

UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL



✓ 51360
Distr.
GENERAL



E/CN.14/361
E/CN.14/WP.1/13
OAU/TRAD/12
29 August 1966

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA
Eighth session
Lagos, 13-25 February 1967

REPORT OF THE EXTRAORDINARY JOINT MEETING OF THE ECA WORKING PARTY ON INTRA-AFRICAN TRADE AND OAU AD HOC COMMITTEE OF FOURTEEN ON TRADE AND DEVELOPMENT

(Geneva, 22 - 26 August, 1966)

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PART I - ORGANIZATION AND ATTENDANCE

1. The Extraordinary Joint Session of the ECA Working Party on Intra-African Trade and the OAU ad hoc Committee of Fourteen on Trade and Development took place in Geneva from the 22nd August, until 26th August 1966. On behalf of His Excellency Mr. Diallo Telli, the Administrative Secretary General of the Organization of African Unity, an opening address was delivered. Similarly, an opening address was delivered on behalf of Mr. R.K.A. Gardiner, Executive Secretary of the Economic Commission for Africa. The two addresses are reproduced as Annexes I and II. Mr. M. Imru, Director, Trade Policies Division of the UNCTAD, welcomed the delegates to Geneva.
2. The meeting was attended by experts from the following member countries: Algeria, Cameroon, Congo (Kinshasa), Dahomey, Ethiopia, Ghana, Guinea, Ivory Coast, Kenya, Madagascar, Mali, Morocco, Nigeria, Tanzania, Togo, Tunisia, the UAR and Zambia. The list of participants is reproduced in Annex III.
3. Mr. Edwin Obayan (Nigeria) was in the chair. Dr. Talaat Harb (UAR), Mr. Afework Zeleke (Ethiopia) and Mr. Kemal Hacene (Algeria) were unanimously elected as First and Second Vice-Chairmen and Rapporteur respectively.
4. It was decided that the meeting should be organized in plenary session, and a committee of the whole house would be formed if necessary. The provisional agenda submitted by the Secretariat was adopted, subject to an agreement that items 4, 6 and 7 should be considered together. The provisional agenda is reproduced in Annex IV of this report.

PART II - SUMMARY OF THE DISCUSSION

A. AFRICAN POSITION AT THE SECOND UNCTAD CONFERENCE

(Agenda Item 4)

5. In considering this item of the agenda, the meeting had before it the following working papers:

The Relevance of UNCTAD to Africa's Trade Problems (E/CN.14/WP.1/4 and Add.1)

The African Approach to the Second UNCTAD Conference (E/CN.14/WP.1/12 and Add.1)

As a background document delegates had available a note by the Secretary General of UNCTAD on the objectives, agenda and programme of priority work for the second UNCTAD conference (TD/B/86).

(a) The basic African interest

6. The discussion turned on an examination of the accomplishment since the first UNCTAD conference and on the question of what UNCTAD could now do to help economic development in Africa. There was expression of general disappointment at the slow progress made since the first UNCTAD conference in implementing the principles and recommendations of that conference. It was, however, recognized that some progress had taken place and at least the UNCTAD had been established on a permanent basis. This provided a forum in which Africans could fruitfully exercise their persuasive influence on the developed countries. It was recognized that both the developed and developing countries had responsibilities towards the peoples of developing countries, and that an important task at the next UNCTAD conference would be to make the developed countries fully aware of their responsibilities.

7. It was generally agreed that African countries should have clear ideas as to their requirements before the next meetings of the 77 and the UNCTAD. It was made clear, in the course of the discussion, that the purpose of this clarity on the part of the Africans was certainly not to introduce any divisive elements in the discussions of the 77. It was agreed that Africa was the least developed among the developing regions and that this was due very largely to the greater African dependence on primary export commodities, which at present have poor prospects. These poor prospects were not sufficiently compensated for by other sources of financing economic development. Africa had five main areas of interest in the UNCTAD: aid, capital inflow and technical assistance; the transfer of technology; shipping and invisible trade; industrialization; and preferences.

(b) Commodity agreements and compensatory financing

8. A wide ranging discussion took place on commodity agreements. Among the points made were an insistence on the general relevance of commodity agreements to African conditions and an agreement that even small gains would be important to Africa. Emphasis was also placed on the need to establish agreements on dynamic lines, especially in the setting of quotas. It had to be recognized that production increased through time and that quotas should be designed to take this fact into consideration. This was not to deny the importance of production control. It was generally recognized that the underlying concept of commodity agreements of most interest to Africa was that of the real purchasing power of exports.

9. A consensus emerged on the usefulness of preparing a list of commodities for which Africa would like to see International Commodity Agreements concluded. Considerable discussion took place on the method of composing this list. It was finally agreed that the list should be compiled on a sub-regional basis in order that the different countries and different sub-regions should have their views fully reflected. It was further agreed that once the list had been finally made it should command the support of all African countries at the second UNCTAD conference.

10. It was decided to refer the list of commodities to the ECA Secretariat for detailed examination. It was further agreed that in making this examination, the Secretariat should consider, for each commodity, present and projected levels of production and prices, the competition arising from synthetics and other sources, and the possibility of concluding an International Commodity Agreement. The Secretariat should also consider the UNCTAD document (TD/B/C/1P58) concerning the criteria for selection of commodities of special interest to developing countries. The list of African commodities to be examined is presented in Annex VI.

11. On supplementary financing it was generally agreed that the scheme drawn up by the International Bank for Reconstruction and Development - and presently to be further examined within UNCTAD by an Expert Committee - should be supported, although it was recognized that in some important respects the scheme was inadequate. It was decided to request the ECA Secretariat to complete a thorough study of this scheme within three months.

(c) Manufactures and preferences

12. A number of questions was discussed under this heading. As a result of the discussion it was agreed that one of the main requirements of Africa was the establishment of an industrial base. Without such a base, African countries could not be expected to benefit from the granting of preferences by the developed countries. In the circumstances, aid to Africa should be weighted in such a way as to promote African industrial development. It was suggested that one easy way of negotiating on the question of preferences would be the adoption by all countries of the Brussels Tariff Nomenclature. It was remarked that this might be difficult since a number of major countries had their own customs nomenclature.

13. It was recognized that African countries should not only depend on UNCTAD, but should set up procedures for harmonizing policy within Africa itself. Successful attempts at economic integration in Africa would help to attract foreign investment and funds from international financial institutions. Similarly, African countries would benefit from a coordination of investment policies.

