be eliminated entirely?
- (c) Are there circumstances, beyond the control of developing countries, other than "adverse movement in export proceeds" in which developing countries might face disturbance to their balance of payments, and hence disruption of their development programmes, of a nature or duration which cannot be dealt with by short-term balance of payments support?

2. Character of the solution

- (a) Should the solution take the form of an internationally administered programme for the provision of supplementary finance?
- (b) If so, should the administering agency be established within the World Bank framework?
- 3. Criteria for the provision of supplementary finance2/

Should the following criteria be applied?

(a) That shortfalls in export earnings must be measured against objective estimates: if so, do projections of the type provided for in the Bank staff study constitute such objective estimates, and what would be the effect of errors in such projections? What would be the

^{1/} Final Act, Annex A.IV.18, paragraph 1.

^{2/} See statement by the Economic Adviser to the President of the International Bank for Reconstruction and Development, TD/B/59, page 6.

relationship between Bank and Fund calculations of shortfalls, and what is the rationale of the differences in methodology?

- (b) That shortfalls must be of a nature or duration which could not adequately be dealt with by available short-term balance of payments support.
- (c) That shortfalls must result from causes beyond the control of the affected country. Should such causes be confined to those affecting export earnings, or should they be extended to those affecting other external receipts or import expenditure?
- (d) That all feasible domestic adjustments are made short of adjustments that would disrupt development programmes. What type of adjustments is envisaged here?
- (e) That the Scheme should not avoid adjustments resulting from the unexpected decline in exports, such as "not encouraging continued investment and output in export sectors when world demand is falling, re-examining and adjusting some public expenditures to ensure the postponement of the relatively less urgent or less important, or altering the tax structure to the changed conditions."¹/ How should the line be drawn between public expenditures that can, and those that cannot, be postponed without disruption of agreed development programmes?
- (f) That where an expose shortfall is due to an important structural change in world demand or supply, it may be necessary to revise priorities in the development programme, "or even change the magnitude of total plan expenditures."²/ In such cases should a reduction in planned investment in the export sector be offset by correspondingly larger investments in diversifying the rest of the economy, and in what way should the financial facilities provided by the Scheme assist in this task of diversification?

Bank Study, page 51.
 Bank Study, page 52.

-2-

- (g) That supplementary finance is residual finance, granted only after reasonable use has been made of other available sources of finance, including any previous earnings, during the projection period, in excess of the agreed export projection. If so, how is "reasonable use of other available sources" to be interpreted? In particular, should such use extend only to the compensatory financing facility of the IMF, or to the ordinary gold and credit tranches as well? In what circumstances would a country be required to draw down its reserves before receiving assistance?¹ Would "other sources of assistance" to be utilized prior to operations under the Scheme include credits bearing market rates of interest?
- (h) That when a shortfall occurs which cannot be offset by other means, assistance must be timely and certain.

4. Performance requirements

(a) Is it agreed that the provision of development assistance, whether in the ordinary way or in the form of supplementary finance, may be made conditional upon satisfactory performance by recipient countries in the carrying out of development programmes? Should a new relationship be established "between individual developing countries and the international community through which the incentives and prospects for effective internal development performance would be greatly strengthemed"?²/

1/ Bank Study, page 13.

2/ Bank Study, page 5.

- (b) is it agreed that the primary objective of supplementary finance is to avoid disruption of development programmes?
- (c) If so, is there a need for prior agreement between the administering agency and all potential recipients of supplementary finance as to the performance requirements in each case?
- (d) Assuming that the need to meet certain performance requirements is accepted, should such requirements be limited to the results to be achieved by development programmes or should they be extended to the particular policies whereby such results are achieved?
- (e) Should the performance requirements be the same in providing supplementary finance as in providing ordinary development assistance? Or should the provision of supplementary finance involve "more emphasis on good performance"?¹/ If the requirements are not identical, would export projection errors lead to arbitrary shifts in performance requirements by increasing or decreasing the relative importance of supplementary finance in the total volume of development assistance provided?
- (f) To what extent would the performance requirements under bilateral aid programmes, as well as under stabilization programmes of the IMF, be identical with performance requirements under the proposed supplementary financing scheme? How is co-ordination to be achieved? What is to be done in case of conflict?

5. Volume, terms and conditions of supplementary assistance

- (a) According to the Bank Study, "\$1.5 billion to \$2.0 billion would be required for an initial experimental period of five years." It is further stated that this estimate "is a small part (about 20 per cent) of the figure of the gross shortfalls that emerged from the statistical analyses of past shortfalls between export projections and actual realizations." Is it agreed that the reasons for the lower estimate given on pages 13-14 and 70-1 of the Bank Study are valid?
- (b) Is it agreed that the administering agency should tailor the terms and conditions of supplementary assistance to the overall financial and economic position of the country concerned; and that "the terms

-4-

1/ Bank Study, page 4.

should be similar to those being used for the extension of development finance for normal purposes by the various international leading agencies"?1/

(c) Is there a case for softer terms for supplementary assistance, or for grants, because of the catastrophe aspect of unexpected shortfalls, and because of the need to avoid impairing the borrowing capacity of developing countries as a result of circumstances over which they have no control?

6. Scope of the Scheme

- (a) If it is agreed that the administering agency should be given extensive discretion in deciding whether or not to provide supplementary assistance in particular cases, should such discretion be enlarged to include problems affecting import expenditure, as well as export earnings - including, for example, problems of rising import prices, or of unforseen import requirements resulting from a series of crop failures?
 - (b) Would the proposed Scheme provide assistance if, as cited in Note 2(ii) of resolution A.IV.18, "when IMF drawings were due to be repaid, exports had not recovered sufficiently for this to be possible without disruption of development?"
- (c) Should all adverse movements in export earnings (or import expenditure) that can be foreseen be excluded from the scope of the scheme? Where forseeable adverse movements in export earnings, though disruptive of development programmes, are not fully offset by additional regular development assistance, is there a case for granting recourse to supplementary finance? If not, how is the disruption of development programmes by forseeable adverse movements in export earnings to be prevented?

1/ Bank Study, page 12.

-5-

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February 2, 1966

Mr. Michael L. Hoffman

Irving S. Friedman

I am attaching a copy of a letter I received from Sidney Dell. His summary of our meeting is more or less accurate except paragraphs 9 and 10. I told him quite clearly in the presence of the entire group that I wished to talk to Dick or yourself about what we would be prepared to contribute on consortia and consultative groups if requested. Furthermore, on Suppliers' Credits the date I talked about was September or October and not the middle of the year. I would appreciate your suggestions you might have on what commitments we should be prepared to undertake.

Incidentally in his paragraph 3 sentence starting "Despite these reservations...." it would have been more accurate if he had written "Mr. Friedman said that he <u>might</u> even be prepared" instead of writing "would be prepared."

I am inclined not to try to correct the records so to speak but rather to wait until the next time we see each other.

Attachment



NATIONS UNIES

NEW YORK

TELEPHONE: PLAZA 4-1234

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REF. NO.

26 January 1966.

Dear Irving,

I enclose a copy of a memorandum which I am sending to Don Raúl and which I hope faithfully reflects what you had understood of our meeting on Monday.

As I had expected, Don Raul again strongly welcomed the Bank's study in his opening address to the Board this morning, and referred to it as "historic".

With kind regards,

UNITED NATIONS

Yours sincerely,

S.Dell, Director New York Office of UNCTAD

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

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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Eurs sincerely,

Sidney

S.Rell, Director New York office of DATAD

> Mr. Irving 5. Friedman Economic Adviser to the President International Bark for Reconstruction and Development 1313 H Street, N.W. Nashington D.C. 20433



26 January 1966

Dr. Rail Prebisch Secretary-General of UNCTAD

.Dell, Director New York Office of UNCTAD

Discussions with Bank Staff.

1. On Monday 24 January I was received by Mr. Irving Friedman together with Mr. Andrew Kamarck, Mr. Sharma, Mr. G. Kalmanoff and Mr. B. Jalan.

2. We went over the list of projects for the Committee on Invisibles and Financing related to Trade of which a copy is attached. The following points emerged.

3. As regards country studies, the Bank is already sending such studies to us on a confidential basis as they become available. Mr. Friedman pointed out, however, that some difficulty might arise from the Bank's standpoint if the material in the country studies were to be assembled in one place in a manner which might appear to imply that explicit and uniform models had been used as a basis for the Bank's projections. Even an inter-country comparison of various parameters or results might be misleading. Despite these reservations, Mr. Friedman said that he would be prepared to recommend publication of the Bank's country studies if a request to this effect were received from UNCTAD, providing the necessary limitations on their use were observed. I said that I would consult you on this point, but that my first reaction was that we might await the outcome of the expert group's meeting in March, to which the Bank has been invited, before deciding on the next stage.

4. We next discussed the possibility that the Bank might be able to prepare a paper on the question of self help. Mr. Friedman said that the Bank might itself be interested in giving an account of its experience in this field, with a view to acquainting countries of the problems that have been encountered. In particular, the Bank was studying the question of performance criteria to be used in connection with aid programmes. Mr. Friedman said that he would discuss the possibility of such a paper with his colleagues, and let me know the outcome.

5. As regards item 5(f) relating to indicators of growth, it was noted that Mr. Toren of the UNCTAD staff and Mr. Levy of the Bank staff had already been in touch on this matter, and it was agreed that such contact could continue with a view to meeting the Committee's requirements under this heading. 6. With respect to item 6(a), Mr. Friedman said that the Bank was working on a new approach to the calculation of debt service, and that a study would be published in time for the next annual meeting of the IBRD. It was assumed that this study could also provide the basis for an examination of the problem in UNCTAD.

7. In relation to aid tying and untying reference was made to a paper by Dr. Mahbub-Ul-Haq presented to a meeting of the International Economic Association in Washington.

8. In the matter of the lag between authorizations and expenditures, Mr. Friedman pointed out that the Bank was only one of the institutions involved. Perhaps the UNCTAD Secretariat would care to invite comments on this matter from the national and international lending agencies concerned (and possibly also from recipient countries?)

9. With respect to coordination between bilateral and multilateral aid, the Bank could, if asked, prepare a report for UNCTAD dealing with its experience of consortia and consultative groups. It should be noted, however, that the Inter-American Development Bank had organized a consortium for Ecuador, and the OECD had organized & consortia for Greece, Turkey and Yugoslavia.

10. On suppliers' credits Mr. Friedman said that the Bank would probably be able to report around the middle of the year.

11. As will be apparent from the foregoing, the discussions were most helpful and friendly. Mr. Friedman and his colleagues were invariably ready to examine the many questions that I raised with them, and to consider the preparation of reports for UNCTAD. I conveyed to Mr. Friedman your warm appreciation of the outstanding job that had been done by the Bank staff in responding to the Geneva Conference's request for a study of supplementary financing.

cc: Mr. I. Friedman Mr. V. Sastry Mr. B. Toren FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL FINANCE CORPORATION

UNC

OFFICE MEMORANDUM

TO: Files

DATE: January 25, 1966

FROM: Bimal Jalan

SUBJECT: Meeting with Mr. Dell, January 24, 1966.

In our discussions with Mr. Dell, which centered around the agenda set forth in his letter of 18 January 1966 to Mr. Friedman, it was understood that:

1. We would get in touch with Mr. Dell at the UNCTAD to tell him whether we can let him have a paper on "performance" for discussion at the November meeting of the committee on Invisibles and Financing. Mr. Dell was interested in a paper which would deal with the kind of problems the Bank runs into in judging and ensuring "performance".

2. The Bank is updating its "debt" figures and these revised figures would be available by the time of our next Annual meeting.

3. After consultation with Mr. Hoffman and Mr. Demuth, the Bank would decide whether it can prepare a paper for UNCTAD on Bank's own experience with consortia and consultative groups.

4. The Bank study on "suppliers credits" should be ready for transmittal to the UNCTAD by October 1, 1966.

cc: Messrs. Friedman Kamarck Kalmanoff Sarma

The Fredman

We agreed to continue to send our country reports to UNCTAD. 'The manner in which they would or could be used by UNCTAD was not decided, but you made it clear that you would not like them to be used to provide the basis for UNCTAD independent estimates regarding capital requirements. These studies were heavily oriented towards Bank's work, and it would be misleading to use them out of their context.

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Speak to Frank

JAN 14 1966

January 13, 1966

Mr. A.M. Kamarck

Federico Consolo

UNCTAD - Expert Group on the expansion of trade between developing countries and regional development.

This morning I had a talk with Mr. Sidney Dell, Head of the UNCTAD New York Office, who seemed worried about Bank attendance at this meeting of the expert Group which will be held in New York from February 16 to March 4. I assured him that the Bank would be represented, the designation of the representatives depending on the trend of the work and discussions.

 He confirmed that the "tone" of the working of this group would be set by two papers:-

> a) one prepared in Geneva by the UNCTAD Secretariat - the first copies should be in New York shortly

b) one prepared by Mr. Henry Bloch, which is being run off here now.

3. He promised he would let me have advance copies of these reports which I will immediately send to you.

4. Mr. Dell said that in the course of the discussions the Bank representatives would certainly be requested to give the Bank's views on "the role of financial institutions in promoting integration".

4.

The following experts will sit on this Committee or Group:

Gabon	-	Anguile		
Pakistan	-	Nurul Islam		
India	-	Bhagwati		
Philippines	-	Benito Legarde		
Germany (Fed.Rep.)		Professor Giersch		
France	-	Jean Roger		
Poland		Sachs J		
Mexico		Miguel Wionszek		
Brazil	-	Jose Garrido Torres		
U.S.		Isaiah Frank		
U.K.	-	E.D. Brown (or Sir Roy Harrod)		
U.S.S.R.	-	1		

/ Para. 5.....

5. The following institutions and organisations will also be invited:

African Development Bank Inter-American Bank Regional Economic Commissions Latin American Free Trade Associations Central American Common Market

6. When you have decided on the Bank representation, will you please inform me and send we back, at the same time, the letter of invitation which you have kept.

c.c. Mr. Richard H. Demuth Mr. Irving S. Friedman / Mr. George Kalmanoff

file - UNETAD OSTEFFICE.

March 29, 1965

Dear Sidney:

Thanks for your letter of March 25. I appreciate your clarifying the two points and I agree with them.

With warm regards,

Sincerely yours,

Irving S. Friedman The Economic Adviser to the President

Mr. S. Dell Research Division Centre for Industrial Development United Nations New York New York

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26 March 1965

Dear Irving,

Many thanks for your letter of March 25th which I received after my letter of yesterday's date had been despatched.

Your response is fully in line with what I had suggested, and I am sure that Dr. Prebisch will be delighted. If he has any further points to make, I shall let you know.

With warm regards,

Yours sincerely,

ridney Dell

S. Dell, Director Research Division Centre for Industrial Development

Mr. Irving S. Friedman Economic Adviser to the President International Bank for Reconstruction and Development Washington, D.C. 20433

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26 March 196

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8. Dell, Director Research Division Centre for Industrial Development

> Mr. Irging S. Friedman Economic Adviser to the President International Bank for Reconstructio and Development Machington, D.C. 20433

1965 WAR 30 PM 12: 59 General Files General Files March 25, 1965

Dear Sidney:

This is in further reply to your letter of February 26.

We have been considering your suggestion regarding the scope of the Bank study on Supplementary Finance. Our judgment is at this time that we will be covering the various points in Items 2 to 5 of Section B. I do not know, of course, what answers we will be proposing or whether they will be the answers which the original drafters of Section B had in mind.

Please let me know if this answers you adequately, if not, perhaps we can discuss it further.

