



Briefing Paper No. 1

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The UN Conference on Trade and Development

Main Issues for 1968 Meeting

UNCTAD is concerned with the whole range of problems of economic development but especially with those relating to international trade. This forum provides a unique opportunity for the developed and developing countries to reach agreement on the basic principles of their development policies. The first UNCTAD was held in Geneva in 1964, the second is scheduled for February and March 1968 in New Delhi.

Several important schemes originating from the first Conference have been examined in detail in the specialised committees of the UN Trade and Development Board, which is UNCTAD's 'continuing machinery'. It had been hoped that many of these schemes would receive final approval at the second Conference. International agreement on the basic principles of future schemes had also been expected. These hopes are now running low and have not been lifted by the current draft provisional agenda, which contains several review items and progress reports and which could lead to a discussion as generalised as that at UNCTAD I.

If this is to be avoided, emphasis will need to be placed on the following issues, which seem to us to be the most urgent.

1. Schemes for final approval: Negotiations on two schemes are well advanced and could be concluded in time for UNCTAD II. These are:

Supplementary Finance: This would provide 'last resort' aid to developing countries experiencing unforeseen shortfalls in projected export earnings. It derives from a UK/Swedish proposal at UNCTAD I, subsequently turned into a workable scheme by the World Bank. The terms of finance in the World Bank scheme will probably have to be amended to gain the acceptance of developing countries. (NB Supplementary finance is not to be confused with 'Compensatory' finance to cover hypothetical 'losses' of earnings due to a long-term deterioration in a country's terms of trade. The latter is a highly controversial issue.)

International Cocoa Agreement: A comprehensive agreement, combining a buffer stock with export controls, has been worked out in the UN Cocoa Conference. Negotiations broke down in June 1966 over American opposition to the proposed 'floor price' but the margin of disagreement was narrow and might be bridged.

(The UN Sugar Conference is working on a Sugar Agreement but the political problems raised by Cuba's participation stand in the way of a successful conclusion.)

2. Principles for future schemes: UNCTAD II could reach agreement on the principles on which future schemes could be based. The most important fields are:

International Commodity Agreements: The range of commodities which can be covered by international agreements is limited and each is a special case. There is nevertheless scope for agreement on some general practical problems, such as how to enforce measures restricting exports or output, and how to distribute the burden of financing buffer stock.

Tariff Preferences: One of the main proposals at UNCTAD I was for a system of general preferences to be granted by all developed countries on manufactures exported by developing countries. The USA is traditionally opposed to preferences, but an attempt to work out a common developed country policy is being made through OMCED. Progress here will probably determine whether any agreement can be reached at UNCTAD II. There are a number of possible preference schemes; the one selected would have to be compatible with GATT.

(Of longer term importance is the question of industrialisation in developing countries, and the effect of this on established industries in developed countries. One possible approach to industrialisation is to integrate the industrial process across developed/developing countries' boundaries (e.g. through 'industrial branch agreements'). This is an area in which private enterprise must make the major contribution.)

None of these issues should be allowed to obscure the predominant importance to developing countries of aid on favourable terms, and of the removal of protection in developed countries. These are familiar issues, but should nevertheless continue to be given the highest priority, in UNCTAD and elsewhere, by developed and developing countries alike.

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