14. On the question of preferences, a number of related points were agreed. It was accepted that negotiations on preferences should be related to proposals for adjustment schemes to help the developed countries cope with any market disruption consequent upon the granting of preferences on their part. It was further recognized again that in the granting of preferences the interest of the least developed countries among the developing group should be given special consideration. This point, it was agreed, is of special importance to Africa. It was accepted that African countries should insist on the inclusion in the UNCTAD agenda of an item covering a review and evaluation of advantages that developing countries might expect from preferences. It was decided that African countries should secure satisfactory guarantees before surrendering the advantages they enjoy from whatever preferences they presently derive from, for example, membership of the Commonwealth or association with the EEC. In this connection it was suggested that the ECA conduct a detailed study on safeguards and also on what African countries may stand to gain or lose from the Kennedy round. It was accepted that the question of compensation for developing countries who surrender existing preferences in the general interest, was one for the international community to deal with.

(d) Shipping, Insurance and Tourism

15. The representatives recognized that solving shipping, insurance and tourism problems could improve the balance-of-payments situation of African countries. Action by African countries should be two-edged: at the international level the African countries should ask that shipping, insurance and tourism problems, especially concerning establishment of an African merchant marine, the question of freight rates and the training of the necessary staff and technical assistance on re-insurance questions, be included on the agenda of the second UNCTAD Conference. At the African level, the importance of sub-regional cooperation was recognized.
16. A number of representatives expressed the wish that the ECA Secretariat would carry on with the studies which it had begun on transport in some African sub-regions and extend them to the other sub-regions.
17. With respect to tourism, the meeting recognized the African countries' need to obtain the necessary aid for establishing the infrastructure and to work together at the sub-regional or regional levels in promoting tourism. The simplification of travel formalities was also recognized as a factor encouraging tourism. It was generally recognized that the use of special fares and transportation rates for tourists was an inducement to tourism and should be encouraged in the African region. The problem of landlocked countries was brought up and the meeting expressed its satisfaction that an UNCTAD Convention had been adopted on this subject and that at the Working Party's first session, suggestions on transit trade had been made. It was also gratified at the cooperation among African countries with a view to alleviating the problems of landlocked areas. The meeting also assured landlocked countries of African support in solving their problems.
18. The representative of the Economic Commission for Africa drew the meeting's attention to the large number of studies which it had requested that the ECA Secretariat undertake. He assured them that the ECA had already undertaken a number of these studies or was about to do so and that the member governments were already well acquainted with the facts. The delegations' request therefore revealed a certain lack of communication between governments, their representatives abroad and the ECA. The ECA's efforts were in fact aimed at African

development by means of sub-regional cooperation on industrialization, shipping, tourism, trade, etc. The technical aspects of the problems were known; it was the political determination of African countries to apply the proposed solutions which was necessary; and ECA's present preoccupation in the series of sub-regional meetings which have been held since 1965 is to work out with African governments inter-governmental machinery for harmonising national decision-making in such matters with multi-national decision-making.

B. ADDRESS BY DR. PREBISCH

19. Dr. Prebisch, Secretary General of the UNCTAD, was invited to address the meeting. He expressed his gratitude for this further opportunity to speak to the African delegations. In the course of his speech, Dr. Prebisch covered a wide range of topics concerning the agenda for the second UNCTAD conference, and the proposed meeting of the 77 before this conference. The general tenor of Dr. Prebisch's remarks on the first subject was that progress had been disappointing since the first conference, but that every effort should continue to be made to establish a coherent policy for trade and development on the international level. Dr. Prebisch stressed the importance of the unity of the 77 and gave reasons for thinking that the proposed meeting would be very valuable. The speech of Dr. Prebisch is reproduced in Annex V of this report.

20. The Secretary General answered a series of questions from various delegations. He agreed that the effect of reduction in customs duties in centrally-planned economies was different from the effect of such reduction in market economies. It was true that customs duties in the centrally-planned economies were less important. This was not to say that they were entirely unimportant. Even in centrally-planned economies, customs duties could affect price which in turn influenced the levels of consumption. Commenting on the possibility of securing an International Trade Charter, Dr. Prebisch agreed that this might in fact be possible. The really important thing, however, was to secure agreement on commercial policy.

21. Dr. Prebisch recognized the importance of considering the position of the less-developed among the developing countries. Special consideration had already been given to this group of countries in the relevant UNCTAD trade

documents. The question, of course, was wider than this and issues such as aid had also to be considered. UNCTAD was now making projections for specific developing countries. This should help in appreciating the particular problems of the less developed among such countries. On commodity agreements, the Secretary General considered that there had been many difficulties and that there were still many difficulties ahead. He thought, nevertheless, that what had been achieved for wheat, coffee and cocoa, showed what could be done in the face of difficulties. He continued to believe in the possibilities of persuasion.

22. Dr. Prebisch explained that there were three possibilities as to the venue and timing of the second UNCTAD conference: India in September; Geneva in August, September or possibly July; and New York in June or July. He added that, from the point of view of the Secretariat, Geneva or New York would be more convenient. He had, however, pointed out to the Indian Government that he was very conscious of the strong recommendation to hold the next conference in a developing country and that consequently the convenience of the Secretariat should certainly not be the deciding factor in determining the venue. On the meeting of the 77, he repeated the arguments - detailed in his speech - in favour of holding this meeting well before the UNCTAD conference in order that between the two meetings a high-powered delegation from the developing countries could visit the developed countries.

23. On the question of policy interference from lending institutions, the Secretary General repeated his view that agreements should be reached among governments. In his view policy determination was not a function for lending institutions. He thought that evaluation of policy issues should be made by an independent body of experts and in support of this view he cited the successful experience of Latin American countries.

24. On the question of buffer stocks, Dr. Prebisch explained that a paper was being prepared for the conference on the basic elements of commodity policy; buffer stocks were among the most important of these elements and would be fully dealt with in the paper. Dr. Prebisch suggested that the burden of debt servicing, etc. could be reduced in a number of ways: by improvement in the terms of lending (although he noted that there was at present a deterioration in this respect); by an extension of the maturity of presently outstanding loans; and

by the substitution of long-term financing, adapted to the ability of the borrowing country to repay, for the present system of export credits. Dr. Prebisch further explained that in his next report for the UNCTAD conference he would be dealing fully with the question of the terms of trade.

