

GENERAL AGREEMENT ON TARIFFS AND TRADE

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DEVELOPMENTS AND ACTIVITIES IN OTHER INTERNATIONAL ORGANIZATIONS

Note by the Secretariat

1. It is the practice to provide the Committee with information on developments and activities in some other international organizations as part of the background documentation for the annual review of action taken by governments to implement the provisions of Part IV.

General framework of development

2. The preparatory work for defining the goals and objectives of the Second United Nations Development Decade is being pursued by governments within all organizations belonging to the UN system. The main preparatory work and the work on co-ordination will have to be finished within a time-limit that allows the next General Assembly to adopt an international development strategy for the 1970's. A full account of these efforts is given in the Annual Report of the Secretary-General on the Work of the Organization (document A/7601).

3. An important document for the overall development work of the United Nations system is expected shortly, i.e. the "Capacity Study" commissioned by the UNDP and directed by Sir Robert Jackson. Its findings and recommendations are expected to influence the General Assembly's work on the strategy for development.

4. This is also expected of the report "Partners in Development" a work undertaken at the request of the President of the International Bank for Reconstruction and Development by a commission, chaired by Mr. Lester B. Pearson. It was published in September 1969 and presented by the Bank at its annual meeting. To the extent that the recommendations are related to the activities of the World Bank Group, they are being pursued within the Group. Other recommendations are expected to be taken up within relevant organs of the United Nations system for further discussion. GATT has offered its good offices and full co-operation to the President of the Bank.

5. In December 1968 the General Assembly noted the important rôle that UNCTAD has to play within its competence for the preparatory work of the Development Decade and requested the Trade and Development Board to continue its efforts to reach a maximum degree of agreement on relevant issues. The Board has pursued this task at several meetings and will continue the work at a second resumed ninth session in February 1970.

6. At its eighth session the Board agreed, as a starting point, to seek implementation of the measures and programme of work already established regarding:

- (i) trade expansion, economic co-operation and regional integration among developing countries;
- (ii) special measures in favour of the least developed among the developing countries;
- (iii) special measures in favour of land-locked countries.

Reference is made to UNCTAD documents TD/B/244, Report of the Trade and Development Board on its resumed eighth session and TD/B/(IX) Misc.9 and 10, Report of the Trade and Development Board on its ninth session, first and second part.

Commodity agreements and related problems

7. During the year two general reviews of commodity trade were made. In May 1969 the fourth session of the UNCTAD Committee on Commodities was held and in October 1969 the forty-fourth session of the FAO Committee on Commodity Problems. The governing bodies of the two organizations discussed and adopted its Committee's report in August and November respectively.

8. Conditions for commodity trade in general were studied also by other world-wide and regional organizations. Thus the World Bank Group reached decisions that will open new fields of possible assistance in this area.

9. The work for improving the conditions for trade in individual commodities has continued within the institutions set up for the purpose. The conclusion of the 1968 International Sugar Agreement was achieved during the period and progress towards a cocoa agreement through work pursued under the aegis of the Secretary-General of UNCTAD was referred to at the last meeting of the Board. At the forty-fourth meeting of FAO's Committee on Commodity Problems unanimous decisions were reached to establish a Consultative Committee on Tea and to replace the 1954 terms of reference of the Consultative Sub-Committee on Surplus Disposal. A special session of the Study Group on Oilseeds, Oils and Fats will be held in London, 26 January to 6 February 1970. The discussion of the scope and function of the suggested Consultative Committee of the Group will most probably be continued in London. The International Olive Oil Agreement was extended to the end of 1973.

10. On the four occasions over the last six months when commodity problems were discussed in UNCTAD and in FAO the following points were most often referred to. For many commodities, current difficulties were caused by actual or potential excess of supply over effective demand. The cost of pursuing agricultural policies without more regard to the principles of comparative advantage was becoming prohibitive: storage costs, price supports, deficiency payments or export subsidies

on the one hand and, on the other, loss of vitally needed export income with consequent inability to import essential development goods. Many references were made to the grave political difficulties inherent in the most effective remedial action, i.e. in adjustment of production through supply management. International agreements or arrangements and specialization of production were other means of action referred to. The need for sound national and regional agricultural policies and for international co-operation was reiterated in both organizations.

11. In FAO the provisional Indicative World Plan for Agricultural Development (IWP) was discussed at the meeting of the Committee on Commodity Problems, referred to above, at the fifty-third session of the Council and at the FAO biannual Conference in the beginning of November 1969. The IWP points to the need for a reversal of the generally continuing trend towards higher rates of self-sufficiency in high-income countries and for an examination aiming at a more economically rational pattern of resource use.

Trade in semi-manufactures and manufactures

12. At the ninth session of the Trade and Development Board it was noted with regret that the settling of the details of the preferential arrangements would not be likely to be fulfilled in the course of 1969. The deadline for submission of further information to UNCTAD by the OECD countries is fixed at 15 November. The Special Committee on Preferences in UNCTAD will be called to submit its final report. A special session of the Board will be held early in 1970.