With warm regards,

Sincerely yours,

Irving S. Friedman The Economic Adviser to the President

Mr. S. Dell Director, Research Division Centre for Industrial Development United Nations New York New York

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UNITED NATIONS



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NEW YORK

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25 March 1965

Dear Irving,

FILE ND .:

Many thanks for your letter of March 8, and for kindly sending me the copy of Mr. Jalan's record. I shall, of course, use this for personal reference only and I fully realize that the record has not been edited and was not intended to be official. I should, however, like to clarify two minor points just in case there was any misunderstanding of what I meant to say.

Both points relate to supplementary financing. One suggestion that I explored with you was whether the question of supplementary financial measures should be considered by the expert group appointed to deal with international monetary issues. I did <u>not</u> mean to suggest that the Trade and Development Board would take these two matters together, but only that, for the sake of sheer economy of meetings, we should convene one expert group to deal with Recommendation A.IV.18 as well as A.IV.19. I have thus far taken it that your objection would relate to consideration of the two matters by the same expert group, and in view of this I do not believe that we would want to press this matter.

As regards the discussion of studies on supplementary financial measures, I did not mean to emphasize any particular point contained in section B of Recommendation A.IV.18: what I asked was whether the Bank would be able to take into account, in some fashion, all the points listed in section B other than B.1. I said that if it were possible for the Bank study to be handled in this way, the UNCTAD Secretariat would probably not begin the study on section B immediately, but would probably await the Trade and Development Board's reaction to the Bank study.

Yours sincerely,

Sidney dell

S. Dell, Director Research Division Centre for Industrial Development

Mr. Irving S. Friedman Economic Adviser to the President International Bank for Reconstruction and Development Washington, D.C. 20433

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25 March 1965

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Dear Irving.

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Mr. Irving S. Friedman

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8. Nell, Dimector Research Division Afre for Industrial Development

March 9, 1965

Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development United Nations New York, N.Y.

Dear Dr. Prebisch,

I have been asked to reply to your letter EC 231/51 of March 3 addressed to Mr. Woods and to thank you for having invited the Bank to be represented at the first session of the Trade and Development Board of the U.N. Conference on Trade and Development scheduled to meet on April 5, 1965.

The Bank will be represented at this first session by me accompanied by Mr. Lewis Perinbam, Liaison Officer, and by such members of the Bank's Economic Staff as may be required in the course of the consideration of the Agenda.

Yours sincerely,

Federico Consolo Special Representative for United Nations Organizations

FC:mar

Cleared with and cc: Mr. Friedman Cc: Mr. Wishart Mr. Perinbam FILES with incoming correspondence March 8, 1965

Dear Sidney:

Thank you for your letter of February 26.

I enclose a copy of the record, prepared for me by Mr. Jalan, of our meeting on February 6. I haven't had any time to edit this report, and I would like you to treat this as an unofficial record for your personal reference only.

We are at present reviewing our work on compensatory financing, and I shall let you have a reply to the questions you raised in connection with the scope of this study immediately after we have reached a decision in the matter.

Yours sincerely,

Irving S. Friedman The Economic Adviser to the President

Mr. Sidney Dell Director Research Division Centre for Industrial Development United Nations New York, NEW YORK

Enclosure

B.Jalan/vch

	RNATIONAL DEVELOPMENT ASSOCIATION	INTERNATIONAL FINANCE CORPORATION
		Date
	ROUTING SLIP	Mar. 4,1965
	OFFICE OF THE P	RESIDENT
	Name	Room No.
Mr	. Jalan	1123
-		
	Action	Note and File
	Approval	Note and Return
	Comment	Prepare Reply
	Full Report	Previous Papers
	Information	Recommendation
_	Initial	Signature
	Were you at this	s meeting?

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26 February 1965

Dear Irving,

REFERENCE

I believe you were kind enough to say at our recent meeting that you would consider our suggestion regarding the scope of the Bank Report on Supplementary Finance, particularly as regards the possibility of taking into account Items 2 to 5 of Section B of the Resolution. I wonder whether you have yet been able to come to a conclusion in this respect.

Incidentally, I did not take any notes of our meeting because I had understood you to say that you might be able to let me have a copy of the record that you yourself were having made. If there is no difficulty, I should appreciate your sending me this.

With kindest regards,

Yours sincerely,

Sidney Dece

S. Dell Director Research Division Centre for Industrial Development

Mr. Irving Friedman The Economic Advisor to the President International Bank for Reconstruction and Development 1818 H Street NW Washington, D.C., 20433.

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COMMANICATIONS CENCRAT FILES DECENSED FORM No. 57

INTERNATIONAL DEVELOPMENT INTERNATIONAL BANK FOR ASSOCIATION RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Friedman

DATE: February 8, 1965

FROM: Bimal Jalan

Meeting with Mr. Dell of the U.N. Trade and Development Board SUBJECT:

> In your meeting with Mr. Dell on February 6, the following UNCTAD resolutions, pointing to the Bank in one way or the other, were taken up:

(i) A.IV.4 - on "Consultative Groups"

(ii) A.IV.5 - on "Transfer of IBRD Surplus to IDA"

(iii) A.IV.9 and A.IV.10 - on "Problems of Regional Development." On this, you said that the Bank has been interested in the problem of regional development for sometime, but that at the moment no comprehensive general economic study of the problems of regional development is planned.

(iv) A.IV.11 - on "Horowitz Proposal." You said that a staff study on this proposal has been written. It would be sent to the U.N.

A.IV.12 - on "Investment Insurance," "Settlement of (v) Investment Disputes" and "Problem of Guarantees of Securities Floated by Developing Countries." You said that Bank studies on investment insurance and settlement of investment disputes are in progress, but a study of guarantees of securities floated by developing countries has not been started as such, but similar suggestions had been considered by the Bank and were still under consideration.

(vi) A.IV.14 - on "Supplier Credits" you said that this has been a problem of continuing interest for the Bank. But the work on supplier credits is being expedited in response to the UNCTAD resolution and a study is expected to be ready for transmittal to the UNCTAD by the end of the year. Mr. Dell suggested that it would be very helpful if the Board on Trade and Development could have this study before the end of the year, preferably by June.

(vii) A.IV.17, A.IV.18 and A.IV.19 - on "IMF's Compensatory Credit System, " "Long-term Supplementary Financing" and "International Monetary Issues." Mr. Dell said that the Board on Trade and Development would like to take up these problems for consideration together. You, however, felt that these resolutions should be taken separately, and that the Bank would not like to put its paper on supplementary financing as a part of the discussion on general monetary issues. You looked at the question of supplementary financing as a development problem, and do not regard it as a monetary issue. The scheme for supplementary financing would probably be more acceptable

if it is kept independent of a scheme for the reform of the monetary system; and you therefore like to keep these two issues quite distinct from each other.

Regarding the Bank's study on compensatory financing, you said that the Bank has in fact been carrying on two inter-related studies. Apart from the study on U.K./Swedish proposal, there is in progress a longer-term study on external requirements. You emphasized that this would be a continuous repeated exercise over the years, and the one that is expected to be completed this year would only be a preliminary study. You said that you would like the Bank study on capital requirements to be published for general circulation, but you weren't sure whether the quality of this year's study would be good enough for that. Mr. Dell asked whether the Bank would be able to make this study available to the Trade and Development Board, but this you weren't prepared to give until you saw the quality of the preliminary work, which would be sometime in June.

On Resolution A.IV.18, Mr. Dell said that if the Bank could assure the Board that all the provisions of this resolution would be taken care of by the Bank study, the Board wouldn't have to undertake another study on its own. You said that the Bank study was specifically related to Section A of the resolution but does cover certain other issues raised in Section B of the resolution insofar as they are connected with the frame of reference of Section A. Thus, for instance, the study does deal with the question of what countries should be eligible for compensatory financing, and explores some of the implications of adverse movements on terms of trade. But the Bank hasn't made a specific study of the terms of trade problems of the developing countries. The study does not cover in detail the question of "effects of significant rises in import prices" (raised in Note 3 in the resolution) either.

Mr. Dell said that in order to decide whether the Board should make its own study on certain aspects of this resolution, he would like to know whether the Bank in its study would cover (i) the problem which arises with falling terms of trade, and (ii) point 5 of Section B, which says that "facilities be provided for interim financing, when warranted, to assist the developing countries concerned while the longer-term problem is being assessed."

You said that you would let him have the reply to the above two points after discussing these with some other people in the Bank.

In this memorandum I refer to the various resolutions by their shorthand title for the purposes of quick identification of the contents of each of the resolutions discussed. A short summary of these various recommendations is in my memorandum of December 2, 1964.



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NEW YORK

TELEPHONE: PLAZA 4-1234

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REF. NO. EC 231/3 (2-8)

18 January 1966

Dear Irving,

I attach a copy of the programme of work approved by the Committee on Invisibles and Financing related to Trade of UNCTAD at its first session.

Arising out of this programme of work, we have prepared a tentative list of projects to be undertaken in 1966. I shall be discussing these projects with the Department of Economic and Social Affairs here this week, and I hope to be able to discuss them further with you next Monday in Washington, if this is convenient.

Perhaps I might draw your attention to the items in which the Bank may be particularly interested. As regards item 2, relating to supplementary financing, we have tentatively scheduled a resumed first session of the Committee on Invisibles and Financing related to Trade from 28 March to 6 April here in New York for this purpose. The only point that I should like to raise with you in this connexion is whether you feel that the Bank document can serve as it stands as a basis for the Committee's discussion, or whether you would envisage a short Committee paper of 4 to 6 pages setting out the main issues for discussion. We often find that it facilitates discussion of a complex document if the principal issues are highlighted in a separate paper, but you may feel Chapter 1 would be adequate for this purpose.

As regards item 5 on the attached list of projects, relating to the adequacy of rates of growth, I should like to discuss with you whether the Bank is planning to do any work along these lines for publication, and the extent to which we might be able to co-operate in this area. The same goes for item 6.

I expect that item 7 will be handled mainly by the Department of Economic and Social Affairs here.

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



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As regards item 8, you may be aware that an expert group is being convened here from mid-February to the beginning of March to discuss problems of regional integration among developing countries, taking into account both trade policies and financing. I expect that a number of questions will be addressed to the IBRD Observer by members of the group as to the Bank's views on the extent to which it is possible for national and international lending agencies to promote regional integration through their lending operations. Any conclusions reached by the expert group on this matter will be placed before our Committee at its next regular session (in November).

Item 10 will be a rather formal paper prepared by us later in the year, and summarizing progress on the various proposals that have been made for increasing the flow of capital to the developing countries - Horowitz, supplementary financing, the proposal for a "link" between liquidity creation and aid, etc. Item 11 is another rather formal report, which is part of a larger document reviewing the implementation of the various recommendations adopted by the Geneva Conference.

Finally, we come to item 12 on capital requirements of developing countries. I take this opportunity of enclosing a copy of TD/B/40. We are now launched on a number of pilot country studies, and I hope to be in a position to present four to six of these studies to a small meeting of practitioners in this field on March 14-16. I believe that the Bank has been invited by Jack Mosak to send someone to this meeting, which will also include representatives of other institutions engaged in trade gap projections, as well as a number of individual experts. By placing our studies before this group, we hope to achieve a broad measure of agreement as to the way in which further studies should be undertaken, it being our objective to do comparable studies for, say, twenty to twenty-five countries for the second Trade Conference next year. I am not saying that we shall necessarily present country studies as such to the Conference, but clearly, as you know, the Conference wanted future projections to be based on country studies rather than on aggregative models.

I should once again like to raise with you the question as to the extent to which it might be possible for us to join forces on this exercise. As a matter of fact, the question will also arise, it seems to me, of co-operation with the FAO, which I gather is doing a rather ambitious indicative world plan for agriculture, which involves projections for the non-agricultural sectors as well. Members of our Committee asked me a number of searching questions as to the extent of co-operation among the various institutions concerned with calculations of trade gaps and capital requirements, and I assured them that everything possible would be done to avoid duplication, and to reach a consensus among the various institutions as to the basic data as well as methodology. UNITED NATIONS



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These, then, are the main things that I should like to discuss with you next Monday, if that seems convenient to you.

With kindest regards,

Yours sincerely,

S. Dell, Director New York Office of UNCTAD

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TD/B/42 TD/B/C.3/15 Annex I(c) page 1

ANNEX

(c) Programme of work in the field of financing related to trade

With a view to taking appropriate action under its terms of reference and having regard to the resolution on the implementation of UNCTAD recommendations adopted by the Board at its Second Session, which <u>inter alia</u> requests the Secretary-General to present a report each year, the Committee proposes to undertake the following programme of work.

A. Kates of growth of developing countries

The Committee will:

- study (a) the effects of the mobilization of internal resources and the flow of external assistance on growth rates, bearing in mind the evolution of international prices, and
 - (b) the relationships between the mobilization of internal resources and the flow of external assistance, bearing in mind the qualitative aspects of both;
- (2) examine the possibility of complementing present indexes of aggregate growth rates with other indicators of economic development.

The Committee will have before it a report on the results of these studies at its next regular session, and if necessary at subsequent regular sessions.

B. Measurement of net flows of financial resources

The Committee, noting that different interpretations have been put forward of the denominator of the aid target (para. 4 section III of Eccommendation A.IV.2), will examine the report of the expert group convened by the Secretary-General of the United Nations to review the concepts and methodology of measuring capital flows to developing countries.

C. <u>Increasing the net flow of resources to developing countries</u> The Committee will:

- consider studies and proposals for increasing the net flow of financial resources;
- consider measures to stimulate the flow of private capital most conducive to development and request the Secretariat to report on the steps taken to this end.

TD/B/42 TD/B/C.3/15 Annex 1(c) page 2

D. Improving terms, co-ordination and effectiveness of aid

The Committee will:

- undertake a general review of current trends of the qualitative aspects of aid and consider measures and proposals for improving the terms, quality and effectiveness of aid;
- (2) consider principles that should guide the combination of aid policies most appropriate to accelerate development.

E. Problems of debt servicing

The Committee will:

keep under review the problems of servicing of the external debts of the developing countries, keeping in view the external capital requirements of developing countries and the increasing burden of those debts.

F. Suppliers' creaits and credit insurance

The Committee will:

examine the study of the use (actual and potential) and terms of suppliers' credits and credit insurance, including re-discounting arrangements, now being carried out by the IBRD in accordance with Recommendation A.IV.14 and its Appendix.

G. Horowitz Proposal

The Committee will:

- (1) keep this item on its agenda;
- (2) request the Secretary-General of UNCTAD to appoint, after consultation with Governments, persons with special experience in the field of financing and banking to serve in their personal capacities as members of a special group. The task of this Group would be to consider the economic and financial problems involved in the Horowitz proposal, and similar schemes and possible variations, including any consequences they might have on other methods of bringing about the transfer of real resources on concessional terms to the developing countries. In so doing, the group will give due regard to the analysis in the IBRD staff study of the Horowitz proposal.

The Secretary-General of UNCTAD will inform the Committee on the progress of this work at its next regular session.

TD/B/42 TD/B/C.3/15 Annex 1(c) page 3

H. Supplementary financial measures

The Committee will keep this item on its agenda.

I. Financing and regional development

The Committee will:

consider at its next regular session the aspects relevant to the financing of regional development of the report of the group of experts on the expansion of trade among developing countries and on regional development.

J. Payments arrangements between developing countries

The Committee notes that the Board nas made provision for a second meeting of the expert group on international monetary issues, to consider problems of payments arrangements among developing countries. The Secretary-General of UNCTAD will inform the Committee on the progress of this work at its next regular session.

k. Other questions concerning financing related to trade

The Committee expressed its intention of drawing up a programme of studies on questions of other financing items related to trade, not previously dealt with, and, notably, when sufficient information becomes available, a programme of work on the consideration of non-financial credit arrangements for the delivery of capital goods. The Committee will also keep under consideration the question of financing of external marketing of main primary products and raw materials from developing countries, taking into account the work and the guidelines of the Committee on Commodities.