25. Dr. Prebisch recognized that inter-regional cooperation was an important question. It would not be easy to secure such cooperation. The UNCTAD nevertheless regarded it as a most significant matter and had already begun to explore the possibilities. He agreed with a suggestion that some attempts should be made to systematize the aid flowing from various sources to the developing countries, particularly in order that the needs of the less-developed among these countries could be safeguarded.

26. In reply to a suggestion that the high-powered delegation representing the 77 should visit the developed countries after, rather than before, the second UNCTAD conference, Dr. Prebisch reiterated the arguments for sending this mission before the second conference. The purpose of the mission was to call attention to the heads of governments in the developed countries to the importance of securing concrete results from the second conference and thus to assure the success of the conference. Questioned as to different views concerning the relationship between inflation and economic growth, Dr. Prebisch remarked that the basic problem was to identify the cause of inflation in developing countries. It was true that policy causes could and do explain inflation in such countries. This was, however, only a partial explanation and what was important also was to draw attention to the structural causes of inflation. The question then of how to fight inflation became one of controlling external forces and carrying through structural changes in the economy.

27. Dr. Prebisch made it clear that the UNCTAD would like to be useful to governments in the field of export promotion. They were in fact inviting a group of experts to meet and discuss with UNCTAD how best this could be done. UNCTAD would also be party to these discussions.

28. The phenomenon of suppliers' credit, in the view of the Secretary General, underlines the deficiencies in the present international financial system. There had been a call for a special conference on aid, and the terms of aid, at the last meeting of the Economic and Social Council. His view was that such

a special meeting was unnecessary since the next UNCTAD conference could be used fully for this purpose. On the question of implementation at the next conference, Dr. Prebisch thought that it would be well to start with a plenary debate in the course of which the various countries could formulate their positions. Then in light of this debate the agenda for the conference could be considered.

29. On behalf of the African delegations the Chairman thanked Dr. Prebisch warmly for his address and for his answers to the many questions put to him. He expressed the confidence of African delegations in UNCTAD and assured Dr. Prebisch that African countries would support the UNCTAD fully. In reply, Dr. Prebisch stated that he had been stimulated by the experience of addressing the African delegations once again and that he would be available at any time to discuss with them further if they should so desire.

C. THE PRE-UNCTAD MEETING OF ALL DEVELOPING COUNTRIES

(Agenda Item 5)

30. The need for a meeting of the Group of 77 Developing Countries was unanimously recognized, as was that for a ministerial mission appointed to visit the principal developed countries before the second UNCTAD Conference.

31. As far as the time and place of the meeting of the 77 and that of the second UNCTAD Conference are concerned, the meeting thought that it would be necessary to await the outcome of the discussion of these questions by the group of 31 during the fourth session of the Trade and Development Board. The representatives of OAU underlined the fact that the establishment of the terms of reference for the meeting of the 77 could help in the determination of the time and place for this meeting.

D. UNCTAD CONFERENCE AGENDA

(Agenda Item 6)

32. The meeting agreed to ask that the following points should be placed on the agenda for the second UNCTAD Conference: the problem of the least developed among the developing countries (this point does not appear explicitly in the Conference agenda); the establishment of export orientated industries in the

developing countries (this point could be placed under item 3 of the Conference agenda); the question of adjustment necessary in the developed countries as a result of market disturbances following from the opening of these markets to exports of manufactured goods from the developing countries (this point does not appear explicitly in the draft agenda for the Conference); the problem of establishing merchant marines in developing countries, of improving port installations and training the necessary personnel as well as the questions of maritime experience and of tourism (these points do not appear explicitly in the draft agenda).

33. As far as the international fiscal system is concerned several delegates pointed out that in order to be able to present this to other countries they required explanations as to the nature, aims, mechanism, etc. of the system and as to installations with the other means of financing currently being studied by several institutions.

34. The principles of an international fiscal system were briefly outlined by the representative of the ECA. He stressed the fact that the study was only at an initial stage and that the answer to all questions could not be given now. However, he assured the delegates that all aspects of the problem would be examined in detail.

35. The experts again accepted in principle the international fiscal system. They recommended the ECA to pursue detailed study of the question and to complete the study before the pre-UNCTAD meeting of the 77. Meantime, if the ECA could prepare a brief, this would permit the African countries to present the system to the other developing countries together with the relevant facts and to ask for the inclusion of this question in the agenda of the second UNCTAD Conference. If not, they agreed to introduce the matter incidentally under item 5 of the proposed agenda.

E. AFRICAN REPRESENTATION IN UNCTAD

(Agenda Item 7)

36. It was agreed that efforts should be made to increase African membership of the UNCTAD Committees and that - particularly in view of the growing number of independent African countries - at the same time, maximum use should be made of the present African seats. African governments which are presently represented should attend all the relevant meetings.

37. It was decided to recommend to African governments, and the ECA and OAU Secretariats, that they consider sympathetically any requests to release staff to work in the UNCTAD. The difficulties caused by the absence of African representatives at international meetings as well as some of the underlying reasons were generally appreciated but it was felt that every effort should be made to secure maximum effective African participation at such meetings.

38. The meeting decided that the OAU should contact African governments and urge those that had not already done so to send permanent missions to Geneva.

39. It was agreed that officers of the meeting should seek an interview with the Secretary General of the UNCTAD in order to discuss the position of Africans in the UNCTAD Secretariat.

F. ANY OTHER COMPETENT BUSINESS

(Agenda Item 8)

40. It was agreed not to discuss the matters listed under this item owing to the lack of time and their inappropriateness for an extraordinary meeting of the two bodies.

PART III - RECOMMENDATIONS

(a) Studies by the ECA

41. That the ECA Secretariat should conduct a detailed examination of the list of commodities presented in Annex VI to determine the suitability of intra-regional and international commodity agreements as a means of solving the problems of these commodities.

42. That the ECA Secretariat should undertake a thorough study of the IBRD scheme for supplementary financing within three months.

43. That the ECA Secretariat should conduct a study on the safeguards that could be provided for the less-developed among the developing countries in connexion with preferences; and of the likely advantages and disadvantages to Africa of the Kennedy Round.