13. The rôle of an active manpower policy in facilitating liberalization of trade has been receiving increasing attention in international discussions. Apart from the work in GATT on the question of adjustment assistance measures, the international discussion of an active manpower policy is mainly pursued in OECD and in the Economic Commission for Europe. The International Labour Organization "World Employment Programme" published in March 1969 states the following, page 119:

"... It is essential that the activities of the industrial countries on behalf of the developing countries should be redirected and more co-ordinated so that the latter may have a better chance of reaching their employment targets ... Nevertheless, the consequent problems for them should not be underestimated. For example, a change in trade patterns to meet the wishes of the developing countries could create or aggravate certain structural employment problems in the industrial countries ..."

14. In the discussion of adjustment policies in ILO, in ECE, in OECD and in other fora, reference is often made to the stake that society as a whole has in the benefits that can accrue from such policies. The OECD Manpower and Social Affairs Committee stated in a recent report:

"Countries sometimes accept the burden of large direct or indirect subsidies or measures of protection to maintain employment in declining and less-productive sectors. Public money could often be better used to facilitate and stimulate workers' moving and retraining for better jobs or the establishment of industries with positive prospects in areas facing employment difficulties. Expenditure of the types envisaged here for the improvement of human resources and their readjustment should not be regarded as a cost to society but rather as a sound investment in adaptation. At the same time, they promote important social values by increasing the individual's freedom in the choice of an occupation or workplace and his security against loss of income."

Export promotion

15. The forty-fifth session of ECOSOC adopted in August 1968 Resolution 1362 (XLV) on the United Nations export promotion efforts requesting the Secretary-General of the United Nations to prepare periodically a report on these activities. The first report, submitted to the ninth session of the UNCTAD Board in August-September 1969, relates to current and future work in export promotion of the UNCTAD/GATT International Trade Centre, the FAO, UNIDO, the regional economic commissions of the UN and other agencies participating in these efforts. The report deals specifically with the organization of export promotion information and marketing services.

Regional co-operation

16. During the period under review the regional economic commissions and the United Nations Economic and Social Office in Beirut (UNESOB), paid special attention to the preparatory work on the Second United Nations Development Decade. At the regular sessions of the four commissions during the first quarter of 1969 and at meetings of the executive heads, this subject received special attention.

17. The rôle of the regional economic commissions in the Second United Nations Development Decade was enhanced through ECOSOC Resolution 1442 (XLVII). The Council believed that there was a need to decentralize some of the operational activities of the United Nations in the economic and social fields through the regional economic commissions and UNESOB. It recommended that these organs participate effectively in the operation of any arrangement that might be established for the formulation of policies and the preparation and evaluation of development plans under the Second Development Decade.

Financing of economic development

18. The amended Articles of Agreement of the International Monetary Fund relating to special drawing rights allows for increased quotas of all participants in the Special Drawing Account. A certain part of the special drawing rights will thus accrue to developing countries.

19. At the eighth session of the UNCTAD Board, the Secretary-General was authorized to call a meeting of experts to analyze the effects of the international monetary system on the trade and growth of developing countries. The experts met in September 1969; amongst their recommendations is one suggesting the establishment of a link between the special drawing rights and additional development assistance.
20. Another recommendation in the field of development financing was agreed at the ninth session of the Trade and Development Board. The International Bank for Reconstruction and Development was invited to consider arrangements for financial measures to offset the effects of export shortfalls on development plans and programmes. These measures should be truly supplementary to other financing schemes.
21. At the forty-seventh session of ECOSOC, the international flow of capital to less-developed countries was discussed on the basis of two reports, UN documents E/4652 and E/4676. The former paper mentions some of the measurement problems involved in reviewing the trends in the transfer of resources and gives the reported total of loans, donations and investment for 1967, an all-time high, just short of \$11,000 million. About 87 per cent of the sum for that year represented bilateral contributions from the developed market economies whereas some 9 per cent moved through international channels. The remainder stemmed from centrally-planned economies. The 1967 average of the transfer volume was 0.68 per cent of the gross national product of donor countries; fractionally higher than the 1966 figures, it is described as being below the achievements of the first half of the decade.
22. In the paper, there is also a discussion of the problems connected with measures adopted by individual countries in defence against disturbances in the international monetary field, such as harder terms for lending and further tying of aid. The problems of reverse flows of capital and the servicing of external debt owed by developing countries are also taken up in the former report.
23. The latter document, covering the years 1964-68, concludes that the flow of resources to developing countries continued to expand in 1968. A particularly large increase in borrowing is pointed to. Reference is also made to the efforts made within the framework of the Development Assistance Committee of OECD to soften the terms of lending. The fulfilment of the new recommendations agreed in February 1969 would increase the concessional element in public lending.
24. A round table meeting on export credits was convened at United Nations Headquarters in March 1969. A number of proposals for action were formulated; some of them were agreed at the forty-seventh session of ECOSOC and the Secretary-General was requested to pursue certain studies in close co-operation with IMF. Further studies should be undertaken in consultation with the IBRD and the regional development banks.

25. Another important event was the convocation by ECOSOC of a panel of representatives from governments and international agencies and of leaders in the investment community. The "Panel on Foreign Investment in Developing Countries" met in Amsterdam in February 1969. The Council noted the recommendations of the Panel with interest and recommended the Secretary-General to undertake certain further studies and to organize other panels for the consideration of specific measures to increase the flow of foreign investment.