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Correspondence - Volume 3

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UNCTAD I I

Vol. III

Mr. Perabo	4.17.68	

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



SecM68-136

FROM: The Secretary

May 13, 1968

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Attached for information is the final report on the United Nations Conference on Trade and Development, which recently concluded its session in New Delhi. This has been prepared by the Bank delegation to the Conference. An interim report covering the period February 1-29, 1968 was distributed as document SecM68-63, dated March 14, 1968.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

Final Report on the Second Session of UNCTAD, New Delhi

Prepared by the Bank Delegation

Introduction

The Bank and Fund delegations to UNCTAD II submitted to their respective Boards a joint interim report (SecM68-63) covering the first month of the Conference. Final reports have been prepared independently, in part because of the difficulty of consultation, now that the members of the delegations have returned to their posts in Washington, Geneva and Paris, and in part because each delegation wishes to emphasize points of particular interest to its own institution. This final report covers the month of March 1968, and comments on the results of the Conference.

As stated at the end of the interim report, the plenary meeting was interrupted at the end of February. Five committees and three working groups were entrusted with the agenda of the Conference. However, general statements took up most of the time, and towards the end of the period allotted for the work of the committees it became clear that there would be no agreement on any of the main points on the agenda. It was, therefore, decided to create smaller "contact groups" to discuss and negotiate individual agenda items, and to report to the appropriate Committee or to the Conference.

One of UNCTAD's shortcomings is the difficulty of holding down membership in working bodies. The membership of the contact groups soon grew to the point of being practically co-extensive with the committees whose work they were expected to simplify. As a result, first "sub-contact groups," then "mini-contact groups" were created. The proliferation of groups was so great that, towards the middle of March, 96 were meeting and new teams of interpreters had to be flown from all parts of the world to New Delhi.

By March 15, the Conference was near collapse. To avoid this, the chairmen of the five committees and of the three working groups were authorized to try to work out texts to be submitted to the Plenary Session of the Conference. In the week preceding March 24, each committee chairman submitted texts containing such few provisions as had been agreed upon, as well as all ideas under discussion.

On March 24, a day before the original closing date, the President suggested, first, a 24-hour extension until midnight, March 26, then a further extension to midnight, March 29. In the meantime, negotiations were taking place, most of them outside the Conference building, to find at least some compromise formulas, some of them face-saving only. The results are described below.

Drafts of some of the resolutions approved by the Conference were circulated to the Executive Directors on April 8 (SecM68-94). The final text of those resolutions of most interest to the Bank, although substantially the same as the drafts, are attached to this report for ease of

reference. Unless otherwise noted, the resolutions were approved unanimously or with only the socialist countries opposing them or abstaining.

Committees

Committee I. This Committee dealt with commodities. A proposal of particular interest to the Bank relates to "studies by international financial institutions on stabilization of commodity prices" (TD/II/RES/19 (Annex 1)). A draft resolution submitted by France was considerably modified in the course of the long and complicated negotiations, particularly because of the opposition of the United Kingdom and the United States, as well as of other developed countries. The final version takes note of the Rio resolutions on commodity price stabilization, calls the attention of the Bank/IDA and the Fund to the importance which UNCTAD attaches to the study requested in those resolutions, and expresses the hope that the study will contribute to the solution of commodity problems and that it will concentrate, inter alia, on the problems of financing buffer stocks and diversification. The resolution also asks that the study be transmitted to UNCTAD.

There was great interest in the study, which was frequently mentioned in committee discussions during the last weeks of the Conference. Given that interest, and the (perhaps exaggerated) expectations of concrete results from the study, there is likely to be keen disappointment if the study does not put forward proposals for immediate action of a satisfactory nature.

TD/II/RES/16 (Annex 2) is a rather modest step towards "international action on commodities," covering primarily sugar, rubber, jute, fats and oils and cocoa. It was agreed that commodity conferences on sugar and cocoa should be held soon after UNCTAD II, and that studies and other action with respect to other designated commodities should be undertaken.

