

New Trade Policy for Development—I

(*From Our Geneva Correspondent*)

SOME day, in the year AD 2064. Some one in the BA (Econ) classroom will want to know what kind of economic world it was a hundred years before. What sort of forces were in operation then? Who felt how? He would have read all the available texts. He would have been advised by his professor to read the proceedings of the United Nations General Assembly, as a first step. In his list of "must" reading would have been the Prebisch Report. "In the year 1964" he would have been told, "one hundred and twenty countries met in Geneva to discuss the future pattern of trade. That year marks a water-shed in the economic history of the world. Things were never the same after June that year".

This is the story of what happened in March-April 1964, when the delegates from the 120 countries met in Geneva at the United Nations Conference on Trade and Development. This is a record of what the delegates said, in their own words. It is recorded not necessarily seriatim, but in an effort to convey the feelings of people...

No attempt is made to record all the speeches; but it is hoped that such speeches as are condensed do give a flavour of the passions that were unleashed and the ideas that were set forth.

Here, then, we go. . .

The conference was inaugurated by the Secretary-General of the United Nations, U Thant. He said:

"Why was this conference called? A long chain of events has contributed over many years to the growing conviction that the United Nations must make a determined effort to deal jointly with the problems of trade and problems of development or run the risk of frustrating the efforts of the Organisation to maintain world peace.

"The problem of maintaining peace is as complex as life itself and it is perhaps our generation that has the best opportunity to realise that international relations are not determined

solely by their diplomatic intercourse and supporting military might, but are also influenced by people in the fields and in the factories where human beings earn their daily bread.

"You can hardly do less than provide mankind, both in the underdeveloped and in the developing countries, with a framework of principles and active policy to make trade a real vehicle of progress towards economic development and thus help to secure universal prosperity and peace for this and succeeding generations.

"Man is very close to conquering what we call the blind forces of nature. How long shall we permit blind economic forces to control human relations on the untenable thesis that the social sciences may not be capable of advancement similar to the progress achieved by the physical sciences?"

"The material resources of the world are adequate for the eradication of poverty, ignorance and disease, if our technology and science could be fully harnessed to this task. There must be something wrong with economic policies on the national and international level if they permit the unchecked continuance of the trend towards the growing disparity between the rich lands and the poor".

Towards a New Trade Policy

The conference then heard a report from its own secretary-general, Dr Raul Prebisch.

The conference was being convened. Dr Prebisch said, with the primary objective of pointing the way "towards a new trade policy for development". This was a reference to the main problems besetting the developing countries at the present time, which, he said, had become a matter of understandable general concern: the persistent tendency towards external imbalance associated with the development process. While primary commodity exports were, with few exceptions, expanding relatively slowly, the demand for imports of manufactured goods was tending to grow rapidly, at a pace that increased

with the rate of development. The resulting imbalances, he stressed, must be rectified if development of the less developed nations was to be accelerated in line with even the modest objectives of the United Nations Development Decade.

One of the main objectives of the Development Decade was to attain a minimum annual growth rate of 5 per cent in the income of the developing countries by 1970, a target not much higher than the average annual rate of 4.4 per cent registered during the 1950s.

But even this modest objective would be extremely difficult, if not impossible, for many of the developing countries to achieve unless methods could be found to eliminate the present gap between their export earnings and their import needs.

This, as Dr Prebisch saw it, must be the starting point of the conference. "One cannot permit a 5 per cent rate-of development without accepting also the consequences that this implies for the rates of growth of imports and exports".

In presenting his suggestions for the "building of a new order" to deal with problems of trade and development, Dr Prebisch stressed that the measures proposed should not be adopted piecemeal; an essential condition for the success was that they be integrated within an overall policy for achieving the desired results.

But unless the measures were adopted, said Dr Prebisch, "the trade gap of the developing countries will be immense". On the basis of available estimates if the factors responsible for the present trend in trade continued, the trade gap might reach an order of magnitude of about \$20 billion by 1970. The gap was potential and not real, but if it was not bridged, the developing countries would be forced to reduce their rate of growth below the 5 per cent annual target figure.