In accordance with paragraph 14 of its terms of reference, the Committee requests the Secretariat to take into account the relevant work of other competent organs of the United Nations, the specialized agencies and other international bodies, taking fully into account the desirability of avoiding duplication and overlapping. In collecting data required for the activities listed above, the Secretariat shall make use of existing information and any additional information provided by Member States and by the appropriate international organizations.

17 January 1966

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PROJECTS FOR THE COMMITTEE ON INVISIBLES AND FINANCING RELATED TO TRADE

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1. <u>Horowitz Proposal</u> (Hecommendation A.IV.11) No further documentation required until after the meeting of Government experts.

<u>Supplementary Financing</u> (A.IV.18) Is there any need for a short paper summarizing the issues that call for discussion by Governments?

Convensatory Financing (A.IV.17) The IMF will presumably report.

Payments Arrangements among Developing Countries (A.IV.19) An analysis of difficulties confronting the Latin American countries in drafting an agreement.

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Adequacy of Rates of Growth (A. IV. 1-2)

- (a) Why have rates of growth fallen? To what extent supply factors? To what extent demand factors (i) domestic (ii) external? Is there any relationship to trends in import capacity?
- (b) Are plans and policies for agriculture and land reform satisfactory? Is the agricultural sector generating the surpluses required for accelerated development? Are sufficient resources being devoted to the development of such surpluses?
- (c) Are sufficient resources being devoted to education and health? Are the required skills becoming more plentiful?
- (d) How effective is the mobilization of domestic savings? How do domestic savings of countries of similar income levels compare? What has been the relationship of the marginal to the average propensity to save? Where domestic savings are stagmant or falling, to what extent is this due to external factors such as a decline in foreign demand? Which are the countries that have a "dominant" savings gap, rather than a "dominant" trade gap?

(e) How adequate is the flow of aid (i) in terms of the development assistance target (ii) in terms of the needs of developing countries? What would be the effect on calculations of the volume of aid of allowing for (i) tied aid (ii) differences in shares of grants, interest rates, repayment periods, amortization, repatriation of capital, remittances of profits and dividends, etc.

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(f) How valid are the GNP data as indicators of growth and what other information is available for assessing growth rates?

6. Terms of Aid and Problems of Dabt Servicing (A. IV.4-5)

- (a) Refinement of trade gap projections to allow for debt servicing.
- (b) Problems of aid tying and untying. How costly is aid tying and how effective in protecting balance of payments of donor countries? Can limited untying be considered?
- (c) What are the reasons for the lag between authorizations and expenditures and how can it be minimized?
- (d) The balance of payments consequences of public loans and private investment, taking into account the effect on the balance of trade as well as of services.

(e) Coordination between bilateral and multilateral aid.

(f) Suppliers' Credits (A.IV.14).

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- 7. The Flow of Private Capital (A.IV.12) Consideration of measures to stimulate the flow of private capital most conducive to development, and a description of steps taken to this end.
- 8. Financing of Regional Development (A. IV. 9-10)
- 9. Shars of Exporting Countries in Final Prices of Primary Products (A. IV. 16)
- 10. Increasing the Flow of Capital (A. IV. 1-2)
- 11. Chapter VI of Implementation Report Mobilization of demostic resources within the developing countries; volume of international flow of financial resources; terms and structure of foreign financial assistance; flow of foreign private capital;

coordination of aid and trade and measures to increase the flow of international financial resources."

- 3 -

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12. Capital Requirements of Developing Countries (A. IV. 2.2)

- (a) Review of the problem; the savings gap and the trade gap; the concept of capital requirements for a target rate of growth; relation of target rates to feasible rates; self-help; effectiveness of utilization of external resources.
- (b) Regional gaps on the basis of country projections.
- (c) Policy adjustments to bridge the gaps,

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United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Third session New York, 25 January to 16 February 1966 Item 11 of the provisional agenda

> PROGRESS REPORT IN CONNEXION WITH THE ASSESSMENT OF THE FEASIBILITY OF ACHIEVING HIGHER RATES OF GROWTH

Progress Report on the Feasibility of Higher Rates of Growth Submitted by the Secretary-General of UNCTAD

1. In May-June 1963 the Preparatory Committee for the United Nations Conference on Trade and Development had before it a preliminary paper by the United Nations Secretariat on trade needs of developing countries for their accelerated economic growth. $\frac{1}{}$ A revised version of the paper was presented to the Conference itself in March-June 1964. $\frac{2}{}$

2. The Secretariat study showed that the combined gross domestic product of developing countries had increased in constant prices at the average annual compound rate of 4.4 per cent during the 1950s. At the same time the trade balance of these countries had tended to worsen steadily as a result of the combined effect of (i) a sluggish growth in the demand for their exports while export prices have tended to sag, and (ii) a sharp increase in their own demand for imports, particularly of capital goods, accompanied by an upward pressure on the prices of a wide variety of these goods.

3. The Secretariat made the hypothetical assessment that if (i), certain aggregate economic relationships observed during the period 1950-1960 for developing countries as a group were to continue to hold good during the decade 1961-1970; if, in addition, (ii), the aggregate rate of growth of the gross product of the

1/ United Nations, World Economic Survey 1962, Part I, pages 5-9.

^{2/} United Nations, Proceedings of the United Nations Conference on Trade and Development, Volume VI pages 91-102.

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developed countries were to continue at the trend rate of 3.7 per cent per annum prevailing in the nineteen-fifties; and if, (iii), developing countries, on the other hand, were to raise their rates of growth so as to average an annual compound rate of 5 per cent during the decade of the nineteen-sixties, there would be a gap on current account, at prices prevailing in 1960, of \$20 billion in 1970. The flow of public and private funds into the developing countries averaged about \$9 billion a year during the period 1961-1964, while the average rate of growth of these countries was about 4.0 per cent during the same period. If the flow of capital in 1970 were no higher than the current level, the residual gap would be of the order of \$11 billion in that year.

4. Since the above estimates were made, other projections have been undertaken by various national and international agencies and private individuals. These projections are based on various assumptions about growth rates, export possibilities, import requirements and other factors. In some cases, even the data employed in the various estimates diverge significantly because of major revisions that have taken place in the basic statistical series from time to time.
5. The differences in the estimates of the gap are thus due partly to differences in methodology employed in assessing the historical relationships and partly to differences in the assumptions about future trends; in some cases there are differences in basic data also. Notwithstanding these differences, one fact that clearly emerges from the various studies is that a sizeable gap does exist and that it is likely to increase, if any reasonable rate of growth of developing countries is to be sustained.

6. As the Chairman of the Development Assistance Committee of OECD put the matter in his 1965 Review:--

"... all global calculations of requirements made to date seem to indicate a need for a rurther increase of the volume of net capital flows to less-developed countries, even on the basis of a minimal set of development targets." $\frac{1}{2}$

1/ Organization for Economic Cooperation and Development, <u>Development Assistance</u> <u>Efforts and Policies</u>, Report by Willard L. Thorp, Chairman of the Development Assistance Committee, September 1965, page 111.

And the World Bank's Annual Report 1964-65 reported the following:

"While the amount of external finance has grown little in recent years after a substantial rise in the 1950's, the capability of the developing countries to make a productive use of resources has increased considerably. A preliminary Bank inquiry, carried out country by country and based on the judgment and experience of the Bank's country specialists and area economists, suggests that the developing countries could effectively use, on the average over the next five years, some \$3 billion to \$4 billion more of external capital per year than has been provided in the recent past."1/

7. Since the current rate of public and private capital flow to developing countries from all sources is of the order of \$9 billion a year, the World Bank's study implies the need for an average flow of \$12 to \$13 billion a year from 1965 to 1970. This would be consistent with a gradual and progressive increase in requirements from the current rate to, say, \$14-15 billion per annum in the year 1970.

While this estimate of the Bank is lower than that obtained by the UN 8. Secretariat, it should be noted that the two sets of estimates are based on different conceptual approaches. The World Bank estimates are designed to indicate the capability of the developing countries to make productive use of additional resources and they are apparently arrived at on the basis of estimated feasible rates of growth in output over the next five years. It is also understood that the World Bank estimates were arrived at on the assumption that certain policy measures deemed desirable for sustained development were being pursued and that one effect of this would be a reduction in the ultimate gap. The United Nations estimate of a \$20 billion gap, on the other hand, as already noted, was designed to assess the hypothetical gap in external resources on the basis of a set of assumptions involving the continuation of trend rates of growth of output in the developed countries and the achievement of the General Assembly target rates of growth for the developing countries. The magnitude of the United Nations estimate of the trade gap depends, inter alia, on the assumed rates of growth of the developed as well as of the developing countries. For example, as was shown in the United Nations report submitted to the UNCTAD, the estimate of the gap amounts to \$16 billion, rather than to \$20 billion, when the projections are based

1/ World Bank and IDA, Annual Report 1964-65, page 62.

TD/B/40 page 4

on an alternative set of assumptions regarding rates of growth for both developed and developing countries. 1/ Thus, the estimates of the World Bank and of the United Nations Secretariat, based on quite different methods of analysis, have yielded results that may be considered as not inconsistent, and which certainly point to the same policy conclusions.

Differences from other estimates that have been made also seem, on closer 9. examination, to be far less significant than had appeared at first sight. A careful study of these differences is now being made.

10. At the Geneva Conference, the guestion was raised whether the determination of growth targets and gap estimates on a global basis was entirely suitable in view of the differing economic characteristics and stages of development of the countries concerned. The Conference therefore took the position that it would be necessary to examine the economic situations of individual developing countries, as a basis for the elaboration of measures by both developing and developed countries to promote higher rates of growth than those experienced in the 1950s.2/ 11. At the first session of the Trade and Development Board, the Secretary-General of UNCTAD explained the steps that were being taken in response to the Conference's An attempt would, he said, be made to present to the Board a clear decision. picture of the diversity of situations facing developing countries, and of the relation of these diverse situations to the trade gap and trade needs of these countries.3/

12. In the process of evolving a programme of work in this field, the Secretary-General of UNCTAD has initiated consultations with other agencies regarding the work they are doing, with a view to ensuring close working relations and the

1/ This \$4 billion difference in the estimated gap is arrived at as follows: (a) \$2 billion if the developing countries are assumed to grow so as to reach a terminal rate of 5 per cent in 1970 instead of at an annual average compound. rate of growth of 5 per cent; (b) \$2 billion if the OECD target rate of growth of 4.2 per cent is substituted for the trend rate of 3.7 per cent in the developed countries (see United Nations Proceedings of the UNCTAD, Volume VI, Chapter 3 (reproduced in the Forld Economic Survey, 1963, chapter 3) table 3-2 and paragraphs 102 and 108)).

Since these calculations were first prepared, the observed rate of growth for the first four years of the decade in the developed countries have in fact averaged about 5 per cent as against the 4.2 per cent target rate. If this observed rate were to prevail throughout the remainder of the decade, the United Nations estimate of the trade gap would be reduced by an additional \$3 billion, to a level of \$13 billion.

 2/ Final Act, Annex A.IV.2.
 3/ Annual Report of the Trade and Development Board to the General Assembly, document A/6023, Annex B, page 12.

avoidance of duplication. It was emphasized in these discussions that the Secretariat of UNCTAD is anxious to cooperate with both national and international agencies, and with universities and other research institutions, in the task of presenting to the Trade and Development Board and the Conference a picture of the trade needs of developing countries, individually and collectively. It is recognized that the usefulness of such studies to the Board and the Conference will depend on the extent to which they reflect the largest possible measure of professional agreement as to the basic data and methodology to be employed. 13. Close working relations and interchange of data and studies have been arranged with the Centre for Development Planning, Projections and Policies of the United Nations. A division of labour has been mutually agreed so as to avoid duplication of work, and joint meetings will take place, together with the secretariats of the regional economic commissions and of the specialized agencies concerned, to review the methodology used and the results obtained.

14. Discussions have also been held with officials of the World Bank. The World Bank's studies in this field are part of the Bank's regular work with its countries. The Secretary-General of UNCTAD would be happy to participate in a full interchange of data and studies with the World Bank. The World Bank has indicated its willingness to cooperate both to avoid duplication and improve the quality of the work of all.

15. A preliminary exchange of views has taken place with the FAO, which has responsibilities in the projection of agricultural production and trade, and arrangements have been made for the exchange of data and studies.

16. The Secretary-General of UNCTAD would also welcome the cooperation of any governmental or non-governmental agencies that are doing work bearing upon the calculation of the trade needs of developing countries. He has already received a number of studies undertaken by certain such agencies.

17. The Secretariat of UNCTAD has begun work on a small number of pilot country studies with a view to exploring questions of methodology in the calculation of the trade needs of individual countries. When these studies are completed, they will be discussed with the Centre for Development Planning, Projections and Policies, with the regional commissions and specialized agencies, and with a number of consultants with TD/B/40 page 6

special experience in trade projections. On the basis of comments received, the Secretariat will prepare a further work programme, using its own resources and those of the regional commissions and of any other agencies in a position to help, in collaboration with the Centre for Development Planning, Projections and Policies. 18. It is expected that for 1966 this programme will involve the study of some 20 to 25 countries accounting for 70 to 80 per cent of the trade of all developing countries. On the basis of these studies, the Secretariat will seek to establish regional and global estimates of trade needs for higher rates of growth. 19. The Board will appreciate the importance of carrying out the necessary work without undue pressure of time, and taking advantage of all possible consultation with the agencies and institutions referred to above. Now that there is a growing measure of agreement as to the general order of magnitude of the problem, the next stage of refining the analysis should be undertaken with the greatest care so as to achieve results that would command widespread acceptance as a basis for policy discussion.

20. The Secretary-General of UNCTAD will not be in a position to report to the Board substantively on these results until the end of 1966. He will, however, make a further progress report to the Board at its fourth session.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RECONSTRUCTION AND DEVELOP

INTERNATIONAL FINANCE

FORM No. 75

(2-60)

INTERNATIONAL DEVELOPMENT ASSOCIATION

ROUTING SLIP	Date Januar	y 10, 1966
NAME		ROOM NO.
Mr. Irving S. Friedman		1223
To Handle	Note and	
Appropriate Disposition	Note and	Return
Appropriate Disposition Approval	Note and Prepare	Return Reply
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REMARKS

Mr. Consolo mentioned a few days back, in Mr. Kamarck's room, that he would like me to be at these meetings, when subjects of particular interest to us come up, and that he had already mentioned this to you. I said I would like to attend only for a few days, if considered really necessary.

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From

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To: Saring Do ymplan to attend this? 15F

December 28, 1965

Dear Dr. Prebisch:

On behalf of Mr. Woods who is abroad, I am replying to your letter EC 231/51 (Third Session) of December 16 and wish to thank you for having invited the Bank to attend the third session of the Trade and Development Board to be convened in New York on January 25, 1966.

I have been asked to represent the Bank at that session together with Mr. Arthur Karasz, Assistant Director of the Bank's European Office and such members of the Bank's Economic Staff as may be appropriate in the light of the Agenda items considered.

Sincerely yours,

Federico Consolo Special Representative for United Nations Organizations

Dr. Raul Prebisch Secretary General U.N. Conference on Trade and Development UNITED NATIONS, N.Y.