The Committee could not reach agreement on proposals for guaranteeing stable and remunerative commodity prices, financing buffer stocks or creating a diversification fund. The developed countries would not accept a proposal that the production of synthetics should be discouraged. The Common Market countries did not support a proposal for an agreement on access to markets for agricultural products, claiming that it would endanger their own common agricultural policy.

Committee II. Among the items of concern to this Committee was the subject of preferences, a major Conference issue and one as to which hope for an agreement was expressed early and sustained throughout the Conference. Just prior to UNCTAD, the OECD countries agreed in principle on a formula for a general non-discriminatory, non-reciprocal preference scheme in favor of the less developed countries. Such a scheme, if and when worked out, would mark an important shift in commercial policy. However, efforts to work out a scheme at UNCTAD II ran into disagreement on two

major points: (a) "product coverage," i.e., the inclusion of processed and semi-processed agricultural products in the scheme, and (b) the phasing out of existing preferences (e.g., those now enjoyed by a number of African countries) in favor of the proposed general preferences. There was substantial conflict on these points among the "77," in particular between the Africans and the Latin Americans. The question of reverse preferences (enjoyed by some developed countries in the markets of some developing countries) was another principal point of disagreement.

The resolution adopted (TD/II/RES/21 (Annex 3)) did not resolve these issues. After noting "the unanimous agreement in favor of the early establishment of a mutually acceptable system of generalized, non-reciprocal, non-discriminatory preferences which would be beneficial to the developing countries," the resolution established a Special Committee on Preferences to carry forward consultations to achieve agreement on a preference scheme, which would increase developing countries' export earnings, promote their industrialization and accelerate their rates of economic growth. The Conference said that details should be settled during 1969 in the hope that the arrangements could take effect in early 1970.

Committee III. This Committee, which dealt with financing, was the most important one from the standpoint of the Bank. While at UNCTAD I the Committee on Financing was very active and was regarded as relatively successful, at New Delhi it made little substantive progress. It did take seven decisions, as follows:

- (a) Aid volume target (TD/II/RES/27 (Annex 4)). It was agreed that the 1% target for net financial resource transfers should be set in terms of Gross National Product instead of national income. In principle, the new target is a substantial advance over that agreed upon at UNCTAD I. However, no date was set for its achievement.
- (b) Improving the mobilization of internal resources (TD/II/RES/28 (Annex 5)). This resolution, recognizing that primary responsibility for development rests with the developing countries themselves, stresses the importance of effective development planning and plan implementation, the need for a balanced use of internal and external resources, and the importance of continuing frank exchanges between providers and recipients of external resources. The Conference recommended that attention be given to the further development and extension of consortia and consultative groups.
- (c) Improving the terms of aid and alleviating problems of external indebtedness (TD/II/RES/29 (Annex 6)). This resolution declares that the terms of aid need to be softened and brought into line with the needs of individual developing countries. It expresses the hope that a review to be undertaken by DAC

of the terms and conditions specified in existing DAC Recommendations will result in further liberalization. The resolution further specifies that efforts should be made to raise the norms set out in the present [DAC] target, by increasing the amount of grant aid, by improving interest rates, maturities or grace periods, or by increasing the grant element of official aid commitments. Finally, it states the view of the developing countries and some developed countries that, by 1975, the bulk of bilateral lending should be on terms generally comparable though not necessarily identical with IDA terms. It says that in principle aid should be untied, although it recognizes that many donors find tying necessary for balance of payments and other reasons. It urges donors to try to reduce the extent of tying and to mitigate any harmful effects. It adds that "The developed countries generally take note of these suggestions and agree to consider them in the further evolution of their lending policies."