44. That the proposal to establish an International Fiscal System should be accepted in principle and that the ECA should be asked to undertake a detailed study of such a system, before the pre-UNCTAD meeting of the 77.

(b) Items for inclusion in the Agenda of the second UNCTAD Conference

45. That an item should be included in the agenda for the next UNCTAD Conference covering a review and evaluation of advantages that developing countries might expect from preferences.
46. That an item should be included in the agenda for the next UNCTAD Conference covering shipping, insurance and tourism, especially concerning the establishment of African merchant marines and the related question of the necessary technical assistance.
47. Other items recommended for inclusion in the UNCTAD agenda are the question of the position of the less-developed among developing countries; the establishment of export oriented industries in Africa; and the problem of adjustment in developed countries resulting from market disruption consequent upon the granting of preferences by the developed countries.
48. The increase of African membership of UNCTAD committees in view of the increasing number of independent African countries.

(c) Other recommendations

49. That the African Governments, the ECA and the OAU Secretariats should consider sympathetically requests for releasing staff to work in the UNCTAD Secretariat.
50. That the OAU should contact African Governments and help to improve African representation in Geneva especially in encouraging those not already represented to establish permanent missions there.
51. That African Governments which are presently members of UNCTAD committees and boards should endeavour to attend all relevant UNCTAD meetings.

ANNEX I

STATEMENT MADE BY THE SECRETARY-GENERAL OF THE O.A.U.

This Extraordinary Session of the Joint OAU/ECA Committee has been convened to consider primarily immediate problems of Africa in Trade and Development and how these problems can be more efficiently taken account of in the forthcoming United Nations Conference on Trade and Development Board Meeting.

Be that as it may, I should like to take the liberty to call your attention to the fact that it is now almost six months since this group held its meeting in Addis Ababa and made certain concrete recommendations. It seems fitting, therefore, because of the urgency of the problems we face in Africa and because of the very nature of this Committee that we take a brief inventory, so to say, of the extent to which the said recommendations had been implemented. In short, I hope that this group would transcend a rigid interpretation of this Extraordinary Session and avail itself of this opportunity to review actions taken in the areas of the application of the Brussels Tariff Nomenclature, the simplification and standardization of trade documents, the preparation of products for free trade among African countries, the harmonization of industrial development, the establishment of a committee to study terms and directions of foreign investment and action taken regarding the UNCTAD questionnaire. It would be far fetched to expect a detailed review but on the other hand your action would strengthen the continuation in the work of this Committee and encourage and accelerate implementation of its recommendations.

With this brief introduction, as I would like to call it, I shall now proceed to call your attention to the primary task for which Extraordinary Session has been called in accordance with one of the recommendations which emanated from your meeting in Addis Ababa. In short I would like to sum up the problems before you under two headings and these are international trade and development assistance. Within those two categories fall the tragedies of Africa's economic situation and unless proper solutions are found Africa shall find it extremely difficult to carry out successfully her development and growth programmes economically, socially and even politically.

In this twentieth century, African countries, like all other developing countries, are striving to develop their economies and meet the general aspirations for economic growth and the ultimate eradication of poverty. It is my belief that although the process of economic growth is too complex to be a function of a single determinant, yet international trade is the main contributor to the development of the less developed countries. Unfortunately, it is a fact that in the post-war period expansion of trade has been unevenly distributed over the constituent parts of the international economy and exports from the developing countries have grown more slowly than those from the developed countries. For example exports from the developed market economies grew in value terms at an annual rate of 8.0 per cent between 1950 and 1962, while those from the developing countries increased in the same period by a mere 3.4 per cent and as a result of this the share of the developing countries in world exports has declined from merely one-third by value in 1950 to around one-fifth in recent years. This makes it very hard for the developing countries to generate economic growth and their concern about the increase of their export earnings would only be legitimate. Fluctuations in the prices of primary commodities which make up the bulk of the developing countries' exports, stand as a major problem for Africa today. Since these fluctuations are the result of short run inelasticities of both supply and demand, it would be only fair that the African countries press for a certain control over the operation of the primary commodity markets, that would induce price stability and stabilization of export earnings. The situation as it is today does not allow developing countries any share in the control over the operation of the primary commodities markets. Here is a brief review of the situation as it is today.

Firstly, the number of primary commodities for which developing countries could exercise an effective control on supply is only about one-fifth of the total volume of primary commodities.

Secondly, more than half of the primary commodities from developing nations had competition from those of developed nations.

Thirdly, more than half of the commodities from developing nations encounter competition from synthetic products.

Fourthly, all commodities whose supplies the developing countries could control are subjected to duties or restrictions in the developed markets thus impelling flow and expansion.

Taking these into account there is firstly an urgent need to stabilize primary commodity markets so as to ensure equitable and stable prices by means of international commodity agreements based upon dynamic and steady principles designed to ensure progressive increase in the export earnings of developing countries. This should furthermore include provisions for compensatory financing to offset consequences of fluctuations that may arise in raw material prices or from undertaking control of production thereof.

Secondly, there is a need for the augmentation of Africa's export earnings by giving her wider access to the markets of developed countries by increasing her share of manufactured and semi-manufactured goods in world exports. We cannot achieve this unless tariffs and non-tariff barriers affecting manufactured and semi-manufactured goods from African countries are either reduced substantially or eliminated thus establishing a non-reciprocal system of preferences in favour of African countries. Let me emphasize here, that African countries who are less developed among the developing countries are entitled to some special preferential treatment to be accorded by developed countries to the manufactured and semi-manufactured and processed goods produced in Africa. This is because if the developed countries agree to accord the developing countries in general the preferential treatment, the result might not be to the advantage of the African countries, since all the advantage will be netted by the most developed among the developing countries which do not include the majority of the African countries. I do not believe this would be an exaggerated request, because developed countries as well as the most developed among the developing countries should show a kind of understanding towards the economic problems of Africa and should be willing to help solve them.

Thirdly, suitable steps should be taken and encouraged to promote expansion and diversification of trade among the developing countries themselves with due regard to regional economic integration. Close economic cooperation in Africa should be ensured and development and production programmes should be brought in harmony thus enabling the continent to play its role effectively in international trade.

Fourthly, without prejudice to science and progress, means should be sought to ease off the competition of synthetic materials with African primary goods. Developed countries are in a better position to effect some reallocation of resources thus resulting the ease of competition on primary goods produced in Africa, without much difficulty.