Cleared with and copy to: Mr. Friedman with enclosures Copy to: Mr. Kamarck with enclosures Mr. Karasz - Paris " Mr. Sarma - T 11 Mr. Wishart CENTRAL FILES with incoming correspondence

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Distr. GENERAL TD/B/38 9 December 1965 Original: ENGLISH



United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Third session New York, 25 January to 16 February 1966

PROVISIONAL AGENDA

- 1. Election of officers
- 2. Adoption of the agenda
- 3. Adoption of the report on credentials
- XX 4. Review of the implementation of the recommendations of the Conference
 - 5. Report of the Committee on Shipping
 - K 6. Report of the Committee on Invisibles and Financing related to Trade, including report of the Expert Group on International Monetary Issues
 - ¥ 7. Report of the Committee on Manufactures
- X & 8. Problems arising in trade relations between countries having different economic and social systems
- Steps to be taken to achieve agreement on principles governing international trade relations and trade policies conducive to development (see annexes A.I.1, A.I.2 and A.I.3 of the Final Act of UNCTAD, 1964)
 - 10. Consideration of the results of the United Nations Conference of Plenipotentiaries on Transit Trade of Land-locked Countries
- κ 11. Progress report by the Secretary-General of the Conference in connexion with the assessment of the feasibility of achieving higher rates of growth
- X x 13. Review of the calendar of meetings for 1966
 - 14. Designation of non-governmental organizations for the purpose of rule 79 of the rules of procedure
 - 15. Elections to membership of committees

65-33618

Appointment of the members of the Advisory Committee to the Board and to the Committee on Commodities

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- 17. Financial implications of the actions of the Board
- 2K18. Provisional agenda for the fourth session of the Board
 - 19. Other business
 - 20. Adoption of the report of the Board on its third session.

Item 1. Election of officers

Rule 18 of the rules of procedure of the Trade and Development Board (TD/B/16) states that "Each year at the commencement of the first regular session, the Board shall elect a President, ten Vice-Presidents and a Rapporteur from among its members ...".

Rule 19 states that "... provision shall be made for the election of the Bureau of the Board consisting of twelve members, including four members from Group A, four members from Group B, two members from Group C, and two members from Group D, referred to in the annex of General Assembly resolution 1995 (XIX) ...".

According to the cycle for the rotation of the offices of President and Rapporteur of the Board provided for in paragraph 2 of rule 19 and in the annex to the rules of procedure, the President of the Board shall be chosen in 1966 from a Member State in Group C and the Rapporteur from a Member State in Group D.

Item 2. Adoption of the agenda

A provisional agenda drawn up by the Secretary-General of the Conference in accordance with rule 8 of the rules of procedure was considered and adopted by the Board at its second session (see A/6023/Add.1, paragraph 109).

Under rule 11 of the rules of procedure, the Secretary-General of the Conference has proposed the inclusion of two supplementary items in the agenda for the third session of the Board. His proposals in this respect are contained in document TD/B/39.

Item 3. Adoption of the report on credentials

Paragraph 2 of rule 17 of the Board's rules of procedure provides that "The Bureau of the Board shall examine the credentials and submit their report to the Board ...".

Item 4. Review of the implementation of the recommendations of the Conference

In its resolution 19 (II) adopted at its second session, the Board requested . "the Secretary-General of the Conference to prepare annually a report on international trade and economic development ... in order to enable the Board to fulfil its task of keeping under review and taking appropriate action within its competence for the implementation of the recommendations and other provisions in the Final Act of the Conference and to ensure the continuity of its work". In

> the same resolution, the Board also decided to consider regularly this report at its second session in the year. Accordingly, the first annual report of the Secretary-General of the Conference on this subject will be presented to the Board at its fourth session in the summer of 1966.

When considering the provisional agenda for its third session, the Board decided, however, to maintain the proposed item on review of the implementation of the recommendations of the Conference on the provisional agenda (see TD/B/SR.50, page 10), as originally provided for in its resolution 13 (I) (see annex A.2 to the report of the Board on its first session, A/6023).

Resolution 19 (II) also "requests the Secretary-General of the Conference to prepare a report for each session of the Board as to the progress made and concrete measures taken in respect of co-ordinating the activities of UNCTAD with those of other bodies in the field of trade and development as provided for in General Assembly resolution 1995 (XIX)". The Secretary-General's progress report to the third session of the Board on this subject will be circulated as document TD/B/41. Item 5. Report of the Committee on Shipping

The terms of reference of the Committee on Shipping (decision 12 (I), paragraph 13, annex A.1 to the report of the Board on its first session, A/6023) require the Committee "to submit periodic reports on its work to the Board".

Paragraph 6 of the Board's programme of work states that the third session of the Board will, <u>inter alia</u>, "(c) consider the report on the work of the Committee on Shipping".

The first session of the Committee on Shipping was held at Geneva from 8 to 23 November 1965; its report to the Board is contained in document TD/B/36. Item 6. Report of the Committee on Invisibles and Financing related to Trade, including

the report of the Expert Group on International Monetary Issues

The terms of reference of the Committee on Invisibles and Financing related to Trade (decision 10.(I), paragraph 10, annex A.1 to the report of the Board on its first session, A/6023) state that "the Committee shall submit periodic reports to the Board on its work".

Paragraph 6 (b) of the Board's programme of work states that the Board will, at its third session "consider the report of the Committee on Invisibles and Financing related to Trade on its first session which should, <u>inter alia</u>, include:

- (i) consideration of the adequacy of rates of growth achieved by the developing countries and in this connexion review the current mobilization of domestic resources by developing countries and their current import capacity resulting from the combined total of export proceeds, invisible earnings and the capital inflow available to them, taking in⁺. account, <u>inter alia</u>, the evolution of prices (see annex A.IV.2);
- "(ii) consideration of the report of the International Bank for Reconstruction and Development (IERD) on its study of a scheme for supplementary financing as set forth in annex A.IV.18;
- "(iii) consideration of the report of the group of experts convened by the Secretary-General to study international monetary issues relating to problems of trade and development as provided for in annex A.IV.19."

The Committee on Invisibles and Financing related to Trade is scheduled to meet at Geneva from 6 to 22 December 1965; its report will be circulated as document TD/B/42.

In connexion with sub-paragraph (i) above, the attention of the Board is drawn to the Secretary-General's progress report on the feasibility of higher rates of growth (TD/B/40) submitted under item 11 of the provisional agenda of the session.

In connexion with sub-paragraph (ii) above, the report of the International Bank for Reconstruction and Development (IBRD) on its study or a scheme for supplementary financing will be before the Board as document TD/B/43.

With regard to sub-paragraph (iii) the Board will have before it the report of the Expert Group on International Monetary Issues (TD/B/32 and Add.1) and related papers (TD/B/31, 33, 34 and 35).

Item 7. Report of the Committee on Manufactures

The report of the Committee on Manufactures on the first part of its first session (TD/B/22) was considered by the Board at its second session.

The resumed first session of the Committee has been postponed until the spring of 1966, and its report will consequently be before the Board at its fourth session.

The Board at its second session decided to defer to the third session consideration of a draft resolution on the subject of the "Report of the Committee on Manufactures, including Report of the Special Committee on Preferences" which had

> been submitted jointly by Afghanistan, Argentina, Brazil, Cameroon, Ceylon, Chile, Congo (Democratic Republic of), Dahomey, Ecuador, El Salvador, Ethiopia, Ghana, Guinea, Honduras, India, Iran, Iraq, Lebanon, Madagascar, Mali, Mexico, Morocco, Nigeria, Pakistan, Philippines, United Arab Republic, United Republic of Tanzania, Uruguay and Yugoslavia (text cited in document A/6023/Add.l, paragraph 74).

Item 8.

Problems arising in trade relations between countries having different economic and social systems

After having considered at the second session problems arising in trade relations between countries having different economic and social systems, the Board decided to revert to the matter at its third session and to place this item on its agenda for that session (see A/6023/Add.1, chapter III and, in particular, paragraph 36).

Item 9.

Steps to be taken to achieve agreement on principles governing international trade relations and trade policies conducive to development (see annexes A.I.1, A.I.2 and A.I.3 of the Final Act of UNCTAD, 1964)

After having considered this item at its second session, the Board decided to revert to it at its third session(A/6023/Add.l, paragraph 23). It also decided to refer to the third session two draft resolutions on the subject submitted respectively by Hungary, Poland and the Union of Soviet Socialist Republics, and by Afghanistan, Ceylon, Chile, Ecuador, El Salvador, Ghana, India, Iran, Iraq, Lebanon, Madagascar, Mexico, Nigeria, Pakistan, Philippines, United Republic of Tanzania and Yugoslavia (texts cited in document A/6023/Add.l, paragraph 24).

Item 10.

). <u>Consideration of the results of the United Nations Conference of</u> <u>Plenipotentiaries on Transit Trade of Land-locked Countries</u>

The Board at its second session decided to postpone the consideration of this item until its third session(A/6023/Add.l, paragraph 75). A note by the Secretariat on the results of the Conference was before the Board at its second session (TD/B/18). A further note indicating the present position of the Convention concluded at the Conference will be circulated shortly before the third session.

Item 11. Progress report by the Secretary-General of the Conference in connexion with the assessment of the feasibility of achieving higher rates of growth

> Paragraph 6 (a) of the Board's programme of work states that the third session of the Board will, <u>inter alia</u>, "consider the progress report of the Secretary-General of the Conference in connexion with the assessment of the feasibility of achieving rates of growth higher than those which have been experienced by most developing countries during the past decade and even

higher than that envisaged by the United Nations Development Decade (see annex A.IV.2)". The Secretary-General's progress report will be circulated as document TD/B/40.

Item 12.

Preparation for the second session of the United Nations Conference on Trade and Development

The Board in its resolution 20 (II) recommended to the General Assembly that the second session of the United Nations Conference on Trade and Development be convened in the first part of 1967 and requested the Secretary-General of the Conference to pursue consultations with Governments relating to the convening of the Conference and to initiate as soon as possible the preparation of the basic documentation. Furthermore, the Board in its resolution 21 (II) requested the Sccretary-General of the Conference, in pursuing the consultations with Governments referred to in its resolution 20 (II), to bear in mind the strong feeling evinced at the second session of the Board about the desirability of holding the Conference in a developing country.

The Board at its third session may wish to agree on a provisional agenda for the second session of the United Nations Conference on Trade and Development which would be subject to review at the Board's fourth session as well as to give preliminary consideration to its recommendation to the General Assembly regarding the date and place of the second session of the Conference.

At this date the General Assembly has not yet completed its consideration of the first annual report of the Board. Any action taken by the Assembly on these questions will be brought to the attention of the Board at its third session.

Item 13. Review of the calendar of meetings for 1966

The 1966 calendar of UNCTAD meetings as approved by the Board at its second session is contained in annex A.4 of its report (A/6023/Add.1). It will be recalled that the calendar, which was approved by the Board at its forty-ninth meeting on 14 September 1965, was amended by the Board at its fifty-seventh meeting on 29 October 1965 during its resumed second session; any further adjustments to the calendar which may become necessary will be brought to the attention of the Board at its third session.

Item 14.

Designation of non-governmental organizations for the purpose of rule 79 of the rules of procedure

A number of further applications from non-governmental organizations for observer status with the Board and its subsidiary bodies have been received. The Secretary-General of UNCTAD, in consultation with the Bureau of the Board, will present a report on this matter at the third session. TD/B/38 page 8

Item 15. Elections to membership of committees

At its first session the Board decided (A/6023, paragraph 197) that the terms of office for members of each of its four committees "would be for three years, except that at the outset, in order to achieve a gradual rotation of the membership of each committee, the terms of office would, for one-third of the members, expire at the end of 1965, for one-third at the end of 1966, and for one-third at the end of 1967". The Board postponed until its second session the decision as to the length of the initial term of office for the members of the committees.

The Board at its second session deferred consideration of this item to its third session.

Accordingly, the Board will first have to determine the length of the initial term of office of the various members of its four committees, and then to elect members to replace those whose term of office will have expired at the end of 1965. In addition, the Board will have to fill the vacant seats on the Committee on Commodities and on the Committee on Manufactures.

Item 16. Appointment of the members of the Advisory Committee to the Board and to the Committee on Commodities

At its second session the Board decided (A/6023/Add.1. paragraph 130) to postpone consideration of this item until the third session. In this connexion a note containing the nominations of the Secretary-General of UNCTAD, the Director-General of the FAO and the Director-General of GATT will be circulated (TD/B/46).

Item 17. Financial implications of the actions of the Board

Rule 31 of the rules of procedure states:

"Before any proposal which involves expenditure from United Nations funds is approved by the Board or by any of its subsidiary organs, the Secretary-General of the Conference shall circulate to all members of the Board or of the subsidiary organ concerned, as early as possible, a report from the Secretary-General of the United Nations, in terms of Financial Regulations 13.1 and 13.2 on the estimated costs involved as well as on the administrative and budgetary implications with reference to existing authorizations and appropriations in accordance with the provisions of paragraph 29 of General Assembly resolution 1995 (XIX)".

A statement of the financial implications of the decisions of the Committee on Shipping and of the Committee on Invisibles and Financing related to Trade, the first sessions of which have taken place since the second session of the Board, will, if necessary, be submitted to the Board at its third session. The reports of these Committees will be before the Board under items 5 and 6 of the provisional agenda.

If necessary, a statement of the financial implications of the Board's decisions will be made during the session.

Item 18. Provisional agenda for the fourth session of the Board

Under rule 8 of the rules of procedure the Secretary-General of the Conference shall draw up and submit to the third session of the Board the provisional agenda for the fourth session. This will be done in the course of the third session.

Item 19. Other business

Item 20. Adoption of the report of the Board on its third session.





Distr. GENERAL

TD/B/39 9 December 1965

ORIGINAL: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Third session New York, 25 January to 16 February 1966

> INCLUSION OF SUPPLEMENTARY ITEMS ON THE AGENDA OF THE THIRD SESSION OF THE BOARD

Note by the Secretary-General of UNCTAD

The Secretary-General of UNCTAD proposes, under rule 11 of the Board's rules of procedure, that the following two supplementary items be included in the provisional agenda for the third session of the Board as considered and approved by the second session (A/6023/Add.1, paragraph 109).

K N l. Organization of the work of the Board

The Secretary-General of the Conference is prompted to take the initiative of proposing the inclusion of an item entitled "Organization of the work of the Board" by the experience of the first two sessions of the Board. In the light of that experience, it would appear that there is scope for some positive steps to be taken to ensure a better organization of the work of the Board, with a view to improving its efficiency and thus facilitating the achievement of its aims and purposes. Since this would call for some specific measures which might be taken by the Board, the Secretary-General of UNCTAD considers it important that the matter should receive attention at the earliest possible time. He believes therefore that it is fully justified, by reason of the urgency of the matter, to add the proposed supplementary item to the agenda of the third session of the Board. A paper containing his considerations and suggestions will be circulated before the third session (TD/B/44).

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XX 2. Report by the Secretary-General of the Conference on implementation of resolution 22 (S-I) of the Board on the location of the Secretariat of UNCTAD

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In paragraph 7 of its resolution 22 (S-I) on the location of the Secretariat of UNCTAD, adopted at its special session on 29 October 1965, the Board requested "the Secretary-General of UNCTAD to report to the Trade and Development Board at its third and fourth sessions on the implementation of this resolution". The Secretary-General of the Conference proposes that the Board include a supplementary item in the provisional agenda for the third session for the purpose of receiving his progress report on this matter (TD/B/45). pour at a second of the second

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INTERNATIONAL DEVELOPMENT ASSOCIATION INTERNATIONAL FINANCE CORPORATION

Mr. Friedman

I believe Mr. Dell met you prior to the Geneva meeting of the Committee on Invisibles, when presumably a draft of this paper was considered. A few suggestions from you were made in a letter to him (dated Dec. 4?) which I took to Geneva and handed over to him.

N.A. Saenna 1/26.