The resolution also asks the IBRD to prepare, or participate in, certain studies:

- (i) The IBRD was asked to prepare a study, in consultation with the Secretary-General of UNCTAD and the IMF, "of possible improvements in techniques of lending, having to do among other things with conditions and schedules of repayments." In particular, the study is to "take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency."
- (ii) The U.N. Secretariat and the IBRD were asked to continue, in consultation with other institutions, the study of commercial credit, requested by UNCTAD I, giving consideration to the possibility of refinancing by international financing institutions of commercial credit extended by developing countries.
- (iii) The Secretary-General of UNCTAD was invited to seek the advice of the IBRD and the regional development banks on the question of access to capital markets by developing countries and multilateral development institutions.
- (iv) The IMF was invited to prepare, in consultation with governments, the UNCTAD Secretariat, the IBRD and other appropriate institutions, a study on commercial credits including suppliers' credits. (This study would be a continuation of an IBRD staff study prepared in response to a request by UNCTAD I.)

The resolution also mentions the Horowitz proposal (on which the Bank staff prepared a study at the request of UNCTAD I) and invites the Secretary-General of UNCTAD to keep the matter under review, and to report on it to the next session of the Committee on Invisibles and Financing related to Trade.

- (d) Supplementary Financial Measures (TD/II/RES/30 (Annex 7)). This was one of the controversial subjects in Committee III. While most of the less developed countries, led by Ceylon and India, and some representatives of the industrialized countries (the Netherlands and the Scandinavian countries) approved the Bank staff scheme, the large donors - France, Germany, Japan, the United Kingdom and the United States - expressed either reservations or opposition. The resolution, after expressing appreciation for the Bank staff report and reaffirming the objectives of the recommendation on this matter adopted at UNCTAD I, says "that further work is required to resolve some outstanding issues. The principal issues are:

- (i) The definition and method of assessment of reasonable expectations;
- (ii) The scope, nature and acceptability of the understandings between the administering agency and individual participant countries on their development programmes and the policies to be adopted in order to carry them out;
- (iii) The measures to be taken by countries applying for assistance;
- (iv) The relationship between supplementary finance and the IMF Compensatory Financing Facility."

The resolution provides that in the consideration of these issues, due attention should be given not only to the Bank staff scheme, but also to other proposals having the same objective, with the aim of working out the most effective measures possible.

To this end, the Conference decided to continue in existence the Intergovernmental Group on Supplementary Financing, suitably expanded, and it instructed the Group to work out measures for supplementary financing. Not later than 1969, the Group is to report to the Trade and Development Board, which is directed to "take early action on the findings of the Intergovernmental Group, taking account of any proposals for action in the field of inter-

national commodity policy which may be submitted to the Boards of Governors of the IBRD and the IMF" pursuant to the Rio resolutions.

- (e) Compensatory Financing Facility (TD/II/RES/31 (Annex 8.)). The resolution, after commenting favorably on the measures taken by the IMF to liberalize its compensatory financing scheme, calls attention to a number of suggestions concerning the Facility made in the discussions and refers them to the Fund for consideration in its continuing review of the Facility.
- (f) The resolution on the International Monetary System (TD/II/RES/32 (Annex 9)) states that "the developing countries stress the importance of the early activation" of the SDR scheme and urge members of the IMF "to consider at an early date the establishment" of a link "between the creation of SDR's and the provision of external development finance."
- (g) Increase of the Flow of Private Capital to Developing Countries (TD/II/RES/33 (Annex 10)). This resolution recognizes the importance of private foreign investment for developing countries and asks the Secretary-General of the U.N. to undertake a study of the economic effects of foreign investment. It suggests the possibility that a group of governmental experts might be appointed to examine issues raised by various U.N. studies on private investment in developing countries. Finally it expresses the hope that progress on the Bank's multilateral investment insurance study can be expedited, and asks the Secretary-General of UNCTAD to invite the IBRD to submit a progress report and any other relevant material which the Bank considers it appropriate to release to the next session of the Committee on Invisibles and Financing related to Trade.