Without a determined political effort to promote development and

remove internal obstacles from its path, Dr Prebisch said, measures of international cooperation, however good in themselves, would be very limited in their effect.

Dr Prebisch observed that there was one dominant note in his report: the need for different attitudes from those prevailing in the past to deal with new problems faced on the international economic scene.

Changing the GATT

Dr Prebisch made the following suggestions towards a comprehensive trade policy:

Quantitative? targets should be set for the entry into the markets of the industrial countries of primary commodities and industrial goods produced by the developing countries.

The industrial countries should establish a quota for admitting, free of duty, goods manufactured by developing countries.

The ultimate objective should be the adaptation of present preferential arrangements to the new system. The benefits to the developing countries should be at least equivalent to those they now enjoy. There should be no discrimination among developing countries. All preferences granted by developing countries to Industrial countries should be brought to an end.

Targets for primary commodities should be understood to represent quotas of goods to be imported without restrictions. In some cases the targets might lead to commitments to purchase over a number of years.

Commodity agreements are to be recommended as a means of improving prices and maintaining a price parity with manufactures.

Compensatory financing would be imperative to the extent that it might not be possible through commodity agreements, to prevent the exporting countries from suffering losses owing to deterioration in the terms of trade

Developing countries should form preferential groupings on as broad a scale as possible.

The GATT rules now in force should be amended to take into account the consequences of the structural

inequalities between industrial and developing countries.

Dr Prebisch said that GATT has not helped to create the new order which must meet the needs of development, nor has it been able to fulfil the impossible task of restoring the old order.

"A broad policy of international cooperation in trade, in financial resources and in the propagation of technology is unavoidable" Dr Prebisch added.

Dr Prebisch was followed by more than 100 delegates at the level of Cabinet Ministers, all of whom recognised the importance of the Conference but saw its aims and objects in the light of his own country's needs. Among those who spoke were also representatives of great international institutions like the Food and Agricultural Organisation, the World Bank and the International Chamber of Commerce.

What follows is a summary of the speeches from leading delegates from the developed countries, the developing countries, the socialist countries and the international organisations.

Addressing the conference, Mr George W Ball, US Under-Secretary of State, said that the trade gap should be regarded "not much as an arithmetical statement, but as a figure of speech."

He said: "We must explore the means of inertaping and making more effective use of the flow of foreign capital and technical assistance—both public and private; the economic merits of forming or expanding regional economic groupings; and generally the full range of internal policies that are critical to the mobilisation and use of capital..."

"Let me review the contributions that the industrial countries can make to the trade prospects of developing countries..."

"First is the need for industrial countries to achieve and maintain full employment and a high rate of economic growth. These conditions will improve both demand and prices for the exports of the developing countries.

"Second, the industrial countries as

a group must be prepared to reduce tariffs and other barriers to the imports of primary products, semi-processed materials and manufactured goods of special interest to the developing countries. We are prepared to have these benefits accorded to the developing countries without asking reciprocity.

"Third the industrial countries should be prepared to cooperate, wherever and whenever feasible, in perfecting arrangements that would reduce instabilities associated with trade in commodities and thus enhance development,

"We also support efforts to stabilise prices of specific commodities in chronic over-supply at levels consistent both with market forces and development requirements.

"There is no grand design for the myriad of individual commodity situations and problems. We should frankly recognise that such agreements, important as they may be for some commodities, are feasible for only a small number.

"It is essential for the developing countries to market their manufactures on a competitive basis. This, in turn, will often depend on their ability to develop mass national markets, or, where necessary, regional markets.

"In rural areas, higher priority must be accorded to raising agricultural productivity and modernising systems of marketing.

"Many countries are too small to provide domestic mass markets. The benefits of such a market may be achieved by economic cooperation on a regional basis. The United States supports further efforts in this field. We favour changing the GATT rules to give developing countries more flexibility to pursue various forms of economic integration—partial or comprehensive. But the industrial countries should continue to be subject to strict standards in this regard.

"My government believes that foreign aid should assist developing countries."