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FORM NO. 75 INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(2-60) INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

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	NAME	ROOM NO.
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	Mr. Consolo	839
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INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. Alter	510	Mr. Loftus	578
Mr. Avramovic	1033	Mr. Lutolf	547
Mr. Bart	640	Mr. Mason	622
Mr. Benjenk	560	Mr. Mclvor	606
Mr. Broches	810	Mr. Melmoth	674
Mr. Calika	541	Mr. Michaels	1217
Mr. Cargill	600	Mr. Nelson	659
Mr. Cavanaugh	700	Mr. Nurick	805
Mr. Chaufournier	510	Information Dept.	461
Mr. Cheek	645	Secretary's Dept.	1205
Mr. Clark	805	Office Services	107
Mr. Collier	646	Personnel Division	267
Mr. Consolo	839	Projects	1
Mr. Cone	651	Mr. Reamy	722
Mr. de la Renaudiere	544	Mr. Rist	1127
Mr. Demuth	845	Mr. Schmidt	849
Mr. de Vries	800	Mr. Stevenson	606
Mr. El Emary	552	Mr. Street	600
Mr. Fontein	651	Mr. Tolbert	625
Mr. Friedman	1223	Travel Office	224
Mr. Ghoshal	670	Treasurer's	717
Mr. Goodman	600	Mr. Twining	1210
Mr. Goor	G-1065	Mr. Vignes	500
Mr. Gordon	845	Mr. Votaw	61
Mr. Hartwich	650	Mr. Wiese	570
Mr. Hoffman	845	Mr. Williams	552
Mr. Kamarck	800	Mr. Wilson	1220
Mr. Knapp	1220	Mr. Woods	1220
Mr. Knox	584	Mr. Worthington	446
Mr. Kruithof	546	E.D.I.	
Mr. Lejeune	1210		

HEADQUARTERS: WASHINGTON 25, D.C.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CABLE ADDRESS-INTBAFRAD



INTERNATIONAL DEVELOPMENT ASSOCIATION



EUROPEAN OFFICE: 4, AVENUE D'IÉNA PARIS (16²) - FRANCE Telephone: KLEBER 25-10

December 28, 1965

Dear Dick,

Enclosed please find a Progress Report by Prebisch to the Trade and Development Board (Third Session, January 25 to February 16, 1966) on the <u>Feasibility of Higher Rates of Growth</u> in Developing Countries - in short the "Gap" (Document TD/B/40 dated December 20, 1965).

It is an interesting document comparing Prebisch's estimate of \$20 billion in 1970 with those of the Bank (paras 6 et seg.). It concludes that the estimates of the World Bank and the UN Secretariat "have yielded results that may be considered as not inconsistent and ... certainly point to the same policy conclusions" (para 8).

The Secretary-General intends to elaborate a program of close cooperation between UNCTAD and other international agencies, notably the Bank, the Center for Development Planning of the UN, FAO and the regional commissions. He "will not be in a position to report to the Board substantively ... until the end of 1966".

According to Sidney Dell the contents of the document were cleared with Irving Friedman before the start of the Geneva meeting of the Committee on Invisibles.

With kind regards.

Sincerely yours,

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Enclosure

Mr. Richard H. Demuth Director, Development Services International Bank for Reconstruction and Development Washington, D.C. 20433

HEADQUARTERS: WASHINGTON 25, D.C.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CABLE ADDRESS-INTBAFRAD



INTERNATIONAL DEVELOPMENT ASSOCIATION



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Mr. Richard H. Demuth Director, Development Services International Bank for Reconsta and Development Washington, D.C. 20433

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Distr. GENERAL TD/B/40 20 December 1965 ORIGINAL: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD Third session New York, 25 January to 16 February 1966 Item 11 of the provisional agenda

> PROGRESS REPORT IN CONNEXION WITH THE ASSESSMENT OF THE FEASIBILITY OF ACHIEVING HIGHER RATES OF GROWTH

Progress Report on the Feasibility of Higher Rates of Growth Submitted by the Secretary-General of UNCTAD

1. In May-June 1963 the Preparatory Committee for the United Nations Conference on Trade and Development had before it a preliminary paper by the United Nations Secretariat on trade needs of developing countries for their accelerated economic growth. $\frac{1}{}$ A revised version of the paper was presented to the Conference itself in March-June 1964. $\frac{2}{}$

2. The Secretariat study showed that the combined gross domestic product of developing countries had increased in constant prices at the average annual compound rate of 4.4 per cent during the 1950s. At the same time the trade balance of these countries had tended to worsen steadily as a result of the combined effect of (i) a sluggish growth in the demand for their exports while export prices have tended to sag, and (ii) a sharp increase in their own demand for imports, particularly of capital goods, accompanied by an upward pressure on the prices of a wide variety of these goods.

3. The Secretariat made the hypothetical assessment that if (i), certain aggregate economic relationships observed during the period 1950-1960 for developing countries as a group were to continue to hold good during the decade 1961-1970; if, in addition, (ii), the aggregate rate of growth of the gross product of the

1/ United Nations, World Economic Survey 1962, Part I, pages 5-9.

2/ United Nations, Proceedings of the United Nations Conference on Trade and Development, Volume VI pages 91-102.

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TD/B/40 Page 2

developed countries were to continue at the trend rate of 3.7 per cent per annum prevailing in the nineteen-fifties; and if, (iii), developing countries, on the other hend, were to raise their rates of growth so as to average an annual compound rate of 5 per cent during the decade of the nineteen-sixties, there would be a gap on current account, at prices prevailing in 1960, of \$20 billion in 1970. The flow of public and private funds into the developing countries averaged about \$7 billion a year during the period 1961-1964, while the average rate of growth of these countries was about 4.0 per cent during the same period. If the flow of capital in 1970 were no higher than the current level, the residual gap would be of the order of \$11 billion in that year.

4. Since the above estimates were made, other projections have been undertaken by various national and international agencies and private individuals. These projections are based on various assumptions about growth rates, export possibilities, import requirements and other factors. In some cases, even the data employed in the various estimates diverge significantly because of major revisions that have taken place in the basic statistical series from time to time.
j. The differences in the estimates of the gap are thus due partly to differences in methodology employed in assessing the historical relationships and partly to differences in the assumptions about future trends; in some cases there are differences in basic data also. Notwithstanding these differences, one fact that it is likely to increase, if any reasonable rate of growth of developing countries is to be sustained.

6. As the Chairman of the Development Assistance Committee of OECD put the matter in his 1965 Review:-

"... all global calculations of requirements made to date seem to indicate a need for a further increase of the volume of net capital flows to less-developed countries, even on the basis of a minimal set of development targets."1/

1/ Organization for Economic Cooperation and Development, <u>Development Assistance</u> <u>Efforts and Policies</u>, Report by Willard L. Thorp, Chairman of the Development Assistance Committee, September 1965, page 111.

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And the World Bank's Annual Report 1964-65 reported the following:

"While the amount of external finance has grown little in recent years after a substantial rise in the 1950's, the capability of the developing countries to make a productive use of resources has increased considerably. A preliminary Bank inquiry, carried out country by country and based on the judgment and experience of the Bank's country specialists and area economists, suggests that the developing countries could effectively use, on the average over the next five years, some \$3 billion to \$4 billion more of external capital per year than has been provided in the recent past."1/

7. Since the current rate of public and private capital flow to developing countries from all sources is of the order of \$9 billion a year, the World Bank's study implies the need for an average flow of \$12 to \$13 billion a year from 1965 to 1970. This would be consistent with a gradual and progressive increase in requirements from the current rate to, say, \$14-15 billion per annum in the year 1970.

8. While this estimate of the Bank is lower than that obtained by the UN Secretariat, it should be noted that the two sets of estimates are based on different conceptual approaches. The World Bank estimates are designed to indicate the capability of the developing countries to make productive use of additional resources and they are apparently arrived at on the basis of estimated feasible rates of growth in output over the next five years. It is also understood that the World Bank estimates were arrived at on the assumption that certain policy measures deemed desirable for sustained development were being pursued and that one effect of this would be a reduction in the ultimate gap. The United Nations estimate of a \$20 billion gap, on the other hand, as already noted, was designed to assess the hypothetical gap in external resources on the basis of a set of assumptions involving the continuation of trend rates of growth of output in the developed countries and the achievement of the General Assembly target rates of growth for the developing countries. The magnitude of the United Nations estimate of the trade gap depends, inter alia, on the assumed rates of growth of the developed as well as of the developing countries. For example, as was shown in the United Nations report submitted to the UNCTAD, the estimate of the gap amounts to \$16 billion, rather than to \$20 billion, when the projections are based

1/ World Bank and IDA, Annual Report 1964-65, page 62.

TD/B/40 page 4

on an alternative set of assumptions regarding rates of growth for both developed and developing countries. $\frac{1}{}$ Thus, the estimates of the World Bank and of the United Nations Secretariat, based on quite different methods of analysis, have yielded results that may be considered as not inconsistent, and which certainly point to the same policy conclusions.

9. Differences from other estimates that have been made also seem, on closer examination, to be far less significant than had appeared at first sight. A careful study of these differences is now being made.

10. At the Geneva Conference, the question was raised whether the determination of growth targets and gap estimates on a global basis was entirely suitable in view of the differing economic characteristics and stages of development of the countries concerned. The Conference therefore took the position that it would be necessary to examine the economic situations of individual developing countries, as a basis for the elaboration of measures by both developing and developed countries to promote higher rates of growth than those experienced in the 1950s.²/. 11. At the first session of the Trade and Development Board, the Secretary-General of UNCTAD explained the steps that were being taken in response to the Conference's decision. An attempt would, he said, be made to present to the Board a clear picture of the diversity of situations facing developing countries, and of the relation of these diverse situations to the trade gap and trade needs of these countries.³/

12. In the process of evolving a programme of work in this field, the Secretary-General of UNCTAD has initiated consultations with other agencies regarding the work they are doing; with a view to ensuring close working relations and the

1/ This \$4 billion difference in the estimated gap is arrived at as follows: (a) \$2 billion if the developing countries are assumed to grow so as to reach a terminal rate of 5 per cent in 1970 instead of at an annual average compound rate of growth of 5 per cent; (b) \$2 billion if the OECD target rate of growth of 4.2 per cent is substituted for the trend rate of 3.7 per cent in the developed countries (see United Nations Proceedings of the UNCTAD, Volume VI, Chapter 3 (reproduced in the World Economic Survey, 1963, chapter 3) table 3-2 and paragraphs 102 and 108)).

Since these calculations were first prepared, the observed rate of growth for the first four years of the decade in the developed countries have in fact averaged about 5 per cent as against the 4.2 per cent target rate. If this observed rate were to prevail throughout the remainder of the decade, the United Nations estimate of the trade gap would be reduced by an additional \$3 billion, to a level of \$13 billion.

Final Act, Annex A.IV.2.

Annual Report of the Trade and Development Board to the General Assembly, document A/6023, Annex B, page 12. avoidance of duplication. It was emphasized in these discussions that the Secretariat of UNCTAD is anxious to cooperate with both national and international agencies, and with universities and other research institutions, in the task of presenting to the Trade and Development Board and the Conference a picture of the trade needs of developing countries, individually and collectively. It is recognized that the usefulness of such studies to the Board and the Conference will depend on the extent to which they reflect the largest possible measure of professional agreement as to the basic data and methodology to be employed. 13. Close working relations and interchange of data and studies have been arranged with the Centre for Development Planning, Projections and Policies of the United Nations. A division of labour has been mutually agreed so as to avoid duplication of work, and joint meetings will take place, together with the secretariats of the regional economic commissions and of the specialized agencies concerned, to review the methodology used and the results obtained.

14. Discussions have also been held with officials of the World Bank. The World Bank's studies in this field are part of the Bank's regular work with its countries. The Secretary-General of UNCTAD would be happy to participate in a full interchange of data and studies with the World Bank. The World Bank has indicated its willingness to cooperate both to avoid duplication and improve the quality of the work of all.

15. A preliminary exchange of views has taken place with the FAO, which has responsibilities in the projection of agricultural production and trade, and arrangements have been made for the exchange of data and studies.

16. The Secretary-General of UNCTAD would also welcome the cooperation of any governmental or non-governmental agencies that are doing work bearing upon the calculation of the trade needs of developing countries. He has already received a number of studies undertaken by certain such agencies.

17. The Secretariat of UNCTAD has begun work on a small number of pilot country studies with a view to exploring questions of methodology in the calculation of the trade needs of individual countries. When these studies are completed, they will be discussed with the Centre for Development Planning, Projections and Policies, with the regional commissions and specialized agencies, and with a number of consultants with

TD/B/40 page 6

special experience in trade projections. On the basis of comments received, the Secretariat will prepare a further work programme, using its own resources and those of the regional commissions and of any other agencies in a position to help, in collaboration with the Centre for Development Planning, Projections and Policies. 18. It is expected that for 1966 this programme will involve the study of some 20 to 25 countries accounting for 70 to 80 per cent of the trade of all developing countries. On the basis of these studies, the Secretariat will seek to establish regional and global estimates of trade needs for higher rates of growth. 19. The Board will appreciate the importance of carrying out the necessary work without undue pressure of time, and taking advantage of all possible consultation with the agencies and institutions referred to above. Now that there is a growing measure of agreement as to the general order of magnitude of the problem, the next stage of refining the analysis should be undertaken with the greatest care so as to achieve results that would command widespread acceptance as a basis for policy discussion.

20. The Secretary-General of UNCTAD will not be in a position to report to the Board substantively on these results until the end of 1966. He will, however, make a further progress report to the Board at its fourth session.

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December 3, 1965

Mr. Sidney Dell, Director New York Office of UNCTAD c/o UNCTAD Secretariat Palais des Nations Geneva, Switzerland

Dear Sidney:

I have looked over the draft of your Progress Report "on the feasibility of higher rates of growth" to the forthcoming January session of the Trade and Development Board, and am indicating below a few suggestions which I have, with particular reference to passages dealing with the World Bank.

Page 3, first full paragraph - I suggest that "It is also likely that the World Bank estimates were arrived at on the assumption that certain policy adjustments would be made by the developed countries to reduce the ultimate gap" be changed to "It is also understood that the World Bank estimates were arrived at on the assumption that certain policy measures deemed desirable for sustained development were being pursued and that one effect of this would be a reduction in the ultimate gap".

Page 4, second full paragraph - Change "The World Bank's studies in this field are still at a relatively early stage of development" to "The World Bank's studies in this field are part of the Bank's regular work with its countries". Also, as a last sentence to this paragraph, add "The World Bank has indicated its willingness to cooperate both to avoid duplication and improve the quality of the work of all."

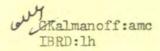
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I trust that these suggestions will be useful to you.

Sincerely yours,

(algood) Iroing S. Friedman

Irving S. Friedman The Economic Adviser to the President



(2-60) INTERNATIONAL FINANCE CORPORATION

FORM No. 75

INTERNATIONAL DEVELOPMENT ASSOCIATION

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Draft of Letter

December 2, 1965

Mr. Sidney Dell, Director New York Office of UNCTAD c/o UNCTAD Secretariat Palais des Nations Geneva, Switzerland

Dear Sidney:

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Sincerely yours,

Irving S. Friedman The Economic Advisor to the President

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REF. NO.

24 November, 1965

Dear Irving,

One of the items on the agenda of the third session of the Trade and Development Board calls for a progress report by the Secretary-General of UNCTAD on the trade projections now under way by the UNCTAD Secretariat.

I enclose a copy of the draft that we are thinking of putting in front of them, and as there are some references to the World Bank, I should much appreciate your comments. Perhaps I might say that as regards the last sentence on page 2, I realise that the World Bank has not itself said anything of this sort. It is, however, a matter of simple arithmetic, and I think it is clear to the reader in the context that the sentence represents an interpretation by the UNCTAD Secretariat of the World Bank statement. My last day in the office before leaving for Geneva will be next Tuesday November 30th; and I hope I may telephone you on that day to find out whether you have any comments on the paper.