These seven resolutions far from cover all the subjects on the agenda of Committee III. As agreement could not be reached on the other items, the Conference transmitted them to the "continuing machinery of UNCTAD."

Two draft resolutions concerning the future role of the Bank Group were discussed by the Plenary, but not adopted. They were transmitted to the continuing machinery for further consideration.

One, on World Bank Group Matters (TD/L.37, Annex VIII, p.55, Annex 11), was submitted by the Chairman of Committee III. After recognizing the contribution of the Bank Group to the developing countries and noting that it has continuously adjusted its activities to the needs of those countries, the draft resolution urges the Group's member governments to continue their support of the institutions. It recommends that those governments advise their representatives in the competent organs of the Bank Group to consider

the following, bearing in mind the need to safeguard the Bank's ability to borrow: that

- (a) the Bank Group should devote as large a part as possible of its resources for assistance to developing countries;
- (b) the Bank Group should be alert to the necessity for new approaches in its lending policies and procedures, for example in keeping under review the advisability of financing non-private and semi-public productive enterprises and the possibility of extending IDA financing to projects and programs designed to correct regional imbalances in the developing countries;
- (c) the Bank Group should continue, in appropriate cases, to extend loans for purposes wider than the financing of individual projects and that it should consider, wherever necessary, the financing of local costs;
- (d) the Bank Group should continue cooperating with regional financial institutions both in coordinating their operations and, where appropriate, in financing jointly projects of regional importance;
- (e) the Bank Group should continue and, to the extent feasible, increase its operations relating to rural and urban development (including public sanitation and water supply), education, agriculture and projects designed to foster economic integration;
- (f) the Bank Group should extend, to the extent feasible, its coordinating services relating to particular countries, such as consultative groups;
- (g) at the request of the parties involved, the Bank Group should cooperate in the consideration of measures to deal with external debt problems;
- (h) the Bank should keep under review the possibility of exercising its power to guarantee loans to developing countries;
- (i) IFC's activities should be expanded, in particular with regard to undertakings in developing countries and especially to projects which promote economic integration;
- (j) IDA should explore the possibility of receiving and administering trust funds from various governments and institutions;

- (k) IDA should give particular attention to the least developed among the developing countries, in particular to those which have not yet received adequate international aid.

The second draft resolution, Extension of the Operations of the World Bank and Its Affiliates (TD/L.37, Annex VIII, p.47, Annex 12) was submitted by the "77." It recommends that the member governments of the Bank Group should, at the next Annual Meeting, ask the Bank to study the transformation and adaptation of the activities of the Group to enable it to devote itself entirely to aid to the developing countries, and that to this end the necessary policy reforms should be introduced, with particular reference to the following: that

- (a) the Bank should consider the possibility of financing plans and programs, including local costs, instead of financing only projects as has been its traditional policy;
- (b) loan periods should be longer and interest rates easier;
- (c) the Bank should enter into negotiations with the debtor developed countries to examine the possibility of pre-payment of their debt balances;
- (d) the Bank should increase aid to countries without direct access to international capital markets and to those developing countries which do not yet have adequate international aid;
- (e) the Bank should lend to non-private and mixed industrial enterprises, especially those working in strategic areas of development;
- (f) the Bank should finance public health projects and broaden its operations relating to rural and urban development, education, agriculture and economic integration;
- (g) the Bank should agree to administer trust funds provided by governments and institutions, preferably of an untied nature;
- (h) the Bank should exercise its powers to guarantee loans to developing countries from capital-exporting countries and to borrow in both international and national markets;
- (i) the Bank should increase its cooperation with regional financing institutions;
- (j) the Bank should extend and broaden its consortium and consultative group services;

- (k) the Bank should cooperate with countries, at their request, in negotiations with creditor countries for the consolidation, conversion and renegotiation of their external debts;
- (l) IFC operations should be expanded;
- (m) the Bank should vigorously pursue negotiations with the developed countries for additional IDA resources;
- (n) IDA should broaden its lending policies to permit credits for projects and programs designed to correct regional imbalances in the developing countries;
- (o) IDA should give attention to the least developed among the developing countries.