Within the area of international trade there is further the question of invisible trade whose importance to Africa's economic development cannot be underestimated particularly in the area of shipping. We should realize that the improvement of shipping and freight rates and the establishment of an African merchant marine could lead to a good deal in the improvement of the balance of payments of African countries.

The exports of developing countries in general, and African countries in particular, consist mainly of primary commodities with a relatively low unit value, and most of which is carried over long distances by ships. The freight incidence on exports is accordingly much higher than the average in international seaborne trade. This is obviously of particular importance when, as has been the case in the 1960s, the freight rates are rising steadily while at the same time the conferences impose a number of general increase or surcharges.

Although the volume of seaborne trade of developing countries is an increasing share of the world total, the share of world shipping tonnage owned by developing countries is tending to fall. Thus the harmonization of the shipping policies of governments and the enabling of African shipping lines to participate in related conferences on equal terms are possibilities that must be sought. Systematic consideration should be given to abolishing the secrecy at present surrounding shipping operations

Furthermore, sources of technical assistance for developing merchant marine, to improve port operations and connected inland transport should be made available to Africa to give her a comfortable position in international trade.

The second phase of the problem before you which is in a way a corollary to international trade is that of development assistance. In effect trade relations and trade policies conducive to development could make the question of financing and development assistance of less importance than what we consider it to be today. In fact I dare say that if commodity prices were more stable and more remunerative, if African manufactured and semi-manufactured goods could find their shares in world trade with less severe restrictions and competition, African countries could do with fewer loans and worry little concerning financing and be far better off. However, knowing that there is a situation of adverse effects due to instability of primary commodity trade, fluctuations in export proceeds causing difficulties of maintaining stable internal economies as well as handicapping the planning and realization of economic and social development

plans, the question of development assistance assumes an important position in considering African trade and development. Today, in Africa from the standpoint of economic aid received the amount received is small in relation to the needs and the terms are relatively rigid in terms of repayment obligations. Furthermore, there has been piecemeal and discontinuous assistance provided by a multitude of agencies without coordination at the country level and without any clear idea as to its overall impact upon regional economic integration. Thus in this area Africa faces at least three major questions. Firstly, it is the question of the amount of development assistance and the need for a significant rise in external financing if Africa has to achieve economic and social progress as well as supplementing her resources and ensuring self-sustaining development. The Committee should therefore come up with calculated proposals in order to find a reasonable solution to the capital requirements of Africa. Secondly, further concrete proposals should be sought on the possibilities of repayment period of long term basis at a very low or if possible zero rates of interest. Thirdly, Africa should make known that development aid received should be conducive to regional economic integration as well as a means to the realization of African unity. Finally, developing African countries should realize that the securing of technical know-how, skills, managerial talents, entrepreneurship, must constitute a very important aspect of development assistance and it would be doubly beneficial for them to make it a point to draw on African talent first and before engaging the service of non-African experts.

These are only brief remarks regarding a few of the problems which Africa is faced with and which she would like to be firmly voiced in an international forum. We feel that if left unregulated international trade and capital movements would lead to serious back-setting effects in the developing countries by the progress in developed countries. Furthermore, it is high time to examine seriously, whether the existing terms of trade are actually a means to transfer income from less-developed countries to developed countries. Moreover, it may be the right time and place now to see if the prevailing international monetary policy is liberal enough to safeguard African countries from external vulnerability or keep stabilized the external equilibrium of their economies.

Let me also make a short reference to African representation in UNCTAD organs. I believe that in UNCTAD we have an organization which could afford Africans both opportunities of employment as well as of training for ultimate

service in their respective countries and for Africa's benefit as a whole. I hope that this session would make concrete proposals for the realization of this by not only asking UNCTAD to recruit Africans among its staff but also by encouraging African countries to spare their nationals for training periods in the various organs to serve in the Secretariat which experience they would later use for the welfare of Africa.

Finally, let me enumerate here the points that we should emphasize in our discussions with the UNCTAD.

1. That commodity agreements should aim at raising the export earnings of developing countries and not only stabilize prices. This rise in export earnings should be measured in terms of purchasing power of exports and not only in money terms.
2. That schemes for removal of tariff and non-tariff barriers to trade and introduction of a general preference system should contain provisions for safeguarding the trading interests of the African countries among the developing ones.
3. That developed countries should tolerate preferential treatment among developing countries themselves, and that they should be aware of the concern of the developing countries at the growing competition afforded to certain primary products from the developing countries by synthetic or natural production in developed countries.
4. That African countries should be able to promote their industrialization by processing domestically their own primary products through increased aid from developed countries on more better terms.
5. That developed countries should adopt in their assistance schemes, a policy conducive to regional economic integration.
6. That consideration should be given to the review of shipping rates which at the present time do not favour developing countries in general and African ones in particular.
7. That arrangements for technical and financial assistance to developing countries that wish to build up their national commercial fleets should be made.
8. Finally, that UNCTAD should contribute generously to the cause of training young Africans in the fields of trade and economics.

Before I conclude, I wish to make one serious remark. I realize the very important questions that are before you. They are in fact problems whose solutions are a matter of life and death for the Africa of today and tomorrow. In trying to find these solutions, therefore, let us be realistic and face the fact that we are going to negotiate for what Africa wants. In bringing the demands of Africa before the international platform let us not be too critical of the developed nations. Rather let us broadmindedly but firmly explain our difficulties and ask for their understanding and cooperation towards their solution. You may then rest assured that your duties are well done and your contributions will be invaluable in the pursuit of the task we are all engaged in - a prosperous and united Africa.

With that I shall reserve myself from taking your valuable time and wish you again, all the best of success in all your deliberations.

22 August 1966

ANNEX II

OPENING ADDRESS BY MR. N.A. COX-GEORGE, HEAD, TRADE,
FISCAL AND MONETARY DIVISION, ECONOMIC COMMISSION FOR AFRICA

On behalf of the Executive Secretary of the Economic Commission for Africa, it gives me great pleasure to welcome delegates to this extraordinary joint Meeting of the ECA Working Party on Intra-African Trade and the OAU ad hoc Committee of Fourteen on Trade and Development. In doing so I should like to express our sincerest and deepest appreciation to the European Office of the United Nations and to the Secretary-General of UNCTAD for the excellent facilities they have put at our disposal. It will be recalled that the decision to convene this extraordinary session was taken by the first joint Meeting of the two bodies in March of this year; and that the task then allotted to this extraordinary session was that of "formulating African positions for the forthcoming UNCTAD Conference." The first United Nations Conference on Trade and Development was something of a landmark among international economic conferences. The second will be no less significant and it is of the utmost importance that African delegations go both to the UNCTAD Conference and the meeting of the 77 which we hope will precede it with very clear notions as to what they might contribute to and expect from these gatherings. The present meeting can contribute greatly towards this desired clarity of purpose.