With kindest regards,

Yours sincerely,

Lidney

S.Dell, Director New York Office of UNCTAD

Mr. Irving S. Friedman, Economic Advisor to the President International Bank for Reconstruction and Development Washington D.C. 20433

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Draft Progress Report to the Trade and Development Board on the feasibility of higher rates of growth.

In May - June 1963 the Preparatory Committee for the United Nations Conference on Trade and Development had before it a preliminary paper by the United Nations Secretariat on trade needs of developing countries for their accelerated economic growth. $\frac{1}{2}$ A revised version of the paper was presented to the Conference itself in March - June 1964. $\frac{2}{2}$

The Secretariat study showed that the combined gross domestic product of developing countries had increased in constant prices at the average annual compound rate of 4.4 per cent during the 1950s. At the same time the trade balance of these countries has tended to worsen steadily as a result of the combined effect of (i) a sluggish growth in the demand for their exports while export prices have tended to sag, and (ii) a sharp increase in their own demand for imports, particularly of capital goods, accompanied by an upward pressure on the prices of a wide variety of these goods.

The Secretariat made the hypothetical assessment that if certain aggregative economic relationships observed during the period 1950-1960 for developing countries as a group continue to hold good during the decade 1961-1970, and if developing countries sought to raise their rate of growth so as to average an annual compound rate of 5 per cent during this decade, there would be a gap on current account, at prices prevailing in 1960, of \$20 billion in 1970. The flow of public and private funds into the developing countries averaged about \$9 billion a year during the period 1961-1964, while the average rate of growth of these countries was about 4.0 per cent during the same period. If the flow of capital in 1970 were no higher than the current level, the residual gap would be of the order of \$11 billion in that year.

Since the above estimates were made, other projections have been undertaken by various national and international agencies and private individuals. These projections are based on various assumptions about growth rates, export possibilities, import requirements and other factors. In some cases, even the data employed in the various estimates diverge significantly because of

1/ United Nations, World Economic Survey, 1962, Part I, pages 5 - 9.
2/ United Nations, Proceedings of the United Nations Conference on Trade and
Development, Volume VI pages 91 - 102

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major revisions that have taken place in the basic statistical series from time to time.

The differences in the estimates of the gap are thus due partly to differences in methodology employed in assessing the historical relationships and partly to differences in the assumptions about future trends; in some cases there are differences in basic data also. Notwithstanding these differences, one fact that clearly emerges from the various studies is that a sizeable gap does exist and that it is likely to increase, if any reasonable rate of growth of developing countries is to be sustained.

As the Chairman of the Development Assistance Committee of OECD put the matter in his 1965 Review:-

"...all global calculations of requirements made to date seem to indicate a need for a further increase of the volume of net capital flows to lessdeveloped countries, even on the basis of a minimal set of development targets". 1/

And the World Bank's Annual Report 1964-65 reported the following:

"While the amount of external finance has grown little in recent years after a substantial rise in the 1950's, the capability of the developing countries to make a productive use of resources has increased considerably. A preliminary Bank inquiry, carried out country by country and based on the judgment and experience of the Bank's country specialists and area economists, suggests that the developing countries could effectively use, on the average over the next five years, some \$3 billion to \$4 billion more of external capital per year than has been provided in the recent past". $\frac{2}{}$

Since the current rate of public and private capital flow to developing countries from all sources is of the order of \$9 billion a year, the World Bank's study implies the need for an average flow of \$12 to \$13 billion a year from 1965 to 1970. This would be consistent with a gradual and progressive increase in requirements from the current rate to, say, \$14-15 billion per annum in the year 1970.

1/ Organisation for Economic Cooperation and Development, <u>Development Assistance</u> <u>Efforts and Policies</u>, Report by Willard L. Thorp, Chairman of the Development Assistance Committee, September 1965, page 111.

2/ World Bank and IDA, Annual Report 1964-65, page 62

-3- I measure deemet descrable While this is a somewhat lower figure than that obtained by the U.N. Secretar

The important thing from a policy standpoint is the indication it gives of the need for substantial adjustments in trade and/or aid policies if the gap is to be bridged. It is also likely that the World Bank estimates were arrived at on the

It is also likely that the World Bank estimates were arrived at on the assumption that certain policy adjustments would be made by the developing countries to reduce the ultimate gap; whoreas the U.N. Secretariat's estimate of the gap was arrived at before consideration of any policy adjustments required. Thus the estimates of the World Bank and of the U.N. Secretariat, based on quite different methods of analysis, have yielded results that may be considered as not inconsistent, and which certainly point to the same policy conclusions.

Differences from other estimates that have been made also seen, on closer examination, to be for less significant than had appeared at first sight. A careful study of these differences is now being made.

At the Geneva Conference, the question was raised whether the determination of growth targets and gap estimates on a global basis was entirely suitable in view of the differing economic characteristics and stages of development of the countries concerned. The Conference therefore took the position that it would be necessary to examine the economic situations of individual developing countries, as a basis for the elaboration of measures by both developing and developed countries to promote higher rates of growth than those experienced in the 1950s.

At the first session of the Trade and Development Board, the Secretary-General of UNCTAD explained the steps that were being taken in response to the Conference's decision. An attempt would, he said, be made to present to the Board a clear picture of the diversity of situations facing developing countries, and of the relation of these diverse situations to the trade gap and trade needs of these countries. 2/

In the process of evolving a programme of work in this field, the Secretary-General of UNCTAD has initiated consultations with other agencies regarding the work they are doing, with a view to ensuring close working relations and the

1/ Final Act, Annex A.IV.2.

2/ Annual Report of the Trade and Development Board to the General Assembly, document A/6023, Annex B page 12. avoidance of duplication. It was emphasized in these discussions that the Secretariat of UNCTAD is antious to cooperate with both national and international ogencies, and with universities and other research institutions in the task of presenting to the Trade and Development Board and the Conference a picture of the trade meeds of developing countries, individually and collectively. It is recognized that the usefulness of such studies to the load and the Conference will depend on the extent to which they reflect of Largest possible measure of professional agreement as to the basic data and methodology to be employed.

- 4 -

Close working relations and interchange of data and studies have been arranged with the Centre for Development Flanning, Projections and Policies at the United Nations. A division of labour has been mutually agreed so as the avoid duplication of work, and joint meetings will take place, together with the secretariate of the regional economic commissions and of the appendiced agencies concerned, to review the methodology used and the reactive obtained.

Discussions have also been held with of finials of the World Bank. The World Bank's studies in this field and still at a transfer regular work with december The Secretary-Contral of UNCTAT would be happy to participate in a full interchange of data and studies with the World Bank. He Wild Back her indicated the williges to insert which to and uphunkin and improve the publy of the work of all. A preliminary exchange of views had taken place with the FAO, which

have responsibilities in the projection of agricultural production and trade,

The Secretary-General of UNCTAD would also welcome the cooperation of any conversiontal or non-governmental agencies that are doing work bearing upon the calculation of the trade meeds of developing countries. He has already received a number of studies undertaken by certain such agencies.

The Secretariat of UNCTAD has begin work on a small number of pilot country studies with a view to exploring questions of methodology in the calculation of the trade needs of individual countries. When these studies are completed, they will be discussed with the Centre for Development Planning, Projections and Folicies, with the regional counisaions and specialized sgencies, and with a number of consultants with special experience in trade projections. On the basis of comments received, the Secretariat will prepare a further

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- 5 -

It is expected that for 1966 this programme will involve the study of some 20 to 25 countries accounting for 70 to 80 per cent of the trade of all developing countries. On the basis of these studies, the Secretariat will seek to establish regional and global estimates of trade needs for higher rates of growth.

"The Board will appreciate the importance of carrying out the necessary work without undue pressure of time, and taking advantage of all possible consultation with the agencies and institutions referred to above. Now that there is a growing measure of agreement as to the general order of magnitude of the problem, the next stage of refining the analysis should be undertaken with the greatest care so as to achieve results that would command widespread acceptance as a basis for policy discussion.

The Secretary-General of UNCTAD will not be in a position to report to the Board substantively on these results by the end of 1966. He will, however, make a further progress report to the Board at its fourth session.

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December 3, 1965

UNC-1

Mr. Friedman

Mr. Sidney Dell, Director New York Office of UNCTAD c/o UNCTAD Secretariat Palais des Nations Geneva, Switzerland

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I trust that these suggestions will be useful to you.

Sincerely yours,

Irving S. Friedman The Economic Advisor to the President

GKalwanoff:amc IBRD:lh Mr. Federico Consolo

November 10, 1965

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UNC. 1

Irving S. Friedman

UNCTAD - Committee on Finance and Invisibles

This is in reply to your memorandum of November 5. I am planning to have Mr. N.A. Sarma attend the first session of the UNCTAD Committee on Finance and Invisibles and have so informed him. I understand that Mrs. Boskey will be there for some time when the Horowitz Proposal is expected to be discussed.

If there is any attendance from the Paris Office I think they should be there more in an advisory capacity rather than as spokesmen for the Bank on UNCTAD matters, as they have not had the benefit of being in the home office during the last year.

I have given some thought as to whether we would want Bob de Vries or someone else to attend for Item 9. I have raised this with Mr. Kamarck and if we have further views on this here, I will let you know.

cc: Mr. Demuth Mr. Kamarck FORM NO. 57

INTERNATIONAL DEVELOPMENT INTERNATIONAL BANK FOR ASSOCIATION RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

DATE: November 5, 1965

FROM: Federico Consolo

SUBJECT: UNCTAD - Committee on Finance and Invisibles

1. I refer to my memoranda of September 22 and 24 on the above.

2. The dates of the Committee's first session have now been changed to December 6-22. Attached is a copy of the Draft Agenda given to me by Mr. Dell. He told me that, in all likelihood, the discussion of the "Horowitz Report" would begin on December 13. He also doubted whether items 8 and 9 would be taken up.

3. From a conversation I recently had with Mr. Sarma, I understand that he will probably be attending the whole session. Will you please let me know if you will be sending anyone else so that when the invitation comes, I may inform UNCTAD of the composition of the whole Bank delegation.

cc: Mr. Demuth Mrs. Boskey

COMMITTEE ON INVISIBLES AND FINANCING RELATED TO TRADE

First session

Draft Provisional Agenda

- 1. Opening of the session
- 2. Election of officers
- 3. Adoption of the agenda
- 4. Consideration of the rules of procedure of the Committee
- Review of terms of reference: action on the proposals on insurance and re-insurance and tourism, referred to the Committee by the Board and its first session.
- Consideration of the adequacy of the rates of growth achieved by the developing countries
- 7. Consideration of the Report of the International Bank for Reconstruction and Development entitled: "The Horowitz Proposal"
- Consideration of the Report of the International Bank for Reconstruction and Development on its study of a scheme for supplementary financing
- 9. Consideration of the Report of the Group of Experts on International Monetary Issues
- 10. Consideration and adoption of the programme of work;
 - (a) financing related to trade;
 - (b) invisibles: transport, insurance, tourism and other invisibles
- 11. Provisional agenda, date and place of the second session of the Committee
- 12. Adoption of the Report of the Committee to the Trade and Development Board
- 13. Any other business

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(2-60) INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

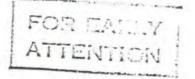
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DATES, ETC. OF CERTAIN DOCUMENTS FOR UNCTAD

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	Paper	Dated	Comments Until
I.	The Horowitz Proposal (R65-3)	Jan. 7, 1965	January 22, 1965 (to Mr. Demuth and Mrs. Boskey)
II.	Trade, Development and the World Bank Group (SecM64-70)	April 3, 1964	April 9, 1964 (to Mr. Rist)
III.	Trade, Development and the World Bank Group (SecM64-79) (final version)	April 14, 1964	As sent to UNCTAD and U.N. Comm. on Int'l. Commodity Trade
IV.	The Commodity Problem (SecM64-113) (Annex II to item III above)	May 15, 1964	As sent to UNCTAD and U.N. Comm. on Int'l. Commodity Trade

Secretary's Department MMM - Nov. 8/65



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CONFIDENTIAL

R 65-3

FROM: The President

January 7, 1965

THE HOROWITZ PROPOSAL

1. As the Executive Directors will recall, the United Nations Conference on Trade and Development (UNCTAD) requested the Bank to prepare and submit to the United Nations a study of a proposal made by Governor Horowitz of the Delegation of Israel for raising funds for IDA through borrowing in capital markets and through the creation of an interest equalization fund, and the Bank agreed to undertake the study.

2. Attached as Annex A is a report on the proposal which has been prepared by the staff. Attention is invited to page 4, which expressly states that the report does not purport to reflect the views of the Executive Directors of the Bank, or the views of their governments, concerning the issues discussed.

3. At Governor Horowitz's request, a copy of the report was made available to him for comment. He has asked that his comments be given to the Executive Directors together with the staff report. Accordingly, there is also attached, as Annex B, the text of Governor Horowitz's remarks. As the Executive Directors are aware, the economic problem of the transfer of resources referred to by Governor Horowitz is being dealt with in the report being prepared for UNCTAD on a scheme proposed by the United Kingdom and Sweden for "Supplementary Financial Measures", and in other studies being prepared by the staff related to the question of external capital requirements of the developing countries and, more particularly, the need for additional IDA resources.

4. If any Executive Director wishes to comment on the text of the report, it would be appreciated if his comments could be given to Mr. Demuth (Ext. 2171) or Mrs. Boskey (Ext. 3595) by the close of business on Friday, January 22, 1965. Thereafter, I shall submit the report, amended, should that seem desirable, in the light of those comments, to the Secretary General of the United Nations in compliance with the UNCTAD request. The report will also be published as a Bank staff document, available to governments and the public.

Distribution:

Executive Directors and Alternates President Vice Presidents (Bank and IFC) Department Heads

INTERNATIONAL DEVELOPMENT ASSOCIATION

DECLASSIFIED MAR 2 8 2013 WBG ARCHIVES

CONFIDENTIAL

SecM64-70

FROM: The Secretary

April 3, 1964

TRADE, DEVELOPMENT AND THE WORLD BANK GROUP

There is attached a report by the President entitled "Trade, Development and the World Bank Group". As he indicated at the Executive Directors' meeting of March 31, 1964, it is to be submitted to the United Nations Conference on Trade and Development and to the United Nations Commission on International Commodity Trade. This report will be accompanied by a copy of his speech to the Conference of March 25th, and by the staff study on the commodity problem referred to in paragraph 14 of the report, which will be circulated to the Executive Directors for their information as soon as available.

Any Executive Director who has suggestions, comments or advice is invited to get in touch with Mr. Rist not later than noon on Thursday, April 9.

Distribution:

Executive Directors and Alternates President Vice Presidents Department Heads

SecM64-79

FROM: The Secretary

April 14, 1964

TRADE, DEVELOPMENT AND THE WORLD BANK GROUP

On April 3, 1964 there was circulated to the Executive Directors a report entitled "Trade, Development and the World Bank Group" (SecM64-70), and the Executive Directors were invited to comment by April 9.

Attached is the final version of this report incorporating suggestions received from the Executive Directors. This has been forwarded to the United Nations Conference on Trade and Development and to the United Nations Commission on International Commodity Trade.

The speech of Mr. Woods to the Conference on March 25, referred to as Annex I, has been separately circulated. The staff study, "The Commodity Problem", referred to as Annex II, will be circulated as soon as available.

Distribution:

Executive Directors and Alternates President Vice Presidents Department Heads

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

SecM64-113

FROM: The Secretary

May 15, 1964

The Commodity Problem

The attached study is circulated for the information of the Executive Directors. It was prepared in the Economic Department as Annex II of the President's Report "Trade, Development and the World Bank Group", (SecM64-79 dated April 14, 1964) submitted to the United Nations Conference on Trade and Development and to the United Nations Commission on International Commodity Trade.