The draft also recommends to the Bank's Board of Governors that the terms and conditions of development loans should be adapted to the particular needs of the least developed countries.

Committee IV. This Committee, which dealt with invisibles, including shipping, insurance and tourism, was the most successful: it completed its agenda, postponed nothing, and took ten decisions, only one of which required voting.

Agreement was reached on the establishment of consultative machinery between liner conferences and shippers' councils in the developing countries. Several recommendations were addressed to maritime nations on freight rates and conference practices. The Secretariat of UNCTAD was asked to assess the impact of the terms of shipping on the trade of less developed countries. It was recommended that the developed countries, directly or through international and regional financial institutions, give favorable consideration to requests from developing countries for assistance in developing and modernizing ports and related inland transportation facilities.

UNCTAD recommended that facilities for insurance and reinsurance be provided to the less developed countries at the lowest cost commensurate with the risks involved. It also asked the developed countries to help the developing ones in encouraging and strengthening their national insurance and reinsurance markets, conducting research into insurance problems and training insurance personnel.

Another resolution welcomes the growing interest of specialized agencies in the role of tourism in the economies of developing countries, urges recognition of tourism as a development industry and invites all institutions concerned to take urgent coordinated action to promote tourism.

Committee V. This Committee dealt primarily with problems relating to trade and relations between the developing countries and the socialist countries of Eastern Europe. Only one resolution was adopted (TD/II/RES/15 (Annex 13)) on East-West and "East-South" trade. In future, East-West trade will be discussed not only in the Economic Commission for Europe but also in UNCTAD which will consider it in consultation with the U.N. Regional Commissions.

Working Groups

The Conference established three Working Groups to deal with special problems:

Working Group I considered (i) the world food problem and its relationship to international trade, and (ii) transfer of technology, including know-how and patents.

On the world food problem, a declaration was adopted (TD/II/RES/9 (Annex 14)) with one negative vote (Cuba). The developed nations are urged to strengthen their aid to countries making efforts to modernize their agriculture. The international organizations concerned are asked to take into account the need for a coordinated global approach to the world food problem.

No agreement was reached on the transfer of technology, and a draft resolution was referred to the Trade and Development Board for further consideration. It proposes that the Board, after obtaining the views of the Economic and Social Council, should consider the establishment of an Intergovernmental Committee to examine the question of transfers of technology to the less developed world. There is opposition to the creation of this Committee on the ground that it would overlap with the existing Advisory Committee on the Application of Science and Technology to Development, an organ of ECOSOC.

Working Group II was established to deal with problems of economic integration among developing countries. In the course of the debates emphasis was put on the need for special support by the international community to help the less developed countries expand trade with each other and achieve integration.

This working group also discussed special measures to be taken in favor of the least developed countries (a new category which made its appearance in the course of UNCTAD II). It recommended (TD/II/RES/24 (Annex 15)) that special measures be devised for these countries, so that all developing countries may realize comparable results from the cooperation of UNCTAD members. The Secretary-General of UNCTAD was asked to undertake certain studies in this connection, and other U.N. bodies and international institutions were invited to cooperate.

Working Group III dealt with subjects of concern to land-locked countries. TD/II/RES/11 (Annex 16) sets up an expert group to study, in particular, the transport problems of these countries. International institutions are requested to help develop their transport and communication facilities.

* * * *

Other resolutions of some interest to the Bank, and available in Room 839, (extension 3642), deal with the following: training of technical and special staff in the field of export promotion (TD/II/RES/1); mobilization of public opinion in support of UNCTAD objectives (TD/II/RES/10); preparation of an outline for a study of restrictive business practices of private enterprises in developed countries (adopted over the opposition of the OECD countries) (TD/II/RES/25); recommendation that the General Assembly suspend South Africa's UNCTAD membership pending termination of its policy of racial discrimination (adopted by a vote of 49 in favor, 18 opposed, 7 abstentions) (TD/II/RES/26).