As the working papers before you make clear the basic economic policy problem confronting African countries is, by means of diversification and industrialization, to transform their economies so as to secure significant increases in incomes per capita on a continuing basis. As independent nations, the African countries themselves must bear the major responsibility for solving this and other policy problems; and in the last resort the prospects for economic growth in any country depends on its ability to mobilize its resources by carrying through all necessary social and economic changes. African countries have, however, open economies and there is now reason to believe, as there was at the time of the first UNCTAD Conference, that the achievement of rapid economic growth in most countries in Africa is liable to be constrained by a shortage of foreign exchange. This shortage of foreign exchange flows from certain structural characteristics of the international economy; and it provides the first reason why Africa together with the other developing regions may

honourably seek the help of the international community in bringing about the necessary economic transformation.

Economic transformation then is important to Africa. But African economic transformation is of concern not only to African countries. Economic development in Africa enhances not only the lot of the African people but also the prosperity of the international economy at large. After all, the African continent (exclusive of South Africa), comprises about 290 million people; and thus every US \$10 increase in annual per capita incomes increases Africa's annual purchasing power by US \$2,900 million. It is probably true that, to an increasing extent, much of this additional purchasing power will be deployed in Africa on African goods and services. But it is equally true for as far ahead as may be seen that a significant proportion of the increased purchasing power will be directed towards boosting the demand for imported products. This common interest provides a second reason for international involvement in African economic development.

In considering the problems of African economic development in their international context, three questions may be distinguished and briefly discussed. How far does Africa have to go? What can the international community do to help particularly through the UNCTAD? and, What interests does Africa have in common to other developing regions of the world? The question as to how far Africa has to go depends for its answer on the precise specification of goals. This raises questions of judgment about which different persons may honourably disagree. It can, however, be safely asserted that the basic task is to raise African per capita incomes as quickly as possible. Given the present level of such incomes and the time required to attain the levels now enjoyed by the inhabitants of the middle range of developed countries, persuasive argument may be made that in real terms African incomes should now be growing by at least 3 per cent per annum compound. Against this target it has to be recognized that in the first part of the United Nations Development Decade African performance has generally been of the order of an annual increase of 1 per cent compound. If this rate of growth were to continue it would require something like 300 years of African per capita incomes to reach the target level. For people now alive 300 years is an infinitely long time and, particularly remembering the nature of compound interest, it is evident that if present aspirations are to be at all satisfied the rate of growth in Africa must quickly and considerably be increased.

It would be difficult to underestimate the magnitude of this task. It would also, however, be unwise to give way completely to pessimism. Without wishing to detract from the difficulties that African countries confront, it is important to recognize that there have been some positive features in the African economic scene in the first half of the Development Decade. A small number of countries did achieve creditable rates of growth in this period. Some African commodity exports - notably petroleum and copper - increased at somewhat satisfactory rates. On the invisible account mention might be made of the Egyptian success in running the Suez canal, of the successful establishment of national shipping lines in Ghana and Nigeria, and of the development by a number of African countries of a growing tourist industry. Most hopefully of all perhaps it should be recorded that for a number of African countries the rate of growth of gross domestic capital formation was considerably in excess of the rate of growth of income. It is known that many capital projects have long gestation periods and it is to be hoped that the investments now taking place will ultimately be reflected in considerable increases in income. When all is said and done what stands out from a survey of leading economic indicators for Africa in the first half of the Development Decade is the great distance still to be covered.

Let me turn now to the question of the help Africa might expect from the international community and in particular from the UNCTAD. A useful starting point here would be a summary of the results of the last UNCTAD Conference and of the work subsequently undertaken by the various committees of the UNCTAD as well as by the UNCTAD Secretariat. The discussions at Geneva and the subsequent studies and further discussions encompass such a wide range of topics that it is not easy to summarize the outcome of all this deliberation. Broadly speaking, the substantive work of UNCTAD may be put under three main headings: visible trade, invisible trade, and financing relating to trade. As far as visible trade is concerned, the main efforts have been directed towards the establishment of international commodity arrangements which would, inter alia, secure "remunerative, equitable and stable prices for primary commodities especially those exported by developing countries, having due regard for the import purchasing power of the commodities exported"; towards the establishment of greater access to the markets of the developed economies for goods emanating

from developing countries, towards increasing trade between the developing countries and the centrally planned economies; and towards increasing trade among the developing countries themselves. Easier access to the developed market economies should be obtained both by the removal of existing barriers to trade in these economies and, further, by the granting of preferences to goods imported from developing countries. The question of preferences is basically one relating to manufactured products.

As far as invisible trade is concerned much of the attention has focused on questions of freight and insurance, as well as on measures for increasing the receipts of the developing countries from tourism. On financing relating to trade there has been wide-ranging discussion of the flows of private and public funds from the developed to the developing countries together with a very detailed examination by the International Bank for Reconstruction and Development of a scheme for supplementary financing.

This summary account of the Geneva and post-Geneva discussions does not do justice either to the scope or to the detail of these discussions. It does, however, serve to put in focus the main ways in which Africa might expect help from the international community. It should be recognized that the expansion of exports, the improvement of the invisible account and an increase in the magnitude and improvement in the terms of aid are mutually reinforcing methods for helping African countries to solve their development problems. This is not to say, however, that all the work now being done by UNCTAD is either likely to bear equal fruit or of equal relevance to African problems. What is indeed important is for African countries to weigh the probability of success and the desirability of each of the lines of action now being pursued. In particular argument may be made that in African circumstances what is most required is an increase in the amount of aid together with a very marked improvement in the terms on which this aid may be obtained. It may, therefore, be suggested that this meeting should seriously consider putting on the next UNCTAD agenda the question of an international fiscal system, which would relate both the amounts of aid and the methods of its disbursement directly to the requirements of the development countries.