Heath's Proposals

Britain's representative, Mr Edward Heath, made comments not dissimilar to those of Mr Ball. Though

Mr Heath spoke last, his speech did not seem to have benefitted from what had been said in advance of him. He said:

"Dr Prebisch and his colleagues have undertaken an interesting analysis. He never fails to stimulate and influence us, even though we cannot always agree entirely with him.

"Growth in the industrialised countries means expanding markets for the developing countries. It means additional sources for investment, aid. But increases in aid will remain essential and my government will continue to do all it can in this field

"We should deal with the problems of terms of trade as they exist today, without necessarily trying to find rules of permanent and universal application. We should adopt a pragmatic approach in deciding that particular measures are required to meet the differing needs of developing countries. Let us not seek to impose on the future a rigid adherence to some historic pattern of trade or prices.

"Some distinguished delegates of countries with centrally planned economies have made statements that their governments do not exclude the possibility of concluding multilateral trade agreements. We in Britain base our trading policies on the principle of multilateral trade and payments. I therefore welcome these statements.

GATT is basically a system of rights and obligations appropriate to the trading methods of countries with market economies, and accepted by them to govern their trade relations with one another. It is proving sufficiently flexible to accommodate many developing countries, whilst at the same time taking account of their special needs.

"We are already working together in the IMF towards solutions to the problems of international liquidity in both their short and in their longer term aspects. This is important to developing countries.

"Those countries who most effectively pursue their development policies and most successfully adapt their social and economic structures to

change, will reap the greatest rewards.

"Meanwhile, we ought all now to be willing to move quickly in reducing import duties on goods from developing countries than we may be able to do in trade among ourselves. We in Britain are prepared to extend tariff preference to all developing countries. Where present preferences are the subject of agreement with Commonwealth countries, we cannot act without the consent of those governments. Preference should therefore be created, not by raising tariffs against other countries, but by lowering or abolishing tariffs for developing countries.

"Regional economic cooperation should be flexible so that cooperation can take place in specific fields as necessary.

"We believe that the first essential is to secure maximum effective demand for commodities. Agreements, therefore, should cover the problem of access to markets as well as that of prices. Prices should be stabilised at equitable and remunerative levels.

"The conference will most speedily achieve its purpose if it guides and stimulates the work of existing bodies. It is true that the international scene has changed. But this does not mean that GATT should be superseded or swept aside for some other untried new body. The wise course is to ensure that the GATT continues to evolve and becomes a more effective instrument.

"We should be opposed to any elaborate scheme for a new world trade organisation. At the same time we recognise that some improvements in institutional arrangements may be necessary."

West European Sentiment

Representative of much west European sentiment was the speech of Mr Maurice Brousseau, Belgium's Minister for External Trade. He said:

"The European Economic Community is convinced that GATT, with its heritage, will constitute a valuable instrument for the practical application of the resolutions and general directives to be drawn up by our conference.

"The Secretary General in his report seems to see a certain conflict between what has been done so far and the new direction to be given to international trade. We are not convinced that this conflict is a real one.

"Member states of the EEC cannot help noticing that the industrialised countries with a State monopoly of external trade are very far from having made a comparable effort in absolute terms as regards their imports from the developing countries. If they would make a similar effort to ours, the problem of development might well be on the way to a more rapid solution.

"Three categories of industrial commodities can be placed on the markets of more developed countries: commodities offered under conditions similar to those for the same commodities offered by highly industrialised countries; commodities manufactured under abnormal economic conditions and commodities which cannot be sold at present on the international market under competitive conditions. In the second case we should seek to introduce such methods of international cooperation as would avoid the brutality of safeguards adopted to counteract the disorganisation of the markets. We have in mind compensatory taxes administered by a small body composed of representatives of the exporting and the importing country. The receipts would not go to the importing country but would be used for development purposes in the exporting country. In the third case, we should encourage measures for rationalisation, improved production and active marketing.

"The grant of tariff preferences by the developed countries would make a valuable contribution to an expansion of the market. Such preferences should be adopted to the needs of each particular case and the conditions of the importing market. Preferences thus negotiated should be selective, temporary and progressively decreasing to avoid the formation of permanent links which would distort the flow of trade and to encourage the beneficiary industry to use the preference period to improve its produc-

tion methods, output and commercial processes.