More than 30 proposals were submitted to the "continuing machinery" of the Conference. They include two draft resolutions submitted by India and Chile, and by Sweden, on the streamlining of the UNCTAD machinery. It was a widely held view among the delegations that the Conference's failure to produce more positive results was due not only to its size, but also to the fact that it had turned into a negotiating meeting rather than being a meeting primarily to ratify prior understandings. Efforts will therefore be made to ensure that, in the future, complicated international negotiations will not be undertaken at the Conference itself but instead at prior well-organized and smaller ad hoc meetings. In addition, an attempt will be made to have at least one annual session of the Trade and Development Board at the level of politically responsible ministers.

Concluding Comments

UNCTAD was created in 1964 as a continuing institution of the United Nations to assist the developing nations in handling their problems relating to "trade and aid." It is primarily a forum of and for the developing world. It is still a young organization, and its ways and procedures are far from being well-worked out. It has had very difficult going in its short existence. While UNCTAD I had a relatively easy task - to identify the principal problems and to arrange for their study by experts - the task of UNCTAD II was much more complicated. It was expected to find answers to three formidable questions: how to assure a more stable income to producers of primary products; whether an acceptable formula for extending preferences for exports from developing countries could be devised; and how development aid could be increased. Moreover, UNCTAD II was asked to deal with these issues at a time when other urgent problems, including the reform of the world monetary system and the balance of payments difficulties of the United Kingdom and the United States, were occupying the attention of many of the developed countries.

Almost all of the questions raised at UNCTAD II remain unanswered, and by that yardstick the Conference was unsuccessful. Among the developing countries, there was a pervasive sense of deep disappointment with the results. Nonetheless, some of the resolutions may ultimately lead to constructive action, particularly the resolutions continuing negotiations for the establishment of a general non-discriminatory, non-reciprocal preference scheme in favor of the developing countries, and providing for further efforts to reach agreement on an acceptable scheme for supplementary finance. The new aid target agreed upon at UNCTAD II, although without date, may also eventually influence the volume of external capital flows to the developing countries.

Particularly to be noted is the fact that the developing countries refrained from making use of their majority voting power to push through resolutions on economic matters which were unacceptable to the developed countries. This leaves the door open for further discussions between the two groups, within the UNCTAD machinery, with the object of arriving at agreed positions on these matters. If, as a result of the experience at UNCTAD II, the UNCTAD machinery should be reorganized, UNCTAD may yet prove to be a useful forum for cooperation between the industrialized and the less developed nations.

Attachments

Development Services Department
May 10, 1968



Distr.
GENERAL

TD/II/RES/19
28 March 1968

United Nations Conference on Trade and Development

Agenda item 10

RESOLUTION ADOPTED BY THE CONFERENCE

19(II). Studies by international financial institutions on
stabilization of commodity prices

The United Nations Conference on Trade and Development,

Reaffirming the importance and urgency of so conducting commodity trade as to make available to the developing countries external resources of which they stand in grave need,

Noting the resolution on commodity price stabilization adopted by the Board of Governors of the International Bank for Reconstruction and Development (IBRD) and of the International Monetary Fund (IMF) at the Rio de Janeiro session in September 1967, requesting a study of the conditions in which IMF, IBRD and the International Development Association (IDA) could participate in introducing suitable machinery comprising commitments balanced as between producer and consumer countries and allocate the necessary funds thereto,

1. Emphasizes the importance of the role of IMF, IBRD and IDA in helping to solve the financial and development problems arising in world commodity trade;
2. Calls the attention of these agencies to the importance it attaches to the study requested of them in the above-mentioned resolution;
3. Expresses the hope that this study will contribute to the solution of commodity problems;
4. Further expresses the hope that these agencies, in preparing the study, will concentrate, inter alia, on the problems of financing buffer stocks and diversification;
5. Requests these agencies to transmit the study to UNCTAD, in view of the latter's responsibility, as defined in General Assembly resolution 1995 (XIX) of 30 December 1964, for the framing and implementation of an international policy on commodities.