It remains to examine the interests which African countries have in common with those of other developing regions. One of the most impressive features of the first UNCTAD Conference was the solidarity of the 77 developing countries there represented. This solidarity undoubtedly contributed to the success of the Conference and it certainly enabled the developing countries to formulate their requests in a most powerful fashion. It is important to maintain this feeling of solidarity among the developing countries. In order, however, that solidarity shall endure it is necessary that it be based on a frank recognition of mutual interests. In this context it is important to recognize that although all developing countries have a common interest in securing certain fundamental changes in the international economy, there are some differences of interest among the developing regions themselves. In particular it is important to recognize that Africa is the poorest of the developing regions and is presently most dependent on the export of primary commodities. From this it follows that for example successful attempts to win preferences for manufactured exports in an indiscriminating way from the developing countries in the markets of the developed will not bring equal gain to all developing countries. It follows also that what preferences African countries now have from membership of the Commonwealth or association with the European Economic Community should be placed on the scales. African countries should stand ready to support legitimate claims of developing countries in other regions. They can hardly be expected to do so however to their own detriment.

The questions we have to discuss at this meeting are complex and do not yield to simple answers. It nevertheless should be possible to make some progress and to have by the end of this meeting some clearer idea of the attitudes we wish to strike in fulfilment of our own aspirations and in recognition of the just needs of others. The preliminary agenda you have before you specifies a number of major questions. The working papers attempt to offer some guidance as to how these questions might be resolved. It is now for you to proceed with your discussions. I hope they will be fruitful.

ANNEX III - ANNEXE III

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LISTE DES PARTICIPANTS

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ANNEX IV

PROVISIONAL AGENDA

1. Opening Addresses
2. Election of Officers
3. Adoption of the Agenda and Organization of Meeting
4. The African Position at the Second UNCTAD Conference
5. The pre-UNCTAD Meeting of all Developed Countries
6. UNCTAD Conference Agenda
7. African Representation in UNCTAD
8. Any Other Competent Business
9. Adoption of the Final Report and Recommendations

ANNEX V

ADDRESS BY DR. RAUL PREBISCH, SECRETARY-GENERAL
OF UNCTAD

I should like to express my appreciation to you, Mr. Chairman, to the distinguished members of the Organization of African Unity and to my colleagues of the Economic Commission for Africa for having helped me to determine the points for this morning's discussion.

The fourth session of the Board is supposed to consider, among other things, the Implementation Report and the Agenda for the second Conference. The background is not encouraging. As you have seen in the report, the rate of growth of developing countries clearly shows that at its midpoint the Development Decade is becoming essentially an illusion and that we are very far from achieving the objectives set therein. In point of fact, the figures included in the Implementation Report show that in the first four years of the Decade the rate of growth has increased by slightly over 4 per cent on the average and this is very serious if one takes into account the fact that even the minimum rate of 5 per cent established by the Decade has been considered as insufficient and modest. In my statement to the Board, I intend to examine the reasons for the inadequate growth rates of the developing countries and will also deal with the external and internal factors because it is a combination of both which explains the present situation. For instance, the figures included in the report indicate that the efforts made to increase the transfer of financial resources from the developed countries to the developing is not comparable to the manner in which the gross national product of industrial countries has been increasing. In 1961 the industrial countries as a whole were transferring to the developing countries 0.87 per cent of their gross domestic product, which was close to the 1 per cent target established in the "Growth and Aid" recommendation of the first Conference. But in 1964 the proportion has fallen to 0.66 per cent. This is even more serious if one considers that the burden of amortization, interest and dividends are offsetting the actual gross flow to the developing countries from all sources by half, and will continue to offset it at an accelerating rate. In certain areas the situation is particularly serious.

No significant measure has been taken to improve the access of primary products of the developing countries to the industrial countries and we have not as yet succeeded in reaching agreements on stabilization schemes for sugar and cocoa. The basic reasons which explain the lack of an agreement on cocoa are the problem of prices and the absence of an adequate financing scheme for the buffer stock. These two points, particularly the latter, are of paramount importance not only for cocoa but for the future orientation of commodity policy in general.

One of the basic elements of the plan to stabilize the prices of cocoa was the operation of a buffer stock. To that effect producers as well as consumers agreed that a permanent source of income was required, in the form of a contribution to be paid in all export operations. But while the agreement on this point is indeed a considerable advance, you may well understand that several years would be required in order to have an adequate amount of resources which would facilitate the successful operation of the buffer stock. It was therefore essential to establish a system of pre-financing and to that end I approached, at the request of governments, the international lending institutions. I was advised that owing to constitutional limitations and to the nature of their operations they were not in a position to make available funds for such purposes. Some governments were willing to provide funds but since some others were not in a position to do so it was not possible to reach an agreement. The question of the adoption of a scheme for the financing of buffer stocks should thus become one of the important items of the agenda. If we are to think about commodity agreements this is a matter that must necessarily be considered.

Another important question to be discussed at the Conference is that of supplementary financing. You are aware of the efforts that are being made in UNCTAD in this respect and of the fact that an inter-governmental group is being set up to consider the scheme prepared by the World Bank. I expect that a satisfactory solution can be found at the Conference upon the basis of the Expert Group's recommendations.

The idea of preferences for the exports of manufactures and semi-manufactures of developing countries is now accepted by a number of countries. In the secretariat we believe that every technical aspect of this problem can be solved satisfactorily but at the last meeting of the Group on Preferences it was not possible to go very far because there remains the lack of a policy decision by some governments that general preferences should be granted to the developing countries. A number of countries of the OECD are studying the question and this is a good symptom. We do not know as yet the type of proposals that may emerge from these consultations but the existence of a Group on Preferences with UNCTAD will enable us to consider whatever suggestions are made as soon as they are presented with a view to achieving practical conclusions.

One of the aspects that should be further explored in this respect is that of the position of the least developed countries. I am convinced that certain special measures must be worked out in order to ensure that preferences are equally beneficial to all developing countries.