"We must establish an international credit insurance machinery to give backing to exporters in the developing countries.

"The developing countries should not remain entrenched behind protectionist walls. The organisation of regional groupings between developing countries is the right means of providing a sound basis for economic development."

Speaking for France, its Minister of Finance and Economic Affairs, Valéry Giscard d'Estaing said that his country would do all in its power to contribute to the objectives of the conference, which represented a "great hope" but he warned against the belief that there was magic formula to development. France believed in freedom of trade for primary commodities with a better organisation of markets and for manufactured products, the development of trade in an atmosphere of fair competition. Fluctuations in prices and markets he added, could be eliminated only by a systematic organisation of world markets,

The Minister suggested that new commodity agreements be negotiated, particularly for industrial primary products. France was in favour of higher prices for tropical products as a means of raising the export earnings of the producer countries. For this reason, his Government had proposed two years ago a price support clause in commodity agreements on coffee and cocoa. Such a measure could also be envisaged for tea. Moreover, he suggested the drawing up of a list of tropical products and industrial materials whose prices might be raised.

France was also in favour of lowering excessive protectionist tariffs on semi-finished products from developing countries. At the same time developed nations or regions such as the EEC, EFTA, US and Japan could agree to a regular increase "say a certain defined percentage" of their imports of manufactured goods from developing areas.

He called on the conference first to draw up a comprehensive list of all measures capable of solving the problem of underdevelopment and select from that list "a series of coherent and complementary measures, once their immediate and long-term global effects have been assessed."

Germany Favours Preferences

Speaking for Germany, its Minister for Economics, Mr Kurt Schmucker said:

"Developing countries must know that any outside help cannot be more than a spark to their own efforts. The economic development of young countries will largely depend on the encouragement of free enterprise in those countries. From this follows the necessity for the developing countries to create an attractive investment climate.

"The Federal Republic of Germany wholeheartedly endorses the idea that the developing countries be given appropriate outlets for their semi-finished and finished goods. For the purpose of providing an additional impulse to the developing countries' exports of semi-finished and finished manufactures, it will be useful to consider the granting of decreasing preferences beyond the general reduction of tariffs which we expect from the Kennedy Round.

"The existing organisations undoubtedly deserve great praise. They should continue to function, but adjust themselves wherever appropriate."

Speaking for Canada, Mr Paul Martin, Minister for External Affairs said that his government supported the preservation and development of basic trade rules and institutions which have been fashioned over the past two decades.

Mr Martin said that Canada was prepared to examine with others the possibility of new commodity agreements, though it would not be in the interest of developing countries to encourage "unduly high" prices for primary commodities.

He also expressed the hope that negotiations on the reduction of tariff

on semi-processed products would reduce differentials between tariffs on raw and processed commodities.

Canada, he said, supported a general removal of quantitative restrictions now impeding imports into developed countries of manufactured goods from developing countries.

Mr Martin said that Canada was approaching the question of preferences "with caution" but it would be prepared to consider proposals for exchange of regional tariff preferences among developing countries for a limited period. Canada would also be willing to examine any tariff preferences now enjoyed by it in the markets of developing countries which might be prejudicial to the trade of other developing countries.

His country would also join with others in studying ways of improving bilateral aid programmes and relating them to trading circumstances of the developing countries.

Mr J E Andriessen, Minister of Economic Affairs of the Netherlands said that there should be a fundamental change in the international division of labour. The new countries should go beyond the production of raw materials and tropical products and embark on the production of industrial goods.

The West, he said, "must learn to accept and to appreciate the manufactured goods from Asia, Africa and Latin America." Three measures, he continued, should be taken if this aim was to be achieved. First, primary commodity prices should be stabilised through broadening the number and scope of commodity agreements and providing compensation in case the terms of trade deteriorated. Second, the conference should examine the most rational way of giving technical and financial assistance. Third, the markets of the advanced countries should be opened to a greater variety of products from the developing nations.