77th Plenary meeting
26th March 1968

Distr.
GENERALTD/II/RES/16
28 March 1968

United Nations Conference on Trade and Development

Agenda item 10

RESOLUTION ADOPTED BY THE CONFERENCE

16(II). International action on commodities

A. Cocoa

The United Nations Conference on Trade and Development,

Recommends that the United Nations Cocoa Conference should be reconvened immediately after the present session of the Conference and, if necessary, be preceded by consultations so as to ensure its success. In any case, the Cocoa Conference should be convened not later than the end of June and preferably before the end of May.

B. Sugar

The United Nations Conference on Trade and Development.

Noting the reconvening of the United Nations Sugar Conference on 17 April 1968,

Invites the Secretary-General of UNCTAD and Governments concerned to take all necessary steps to ensure its success with the objective of bringing into operation an international agreement by 1 January 1969.

C. Oilseeds, oils and fats

The United Nations Conference on Trade and Development,

1. Invites the Secretariats of UNCTAD and of the Food and Agricultural Organization of the United Nations (FAO) to pursue jointly and urgently the study of possible solutions to the problems involved in the trade of oilseeds, oils and fats and specifically of those solutions mentioned in paragraph 19 of the report of the Third Session of the Study Group on Oilseeds, Oils and Fats, and that these studies be completed before the end of October 1968;
2. Recommends that, in the light of the studies suggested in paragraph 1 above, the Secretary-General of UNCTAD and the Director-General of FAO, in consultation with interested Governments, consider the necessity to set up, at the earliest possible date but not later than the end of 1968, an Inter-Governmental Consultative Committee on Oilseeds, Oils and Fats to be entrusted with:
 - (a) suggesting short-term measures to improve the market situation of oilseeds, oils and fats;
 - (b) examining the results of the studies referred to in paragraph 1 above,

- (c) submitting practical proposals on long-term measures for inter-governmental arrangements in this field as soon as possible;
- 3. Stresses the importance of the active participation in these meetings by all countries members of FAO or UNCTAD having an interest in the production of oilseeds, oils and fats and in the international trade in these commodities.

D. Natural rubber

The United Nations Conference on Trade and Development.

1. Unanimously adopts the report of the UNCTAD Exploratory Meeting on Rubber (TD/39) and endorses the conclusions set out in paragraphs 23 and 24 of that report;
2. Requests the International Rubber Study Group and its Natural and Synthetic Rubber Producers' Consultative Committee to keep a continuing watch on the natural and synthetic rubber situation and the extent to which the remedial measures set out in paragraphs 23 and 24 of the above mentioned report (TD/39) are effective, to formulate such further measures as they may judge appropriate and to report periodically to the appropriate bodies of UNCTAD;
3. Charges the Permanent Group on Synthetics and Substitutes, in co-operation with the International Rubber Study Group and, as appropriate, other associated agencies concerned with rubber, with the task of:
 - (a) hastening the implementation of the measures referred to in paragraphs 23 and 24 of the report of the UNCTAD Exploratory Meeting in Rubber (TD/39),
 - (b) periodically reviewing the progress of implementation of the measures mentioned in sub-paragraph (a) above,
 - (c) ascertaining if the remedial measures instituted are effective,
 - (d) considering measures formulated under paragraph 1 above and such other measures for implementation as it may judge appropriate from time to time and
 - (e) in general keeping a watch on the natural rubber and synthetic rubber situation;
4. Further requests the Committee on Commodities to review periodically the progress of implementation of these measures and to report to the Trade and Development Board, the first of such reviews to be undertaken at the next session of the Committee on Commodities.