Distribution:

Executive Directors and Alternates President Vice Presidents Department Heads

November 6, 1964

Dear Dr. Prebisch:

This is in reply to your letter of October 27. 1964, Ref. No. EC 243/2(5). The Bank does not have at this time any proposals or comments to make with respect to the problems involved in the international organization of commodity trade. I am sure that you are well aware of views which have been expressed by myself on various occasions on this matter and that the Bank is undertaking to consider certain proposals adopted by the UNCTAD. Moreover, international commodity problems have long been an area of interest to the Bank. If as a result of the Bank's work on these matters we have any proposals or comments to make which may be of use to your ad hoc working party, please be assured that we will do so. In any case the Bank will be pleased to provide assistance to the working party, if it so requests, either by furnishing information or by expressing views on specific issues which may be under consideration by the experts.

Yours sincerely,

/s/

George D. Woods

Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development United Nations New York, N.Y.

ISFriedman/RDemuth/DAvromavic/dm 11/5/64

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Mr. Federico Consolo

and the state of the

June 15, 1965

A. M. Kamarck

C O P Y

UNCTAD Committee Meetings, 1965

The following are our plans for representation at the UNCTAD Committee Meetings that are of interest to the Economics Department:

Ad Hoc Working Party on International Organization of Commodity Trade (July 6-16); and Committee on Commodities, 1st Session (July 19-August 6): For these two Committees, Mr. Macone will represent the Bank. He will probably be in Geneva from July 28 to August 6.

Committee on Manufactures, 1st Session (August 10-19: Mr. Walstedt will attend.

Regional Development Fund Expert Committee (Sept.20-Oct.1): We have no one to send to this and we would hope that the Paris office would keep in touch with this.

Committee on Manufactures (Oct.25-Nov.5): We do not know yet whether it will be worth while to send someone to this second session.

Expert Group on International Monetary Issues (Oct.-Nov.): Representation here we also reserve.

Committee on Invisibles (Nov. 8-24): We will have representation but will name the person later.

Interim Coordinating Committee for International Commodity Arrangements (Nov. 16-22): We do not plan to send any representation.

Committee on Shipping (Nov. 25-Dec. 10): We do not plan to send any representative.

Of the Commodity Meetings, we plan to send Miss White to the U.N. Cocoa Conference in June, Mr. Ali to the U.N. Sugar Conference in September, and we may send someone to the Copper Meeting in December.

The others, we do not plan to have any representation.

cc: Mr. Friedman Mr. Karasz

AMK/vhw

FORM No. 58

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL FINANCE CORPORATION

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OFFICE MEMORANDUM

File . UNCIDD

DATE: June 4, 1965

Irving S. Friedman FROM

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Mr. A. Kamarck

SUBJECT: UNCTAD Secretariat

You will be interested in the attached. Incidentally

do you know who Mr. Howard Bell is?

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Nay 26, 1965

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Federic	Consolo	pr.
UNGTAD	Secretaria	32

states in state

The following Divisions have now apparently been set up within the UNCTAD Secretariat:

Commodities Division	-	Chie	21	Mr. Sen (India)
Trade Policy	*	-10		(Hr. Dell - U.K.)
Research	-	π.	3	Mr. Howard Bell (8.S.A.)
Finance		82	2	Hr. Schaeffer (France)
Invisibles	-	-	\$	Mr. Malinowski (Poland)
Trade with Socialist Countries	-	-12	8	Mr. Mordvinev (USSR)
Conference Secretariat	-	12	۰.	Mr. Judd (Australia)

There seems to be a contradiction in Hr. Dell's assignment: Dr. Prebisch had told me he would be stationed in New York as Head of the Liaison Office and in charge of relations with the major international financing agencies. I do not know whether this means that he will also be the Chief of the Trade Policy Division which would consequently, in fact, be located in New York. I shall try to clarify when I next speak to Dr. Prebisch.

ccs Hr. Woods Hr. Knapp Hr. Demuth <u>Hr. Friedman</u> Hr. Karass - Paris

FCimar



DEPARTMENT OF TRADE AND COMMERCE MINISTÈRE DU COMMERCE



FILE NO. DOSSIER

Ottawa, April 2, 1965.

Mr. Irving 5. Friedman, Economic Adviser to the President, The World Bank, Washington, D.C. 20433, U.S.A.

Dear Mr. Friedman:

I greatly appreciated your kindness in having made some time available to see me with Mr. L. Perinbam when I was in Washington earlier this week. Your helpful comments were most welcomed, particularly at this preliminary stage in my own investigations of private investment possibilities in developing countries.

Kindest regards,

Yours sincerely,

Philip Stuchen, Special Adviser, Economics Branch.

Rec. 48/65

file

DRAFT I.S. Friedman/mj

January 29, 1965

TO: Files

FROM: Irving S. Friedman SUBJECT:

Today Mr. Of Nigeria came calling at his request. He said he had been visiting in Washington for four weeks, two with the Bank and two with the Fund. He was coming to ask me about my personal opinions on the usability of consultative and similar groups and also on the Fund's compensatory financing scheme. He emphasized that he was interested in a personal exchange of views and was not his representing a government or his Minister, nor was he asking for the views of the Bank. I gather he had already been speaking to others. I told him what I thought about the consultative groups and my feeling that they represented some form in between the situation of separate aid by international institutions and separate individual aid by national governments/, mme on one hand and the other extreme which would be all aid by international institution. I felt that t one of the principal and larger arguments for the consultative group would enable a better/supply of development funds to be made available under conditions which would be on one hand, more satisfying to the donor and on the other hand, more effective when used by the recipients. Largely, this would be the result of doing it on a more technical or non-political basis because of the leadership which would be given by the World Bank. However, I felt that

unless this was related to programs of periodic reviews, say annual views with countries on their entire development programs, policies and including how the Bank could be helpful to countries in furthering development in any way that was feasible at the time, I did not feel that the consultative groups would come to much. However, the Bank was considering simultaneously with the consultative groups, the development of a program of periodic consultations on the broad problems of development in the member countries. My Nigerian visitor said this would be most welcome in fact, they had been thinking of recommending that the Fund Missions have a Bank individual on it because they felt the Fund discussions had not sufficiently taken into consideration the problems of development.

I told them what had already been done along these lines in other cases. He seemed to be quite enthusiastic about the possibility of further Fund/Bank cooperation. He said that he had prepared a **nu** memorandum on a=copy of consultative groups/which he had left with Mr. Horseley in our African Department and ≠ he hoped that I would get it.

He was very interested in having my reaction to the memorandum and he wondered **MMEXIX** how it was possible for his Government to present such views formally to the Bank. I told him that I would be able to respond to this after I had had a chance to read the memorandum but I did promise to correspond with him further on the matter. He indicated that this memorandum which he said had been prepared by himself was going to be given wider circulation including Chief Adabo.

On compensatory financing I explained to him why what I felt were the limitations mainly because of the Fund/s having to confine itself to ing short-term financing and the difficulties of developed countries meeting short-term indebtedness and therefore the need for ways and means with of coping with the problem that did not involve the taking on of short-term

2

indebtedness by countries which did not have reasonable prospects of repaying. I told him we were deeply involved in this and in a supplementary financing study and would hope to have a useful suggestion to \pm make to the world on this subject. He seemed most interested, he expressed

X

3

Conversations with Mrs. T'hoofts and Krishna Murti 1/25/65 1/21/65

Today, I had a visit from a Dutch woman who came in from Prabisch's group to talk about the study that she is doing for Prabisch. She says that she is an Assistant Professor at Amsterdam University who did some work for Mosack? this year, and this year she is on sabatical leave so she is doing some part-time work for Prabisch in Amsterdam. She spoke proudly of her two children and her husband and I gather that she does not take this work as a full-time matter. She asked me what kind of studies we were doing on compensatory financing. In response to my questions as to what she was doing she said that she was doing a series of commodity studies for Prabisch for use by the UNCTAD. In these commodity studies she is going to come out with some kind of conclusion as to the need for compensation. I gather her concept of compensation is to pay for or offset the losses to exporters of raw materials that experience a decline in prices by some form of foreign exchange payment which would enable the price of the raw material to come down at the same time without a corresponding loss to the producer. Perhaps I should say that it is not clear whether her payment would be inforeign exchange or otherwise. Rather, it would be an attempt to so arrange matters that a producer by increased investments could continue to produce the raw material but at a much lower price, thus benefiting the advanced industrialized country at the same time without suffering the consequences of unemployment or reduced income for the raw material producer. She said she is thinking primarily of commodities of a tropical nature for which there is a substitute.

I told her that our concept of compensation was really quite different since it was an outgrowth of the use of the words "compensatory financing", which really had nothing to do economically with the concept of compensation. It rather was a foreign-exchange term to offset the losses resulting to a country from a decline in export earnings. Our scheme was one of supplementing financing, which again was a misuse of a word but was being used as a substitute for foreign exchange which would be made available to a country because of the decline in foreignexchange receipts. I told her we were particularly concerned with the change in foreign-exchange earnings and the impact on the development program in such cases where these declines were persistent and therefore could not be financed by the use of the reserves or drawing on the Fund as a temporary substitute for the use of a country's own reserves. We discussed the question of at what point would the two studies come together. We both agree that it would come together in connection with the impact of a decline in reserves on a country's economy. She said that she would be very happy to refer to this impact as a disruption of development program requiring compensation. I told her that I thought it would be better if in her kind of study she stayed more with the use of the word "compensation", which was more general both in economics and was more in line with the common sense use of the word "compensation".

From discussions with her I would say that more attention could be given by us to the question of what kind of compensation situations we regard as worthy of international support, i.e., I would say from what she was saying that there is a problem that certain situations which may be characterized by decline in export shortfalls may not be worthy of compensation, as for example when it does not cause a disruption in a development program. On the other hand, it may be that the amount of compensation necessary to avoid disruption in development programs is not particularly related to the decline in export earnings. This would have

- 2 -

to be based on some kind of economic analysis of the impact of the export decline on the development program, including the effects on employment and income and distribution of income and the measures which would have to be taken as a consequence of these changes.

She seemed quite pleased with this and thought that this was a very fruitful approach. We both agreed, however, that it might prove administratively difficult. I did not tell her about our plans for thoughts on how to judge a decline from reasonable expectations as I thought this would be premature.

In talking to Mr. Krishna Moorthi the other day about the Asian Development Bank, I emphasized my point that the Asian Development Bank was somewhere between the Inter-American Bank with its emphasis on U.S. participation and supplying of funds and the African Bank with its emphasis on complete independence, even though it meant giving up a supply of funds from the outside. As I saw it, in Asia, the most important thing in would be to have an institution/which the grave political difficulties and even military difficulties were not brought into the financial institution. The Asian institutions did not lack the technical skills, they were quite capable of running a financial institution. Countries like India, Pakistan and Japan by themselves could provide the necessary financial talent. On the other hand, it was also possible for the Asian countries to provide the necessary financing or at least part of it. I gather that they are thinking of a billion with \$400 million from the outside. One of the things that occurred to me was the possibility of the World Bank providing such financing, but I did not express this to Krishna Moorthi. Mr. Krishna Moorthi said he was completely in agreement with the aims of the Bank and said that this was completely the same as that of the Secretary General of ECAFE.

- 3 -

Mr. F -

Mr. Woods re-wrote letter, after talking again with Mr. Avramovic.

B. Schmitt

CONFIDENTIAL DECLASSIEU MAR 2 8 2013 WBG ARCHIVES

February 23, 1965

Dear Raul:

I am very sorry but try as I may I am unable to bring myself to making an affirmative response to your request of February 9.

I do want to be of maximum assistance to UNCTAD and to you as its Secretary-General. However, we are seriously understaffed in the area of economists. As you know, we have undertaken a number of tasks which require original thinking by trained economists ! minds in addition to the ever-growing regular work of the Bank. We are making progress in creating a strong team of economists which I believe will be outstanding in the development field, but this process may take a year or even more.

Mr. Avramovic ranks among the highest of our economists, and I see him as a continuing and important member of a strong, experienced Bank team which will be of major assistance to you and to others who are interested in making progress in the direction of solutions of the problems implicit in aiding, through finance and otherwise, the developing countries. I deeply believe that greater and sounder progress in the field of development will be made through well coordinated efforts carried on by groups of competent people working with minimum interruptions as teams.

I hope you will understand my position. I am torn between a desire to accede to your request and temporarily assist you and a feeling that the Bank, UNCTAD, and in fact the entire effort we are both engaged in, will be better served if Drag stays on my team, which has just recently taken a clear step forward as far as organization is concerned.

Warm personal regards.

Cordially. (Signed) George D. Woods

George D. Woods

Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development United Nations. New York

Copies to: Mr. Friedman Jar 2/24/65 Mr. Avramovic

GDWoods/s

(1) Mr. Broches (2) Mr. Lejeune

Dear Raul:

I am very sorry but try as I may I am unable to bring myself to making an affirmative response to your request.

I do want to be of maximum assistance to UNCTAD and to you as its Secretary-General. However, we are seriously understaffed in the area of economists. As you know, we have undertaken a number of tasks which require original thinking by trained economists' minds in addition to the ever-growing regular work of the Bank. We are making progress in creating a strong team of economists which I believe will be outstanding in the development field, but this process may take a year or even more. In the meantime I simply can't spare Drag Avramovic who is one of our top economists.

I believe that Drag as an important member of a strong, experienced and continuing Bank team can be of major effective assistance to you. Among my reasons for this belief is the conviction that greater and sounder progress in the various programs to assist development will be made through well coordinated efforts as a result of which the UNCTAD will also benefit from our labors here.

I hope you will understand my position.

Warm personal regards.

Cordially,

George D. Woods

Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development United Nations New York, N.Y.

GDWoods/ISFriedman/prl

Dear Raul:

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I hope you will understand my position.

Warm personal regards.

Cordially,

George D. Woods

Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development United Nations New York, N.Y.

GDWoods/ISFriedman/prl

DRAFT - GDW/s - 2/19/65

Dear Raul:

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I am very sorry but try as I may I am unable to bring myself to making an Ide want I However affirmative response to your request

As you know we

In some ways Drag Avramovic is the top economist we have here in the Bank. We are shockingly understaffed in the area of economists and in the face of this have undertaken tasks which require original thinking by trained economists' mindse, We are minning slowly making progress in creating a strong team of economists which I believe will be outstanding in the development field, and this process may take a year or even more.

I-want to be of maximum assistance to UNCTAD and to you as its Secretary-General, but this effort, I an sure you understand, must stop short of doing a severe damage to my own plans for IBED-IDA-IFC In responding in the negative to your note of February 9 to me, as I hereby do, I reaffirm my intention to be of all feasible assistance to you. "I believe that Drag as an important part of a strong, experienced and continuing Bank team can be of greater effective assistance to you them he would be as a member of your staff for a brief and limited period of tige time. Among my reasons for this belief is the conviction that greater and sounder progress in the various programs to assist development will be made through organized efforts

I hope you will understand my position.

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Warm personal regards.

Cordially,

George D. Woods

cc: Messrs. Broches Friedman

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January 22, 1965

Dear Raul:

This is simply to tell you how delighted and stimulated we all were by your visit to the Bank last Tuesday, and to thank you on behalf of the Directors and Senior Staff as well as myself.

Dick Demuth and Irving Friedman appreciated the opportunity to have a short working session with you, and John Adler tells me that you captivated his EDI participants.

I am sure that it must have been as strenuous a day for you as it was pleasant and helpful to us. You have a warm and standing welcome here.

Many thanks again, and all best wishes.