"Protectionist arguments against such expansion reflect shortsightedness and selfishness" he said.

Mr Andriessen said that Nether-

land took a positive view of the GATT Action Programme. There must be a serious study of how markets could be created or broadened he said. For example, the granting of tariff preferences in favour of the less developed countries should be

He said that the rules of GATT, particularly those on most-favoured-nation treatment should not be departed from without purpose. However, exceptions to these rules, provided they were clearly formulated and specified, should be allowed to take a place within the GATT system.

It now remains to note what was said by Norway, as representative of a Scandinavian developed country, Japan an eastern developed country and a Commonwealth developed country, Australia.

No Slackening of Aid

Speaking to Norway, Mr O C Gundersen, Deputy Foreign Minister said that there should be no slackening in the regular aid given by industrialised countries to developing nations.

"To obtain the maximum expansion of world trade we consider it essential for all countries to pursue a policy aiming at a steady economic growth within the framework of a rational international division of labour and full employment.

"The first logical step in any concealed action to expand trade must be a world-wide and non-discriminatory reduction of trade barriers.

"We recognise the need to broaden the economic basis of developing countries. But we sincerely doubt whether preferences arbitrarily applied to selected exports from selected developing countries would contribute to accelerated economic growth.

"As regards the export earnings of developing countries, we are prepared to study further possibilities of enlarging the field of commodity agreements on products of particular interest to developing countries. Closer cooperation between producer

and consumer countries, and between producer countries themselves, appears to be a major condition for a successful functioning of commodity agreements.

"As regards compensatory financing, my country has welcomed, as a significant first step, the facilities introduced by the IMF, which enable developing countries to overdraw their quotas.

"In regard to the tendency towards increased tying of aid to commercial deliveries, we should attempt, on an international scale, to counter this. It can hardly be in the interests of the developing countries that the field left open for free choice in their import policies is being narrowed."

Speaking for Australia, Mr J McEwen admitted that depressed prices for primary products and disruptive fluctuations in these prices have been, in large part, the cause of balance of payments difficulties.

He said: "This is so important that I urge the conference to declare itself on this issue of stable and remunerative prices. Care must be taken to avoid freezing patterns of trade; opportunities for countries whose production is only now just being developed, or may not yet have been begun, must not be limited.

"What is required is action to offset the initial competitive disadvantage of many developing countries which are or may be newcomers in the business of exporting manufactured products. The conference must never tolerate a result which is merely presentational.

"GATT and other existing organisations have not proved adequate to meet the needs of developing countries, but there is advantage of strengthening GATT."

Japan : Most Protectionist

The last in our list is the delegate from Japan, Mr Kiichi Miyazawa, Minister of State, who made the most "protectionist" speech of all developed nations. Mr Miyazawa said that the conference should endeavour to find "realistic and practical solutions in a steady and progressive manner

— having due regard "to the possible sacrifice and burden on the part of the developed countries."

He continued "Any solution to the problem of the developing countries should not neglect the free play of market rules which are the basic principles of free trade.

"We are not unaware that the free market rules and the free trade principles might in certain cases work to the disadvantage of the developing countries. and therefore certain exceptions to these rules and principles would be required to protect the interests of these countries. Nevertheless, it is our strong belief that such measures should be only temporary and exceptional.

"Every effort should be made to avoid the contraction of world trade through the practice of regionalism.

"Primary commodities are not exclusively produced and exported by the developed countries. In the case of some primary commodities, it is the developed countries which are the main source of supply.

"For the expansion of primary commodity exports of the developing countries, it is necessary that efforts for increasing demand on the part of developed countries should be accompanied by corresponding efforts on the part of developing countries for improving the quality and lowering the cost of their primary products.

"Excessive emphasis on an artificial raising of prices would bring about undue burden on the major importing countries.

"The conference has before it a proposal for granting unilateral preferences by the developed countries to the whole range of manufactures and semi-manufactures exported by all the developing countries. Such a proposal could only be effective if and when all the developed countries support and accept it. Account must be taken of the existence in some of the developing countries of export industries that are already grown up and competitive in the world market."