I obviously attach a very great importance to the question of preferences, but even the most favourable decision on this matter will not achieve its objectives if at the same time we do not organize properly an efficient system of export promotion. The Secretariat has prepared for the Board a report with regard to the measures that could be taken within UNCTAD to assist the developing countries in promoting the exports of not only their primary products but also and foremost their processed, semi-manufactured and manufactured products, where the need for technical assistance is probably greatest. Such assistance may be rendered in several ways: first, by sending experts requested by particular countries to study the possibilities of exports of processed and industrial products; second, to complement what GATT is doing in the collection of information in the developed countries as to the possibilities of finding satisfactory markets for exports of manufactures from developing countries. This is an extremely broad field where there is ample room not only for one international institution but for two or more and for several national and regional institutions. The third way is the organization and the strengthening - internationally, regionally, sub-regionally or nationally - of the mechanisms of export promotion. Finally, there is the important problem of training personnel from

the developing countries in the techniques and in the knowledge of problems of export promotion, through the organization of institutes, centres, seminars, etc. We would like to play a very active role in all these practical matters of immediate concern and this is the purpose of the document that we are presenting to the Board. Our purpose is to use the resources of the United Nations Development Programme as well as the ordinary operations of technical assistance with the purpose of channelling existing resources for the fulfilment of these objectives. At the recent session of the Governing Council of the United Nations Development Programme, Mr. Paul Hoffman said that he was prepared to support actively the efforts of UNCTAD in the matter of export promotion. As a result, discussions have been initiated in order to see how resources of the Development Programme could be mobilized in favour of the developing countries for export promotion. I noticed that in his speech, Mr. Pognon made a special reference to the training of African officials in this field, thus reflecting the same preoccupations as those which we have in UNCTAD. I attach the same importance as he does to such a programme and I can assure you of our willingness to play as efficient a role as we can in this matter.

I have seen that you have also attached, and rightly so, a great importance to the problems of shipping and undoubtedly you are aware of what has happened in UNCTAD in this respect. A very interesting programme of work was approved by the pertinent committee covering, inter alia, the question of consultation machinery, improvement of ports operations and national merchant marines. A few days ago a special session of the Committee considered the problem of freight rates which had been left in abeyance when the Committee adopted its work programme. The matter was not easy as there was strong opposition by some countries and the programme was finally approved by a majority vote, with some abstentions. I hope, however, that the secretariat will have all the required information in order to be able to present to governments reports on these rather unknown aspects of international trade. This is the first time that the United Nations or any international organization will study the matter and it is indeed unfortunate that a full year has been wasted because of the problems that I have mentioned.

This involuntary delay on the question of freight rates explains why we were hesitant to include an item on shipping in the agenda of the Conference. It is certainly not because we do not attach importance to these problems but because we think that Governments would wish to have full and adequate background information in which to base their decisions and I am afraid that we will be unable to submit to the Conference full reports on these questions.

I will omit for the sake of brevity some other aspects of the Agenda of the Conference. In general terms, the more I think on the responsibilities of UNCTAD, the more I am convinced that you, distinguished representatives, should consider the possibilities of using the second Conference as an occasion to formulate a policy regarding measures to be taken at the national and international levels with regard to important, sometimes deep, differences in the levels of development that exist within the developing countries.

I am convinced in this connexion that the promotion of exports from the developing countries to the industrialized countries, for instance, has to be complemented with efforts to promote trade relations among the developing countries themselves. We have been following the discussions which are taking place in this regard at the regional level and although we do not think that at its forthcoming session the Board will be able to consider the subject fully we have prepared a report upon the basis of which the Board may be able to lay down certain guidelines as to the future work that can be carried out within UNCTAD as well as within the regional economic commissions which, of course, play an important role in this respect.

Adequate arrangements for the expansion of trade between developing countries will no doubt contribute to the solution of the problems of some developing countries which cannot be fully met even if other formulas, such as preferences, are accepted. For, in the same way as preferential arrangements should supplement the liberalization measures that may emerge as a result of a successful conclusion of the Kennedy Round, the promotion of trade between developing countries will be an important element in the solution of the trade and development problems of the developing countries. Adequate formulas for increasing trade relations amongst developing countries will moreover constitute valuable means for increasing the productivity of these countries and for the establishment of

new industries on a solid basis. The African countries are in a very good position to avoid incurring in the sort of mistakes that have been made in other regions where, as a result of measures for the industrialization of individual countries in isolation, there exist high costs of production and inadequate market opportunities.

The idea of planning has gained considerable strength in the last few years and is closely related to the policies which I have mentioned with regard to the improvement of trade relations between developing countries. I would hope that in this regard the Conference would consider the question of the provision of funds for basic and supplementary financing purposes. In this connexion an important question that has arisen is that of the extent to which the provision of funds can be subject to the adoption by the countries concerned of measures recommended by the lending institutions. This is an important subject which I also intend to take up in my statement to the Board for I think that the time has come when the Board can give some clearer orientation as to the manner in which a broad development policy should gradually emerge.

In line with your suggestion, I should now like to refer to the proposed meeting of the 77. You will remember that when I visited Addis Ababa I informed you, Mr. Chairman, that the countries of the ECAFE region had just adopted a declaration calling for a meeting of this Group prior to the convening of the second Conference. Since then I have been able to sense in several developing countries considerable support for this idea. I have also noticed that there is a consensus that such a meeting should not constitute the basis for a confrontation with the developed countries at the Conference but rather an instrument for setting out the framework for an agreement of all countries with regard to the solutions to be sought at the Conference. Its purposes, therefore, would be highly constructive for it would, in the main, facilitate the adoption of joint policy position on all those subjects in which all the members of the Group have common interests.

There seems to be two schools of thought as to the timing of the meeting of the 77. While some members suggest that the meeting be held shortly before the Conference, others consider that it should be convened well in advance for the purpose, not only of establishing a joint policy but of designating a high level group of representatives who would be entrusted with the task of visiting the

major industrial and trading countries in order to try to persuade them of the need to adopt the sort of measures that the developing countries propose. This act of persuasion would undoubtedly be very valuable in the process of conveying to Governments the true meaning and dimension of the problems that are discussed in UNCTAD. A group of high level representatives would be in a position to transmit directly to the Heads of Governments the desires and expectations of the developing countries, and make them aware of the urgency for adequate action.

I should like, Mr. Chairman, to reiterate my apologies for my delay in coming to this meeting. I should also like to express my deep satisfaction for having been able to be present at your session. I appreciate the value of this sort of dialogue for I am convinced that within our organization we will be able to achieve concrete and practical results only if Governments act with a true feeling of solidarity and understanding. These are basic concepts which I have always supported and shall continue to do so.