Sincerely,

(Signed) George D. Woods

George D. Woods

Dr. Raul Prebisch Secretary General United Nations Conference on Trade and Development Secretariat United Nations New York, New York

cc: Messrs. Demuth Friedman, Adler, Mendels

MMM/GDW/s

Mar 6 1964

Dear Dr. Prebisch:

This is in reply to your letter of October 27, 1964, Ref. No. EC 243/2(5). The Bank does not have at this time any proposals or comments to make with respect to the problems involved in the international organization of commodity trade. I am sure that you are well aware of views which have been expressed by myself on various occasions on this matter and that the Bank is undertaking to consider certain proposals adopted by the UNCTAD. Moreover, international commodity problems have long been an area of interest to the Bank. If as a result of the Bank's work on these matters we have any proposals or comments to make which may be of use to your ad hoc working party, please be assured that we will do so. In any case the Bank will be pleased to provide assistance to the working party, if it so requests, either by furnishing information or by expressing views on specific issues which may be under consideration by the experts.

Yours sincerely,

George D. Woods

Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development United Nations New York, N.Y.

ISFriedman/RDemuth/DAvramovic/dm 11/5/64 INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FORM NO. 75 (2-60) INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

ROUTING SLIP	Date
Mar, Friedman	ROOM NO.
To Handle	Note and File
Appropriate Disposition	Note and Return
Approval	Prepare Reply
Comment	Per Our Conversation
Full Report	Recommendation
Information	Signature
Initial REMARKS	Send On
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Sony to so	NAT
From	hard H. Demuth

FORM NO. 75 INTERNATIONAL BANK FOR (2-60) RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE

INTERNATIONAL DEVELOPMENT

ROUTING SLIP	Date Nov. 4, 1964
NAME	ROOM NO.
1. Mr. Demuth	845
2. Mr. Woods	1220
To Handle	Note and File
To Handle	Note and File
Appropriate Disposition	Note and Return
	Note and Return Prepare Reply
Appropriate Disposition Approval Comment	Note and Return
Appropriate Disposition Approval	Note and Return Prepare Reply Per Our Conversation

REMARKS

For Mr. Woods signature.

This has been discussed and agreed with Mr. Avramovic.

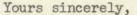


INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT WASHINGTON, D. C. 20433, U.S.A.

OFFICE OF THE PRESIDENT

Dear Dr. Prebisch:

This is in reply to your letter of October 27, 1964, Ref. No. EC 243/2(5). The Bank does not have at this time any proposals or comments to make with respect to the problems involved in the international organization of commodity trade. I am sure that you are well aware of views which have been expressed by myself on various occasions on this matter and that the Bank is undertaking to consider certain proposals adopted by the UNCTAD. Moreover, international commodity problems have long been an area of interest to the Bank. If as a result of the Bank's work on these matters we have any proposals or comments to make which may be of use to your ad hoc working party, please be assured that we will do so. In any case, the experts on this working party fare welcome to contact the experts on the Bank's staff to exchange views and in other ways be assisted in the efforts which are being made by the working party.



George D. Woods

the Band will be pleased to provide pleased to patiente, hassing patients atter die issue blief under the reports. Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development New York, N.Y.

File

21

Nov. 4, 1964

1. Mr. Demuth 845 2. Mr. Woods 1220

For Mr. Woods signature.

This has been discussed and agreed with Mr. Avramovic.

Dear Dr. Prebisch:

This is in reply to your letter of October 27, 1964, Ref. No. BC 243/2(5). The Bank does not have at this time any proposals or comments to make with respect to the problems involved in the international organization of commodity trade. I am sure that you are well aware of views which have been expressed by myself on various occasions on this matter and that the Bank is undertaking to consider certain proposals adopted by the UNCTAD. Moreover, international comodity problems have long been an area of interest to the Bank. If as a result of the Bank's work on these matters we have any proposals or comments to make which may be of use to your ad hoc working party, please be assured that we will do so. In any case, the experts on this working party are welcome to contact the experts on the Bank's staff to exchange views and in other ways be assisted in the efforts which are being made by the working party.

Yours sincerely,

George D. Woods

Dr. Raul Prebisch Secretary-General United Nations Conference on Trade and Development New York, N.Y.

ISFriedman/DAvramovic/dm 11/3/64 November4, 1964

Mr. Demuth

845

This was worked out by Drag and myself.

Irving S. Friedman

Dear Dr. Prebisch,

This is in reply to your letter of October 27, 1964, Ref. No. EC 243/2(5). The Bank does not have at this time any proposals or comments to make with respects to the problems involved in the international organization of commodity trade. I am sure that you are well aware of views which have been expressed by myself on various occasions on this matter and that the Bank is undertaking to consider certain proposals adopted by the UNCTAD. Moreover, international commodity problems have long been an area of interest to the Bank. If as a result of the Bank's work on these matters we have any propesals or comments to make before January 1 which may be of use to your the working party, please be assured that we will do so. In any case, the experts on this working party are welcome to contact the experts on the Bank's staff to exchange views and in other ways assist in the efforts which are being made by the Morking Party. FORM NO. 57

INTERNATIONAL DEVELOPMENT INTERNATIONAL BANK FOR ASSOCIATION RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Irving Friedman

DATE: November 2, 1964

FROM: Dragoslav Avramovic Lw

Dr. Prebisch's letter to Mr. Woods of October 27 SUBJECT:

There are two possibilities:

- (1) Acknowledge Prebisch's letter and say that we shall send our comments by the end of the year.
- (2) Send a substantive reply now, with the proposal that the working party study the following measures:
 - (a) Elimination of restrictions on imports of major primary products exported by developing countries;
 - (b) Improvement in the functioning of the existing commodity agreements and possibilities of concluding additional agrements;
 - (c) Diversification programs as they affect major commodities moving in international commodity trade.

In any case, we can send to Prebisch our staff study "The Commodity Problem" which contains numerous comments on the issue of international commodity trade.

Attached: Dr. Prebisch's letter

Avr/cl

FORM NO. 7: (2-60)	5 INTERNATIONAL RECONSTRUCTION AND	
INTERNATIONAL	FINANCE	INTERNATIONAL DEVELOP

CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

ROUTING SLIP	Date October 29, 1961	
NAME	ROOM NO.	
Mr. Avramovic	873	
To Handle	Note and File	
Appropriate Disposition	Note and Return	
Approval	Prepare Reply	
Comment	Per Our Conversation	
Full Report	Recommendation	
Information	Signature	
Initial	Send On	
Would appreciate y a possible reply. If y it I should be glad to		
From Irving S. Frieds		

EC 243/2(5)

C O P

Y

27 October 1964

Dear Mr. Woods,

I should like to draw your attention to the <u>Final Act of the United</u> <u>Nations Conference on Trade and Development</u> (United Nations document E/CONF.46/L.28), in particular the recommendations of the Conference relating to international commodity problems. In the recommendation on the "Study of organization of commodity trade" (Annex A.II.8) the Conference provided for the establishment by the Trade and Development Board at its first session of:

"an <u>ad hoc</u> working party of government experts responsible for studying the proposals and preparing a programme of action for the international organization of commodity trade which will ensure that the developing countries will at all times be able to market their export products in increasing quantities and at remunerative prices, the 'purchasing power' of which should not decline in relation to the prices of the essential goods imported by those countries, devoting their attention during the first stage to the commodities of greatest importance to the international trade of the developing countries."

The Conference also invited "the Governments of the States Members of the United Nations and of the specialized agencies to submit to the Secretary-General of the Conference before 1 January 1965 proposals and comments concerning the problems involved in the international organization of the commodity trade, in order that these proposals and comments may be considered by the <u>ad hoc</u> working party."

The Conference further provided that the working party should also take into consideration the work done in this field by the specialized agencies.

I should like to invite your Organization to submit to me at United Nations Headquarters its proposals and comments on this matter as early as convenient.

Yours sincerely,

/s/

Raul Prebisch Secretary-General United Nations Conference on Trade and Development

The President International Bank for Reconstruction and Development 1818 H Street NW Washington 25, D.C.

December 7, 1964

Files

Richard H. Demuth

Meeting with Dr. Prebisch

On Thursday, December 3, I spent about three hours with Dr. Prebisch, Secretary General of UNCTAD, and with Mr. Sidney Dell, now of the U.N. Industrialization Center but slated to be Director of the UNCTAD policy staff, in order to find out what progress is being made at the U.N. on UNCTAD matters and to report on the Bank's own UNCTAD studies. Both Messrs. Prebisch and Dell were extremely cooperative and, so far as I could tell, forthcoming.

Dr. Prebisch gave me the attached proposed list of meetings for 1965. He emphasized that this list was tentative and that, in view of the U.N. General Assembly problem and the consequent probable delay in approving the UNCTAD Final Act, it would in all likelihood be necessary to delay many, if not all, of the meetings listed. A few comments on these meetings may be in order:

- 1. The first meeting of the Trade and Development Board, now scheduled for April in New York, is likely to concentrate exclusively on organizational and procedural matters.
- 2. The meeting of the Expert Group on Monetary and Financial Questions (now scheduled to meet from June 14 to July 2 or 9) is likely to be the first meeting at which substantive matters of interest to the Bank are considered. One of the items which will probably be taken up at this meeting is compensatory financing. The meeting may also wish to discuss the problem of international mometary liquidity, but "approached from the standpoint of the developing countries." The quoted formula on liquidity is designed to avoid overlapping with the deliberations now scheduled to be held in the IMF Board and the Committee of Ten, but Prebisch is under no illusion that, however the Expert Group may approach the problem, it will soon be talking about precisely the same issues as are now before these other bodies.
- The "Regional Development Fund Expert Committee" is designed, not to encourage creation of new regional funds, but to develop support for additional resources to be entrusted to agencies such as the African Development Bank, the Inter-American Development Bank, etc.
- 4. The Committee on Invisibles and Financing Related to Trade (shown on the attached list as scheduled to meet from October 19 to November 5) is the first UNCTAD <u>intergovernmental</u> committee which will discuss matters of direct concern to the Bank.

Dr. Prebisch stressed that this Committee would probably concentrate, at the present stage, on maritime shipping. He added that the Committee might conceivably be divided into two - one, a Committee on Invisibles which would cover shipping, and the other a Committee on Financing which would report both to the Trade and Development Board and to ECOSOC. On the financing side, the Committee will presumably consider compensatory financing, the Horowitz proposal, suppliers' credits, other problems of external indebtedness, etc. (It will be noted that on the attached list this Committee is said to include an "Expert Group on Repayment of Loans." This Expert Group is to be created for the specific purpose of considering the possibility of loans repayable in agreed commodities and manufactures; it is not intended to discuss general problems of indebtedness or the debt problems of specific countries.)

At the present time, only Sidney Dell is working directly for Prebisch. However, there are 15-17 other members of the Secretariat, attached to other departments, who are working on various UNCTAD matters. Prebisch expects that, in 1965, if his budget is approved, he will be able to put on his own payroll the 15-17 staff members now working on UNCTAD matters from other parts of the Secretariat and to add about 50-60 other professionals.

The UNCTAD staff will be divided into six principal divisions: (1) Research (to be headed by a U.S. economist, still to be selected); (2) Policy (to be headed by Sidney Dell (U.K.)); (3) Primary Commodities (to be headed by an African, still to be selected); (4) Exports of Manufactures (to be headed by an Indian, still to be chosen); (5) Invisibles (for which Prebisch hopes to recruit "a good Frenchman"); and (6) Trade with the Socialist Countries (to be headed by Mr. Nordhinov(?) of the U.S.S.R.). Dr. Prebisch said that he was anxious to have a small staff of high quality. It will include eight positions at the D-2 level, including the six heads of divisions listed above and the following two persons: Percy Judd, presently with the U.N. Secretariat, who is to be Secretary of the Conference and in charge of external relations with governments and other agencies; and Wladyslaw Malinowski, now with de Seynes, who is to be assistant to Prebisch and in charge of the internal organization. My guess is that Malinowski will play the role of chef de cabinet.

We discussed at some length the UNCTAD resolution on aid and growth (Res. A.IV.2). This resolution provides that the competent international bodies, including if appropriate the continuing UNCTAD To: Files

machinery, should examine the development plans and policies of individual developing countries to determine how their economic growth might be accelerated both by domestic action and by action on the part of the developed countries. I was asked whether the Bank might be able to help implement this resolution and what I saw as the UNCTAD Secretariat's role. I explained the kind of economic reports which the Bank prepares concerning almost all of its developing member countries and also mentioned the likelihood that this work would be intensified in connection with our new policy on consortia and consultative groups. I added, however, that while we were in effect covering most of the fields that would have to be investigated for purposes of the UNCTAD resolution, the resulting reports were designed for operational purposes rather than for purposes of debate at an intergovernmental meeting. The UNCTAD Secretariat's responsibility is to see that documentation is prepared which can serve as a basis for a discussion of growth and development at the Board and Conference levels; a good deal of thought is needed as to how and to what extent the Bank can effectively help in preparing such documentation. On the one hand, it would seem clearly undesirable for the UNCTAD Secretariat to mount country missions which would largely duplicate our own. On the other hand, our own reports are not presently available or indeed appropriate for use for the kind of debate which UNCTAD has decided to have.

At Mr. Mendels' suggestion, I invited Dr. Prebisch to come to Washington on January 19 to be guest speaker at an Executive Directors' luncheon, provided that we have a Directors' meeting on that day. I told him that we would let him know definitely by January 1 whether the luncheon would be held. He accepted with pleasure. I also extended to him an invitation to spend the afternoon of January 19 (assuming that he is in Washington) making a presentation to the EDI and he also agreed to do this.

REID:tf

cc: Mr. Woods Mr. Knapp Mr. Wilson Mr. Friedman Mr. Avramovic Mr. Mendels Mr. Mendels Mr. Adler Mr. Consolo

COPT TENTATIVE SCHEDULE OF MEET.	INGS OF TRADE BODIES DUR	LING 1965	
Special Committee on Preferences (Rec. III.5)	(1-19 March)	(3 weeks)	Geneva
Trade and Development Board First session (Rec. V.1)	(5-23 April)	(3 weeks)	New York
Ad Hoc Working Party on International Organization of Commodity Trade (Rec. II.3)	(17-28 May)	(2 weeks)	Geneva.
Expert Group on Monetary and Financial Questions (Rec. IV.19 and IV.18)	(14 June-2(9) July)	(3-4 weeks)	New York
Committee on Commodities First session (including establish- ment of Sub-Group on commodities affected by synthetic substitutes and other substitute products) (Rec. V.1, II.1 and II.7)	(12-30 July)	(3 weeks)	Geneva.
Regional Development Fund Expert Com- mittee (Rec. IV.9)	(9-20 August)	(2 weeks)	Geneva
United Nations Conference on Transit Trade of Land-locked Countries (Rec. VI.1)	(9 Aug.10 Sept.)	(5 weeks)	Geneva.
Committee on Manufactures First session (Rec. V.1)	(27 Sept15 Oct.)	(3 weeks)	Geneva.
Committee on Invisibles and Financing related to Trade First session (including Expert Group on Repayment of Loans) (Rec. V.1 and IV.4)	(19 Oct5 Nov.)	(3 weeks)	Geneva
Trade and Development Board Second session	(23 Nov16 Dec.)	(4 weeks)	Geneva.

* The meetings listed here are those provided for in the Final Act of the Conference.

Certain commodity meetings may also be convened during 1965 in order to renegotiate or extend existing agreements or in order to further work already in progress or pending. It is likely that a tin conference will be held at Headquarters in the spring of 1965 and there is a possibility that a second commodity conference may be held in Geneva during August and September. Short meetings on certain non-ferrous metals are also likely to be required. Such commodity meetings will be scheduled as appropriate within the overall UNCTAD programme of meetings.

Provision exists in the Budget Estimates for 1965 in the amount of \$9,000 for two sessions of ICCICA, one in New York and a second in Geneva; and \$45,000 for Commodity Conferences to be convened during 1965 on the recommendation of ICCICA to the Secretary-General.