E. Hard fibres

The United Nations Conference on Trade and Development,

Noting

- (i) the conclusion of the informal understanding on sisal and henequen reached between the major producing and consuming countries on an indicative price range and export quotas, at the last session of the Consultative Sub-Committee of the Study Group on Hard Fibres,
- (ii) the conclusion of the informal understanding on abaca reached between the major producing and consuming countries on an indicative price range, at the last session of the Consultative Sub-Committee on Hard Fibres, and

Recognizing the value to both producers and consumers of stabilizing at remunerative and equitable price levels the markets for these commodities in the long-term,

1. Requests the Secretary-General of UNCTAD, in consultation with the Director-General of FAO and the Governments of the member States concerned, to follow closely and evaluate the operations of the informal understandings referred to above with regard to achieving stabilization at remunerative and equitable price levels of the markets of these commodities;

2. Further requests the Secretary-General of UNCTAD, in consultation with the Director-General of FAO and the Governments concerned, to consider further steps for achieving the above objectives, including the possibility of a formal agreement;

3. Urges that Governments, in any measures they take, give due consideration to the efforts of producers of sisal, henequen and abaca to improve market conditions through current informal arrangements particularly in defending the indicative price ranges for these commodities as agreed upon during the session.

F. Jute

The United Nations Conference on Trade and Development,

Noting the conclusion of an informal arrangement on jute,

1. Considers that the arrangement should be continued and strengthened;

2. Also considers that effective international action is necessary for the stabilization of the price of jute in the world market;

3. Recommends that the Study Group on Jute and Allied Fibres should, in consultation with the UNCTAD secretariat, urgently explore the possibility of setting up an appropriate buffer stock scheme for this commodity, as suggested in paragraph 24 of its Consultative Committee's report (CCP/JU.68/9), and keep the Committee on Commodities informed of the progress made.

G. Other commodities

The United Nations Conference on Trade and Development;

Noting the activities of the Study Groups on bananas and citrus fruit and of the commodity bodies concerned with cotton and tungsten and the ad hoc meetings on tea and the decision to convene shortly an ad hoc meeting on wine,

Also noting that in the case of iron ore, tobacco, manganese ore, mica, pepper, shellac and phosphates, no study groups or ad hoc meetings have so far been arranged,

Recognizing that all the commodities mentioned above require prompt consideration as a basis for appropriate action and that to this effect inter-governmental consultations might appear necessary, in accordance with the following procedures, in order:

- (i) to identify the problems faced by the commodity,
- (ii) to determine the techniques appropriate for dealing with them,
- (iii) to agree on appropriate remedial measures,

1. Requests the ad hoc meetings and commodity bodies mentioned above to examine the commodity concerned on the lines indicated above in close co-operation with the Secretary-General of UNCTAD at their next meeting;

2. Further requests these bodies to transmit the results to the Committee on Commodities of UNCTAD for consideration and review;

3. Invites the Secretary-General of UNCTAD, taking into account the views of the commodity group concerned and after consulting with the interested member Governments to arrange for inter-governmental consultations;

4. Also requests the Secretary-General of UNCTAD, in the case of those commodities not covered by international bodies, to make such studies as may be appropriate in co-operation with the competent international institutions and to arrange, after consulting with the interested member Governments, the inter-governmental consultations he may consider necessary to examine these commodities on the lines indicated above;

5. Agrees that, as far as practicable, these studies should be made and these consultations should be held concurrently for all the commodities and not on a commodity-after-commodity basis and that they should aim at achieving practical results by the end of 1969;

6. Further requests the Secretary-General of UNCTAD to report periodically on these studies or consultations to the Committee on Commodities and to the Trade and Development Board.

- At the request of interested Governments, the Secretary-General of UNCTAD should initiate appropriate action on the lines set out in the preceding paragraph for such commodities as may be included in the list from time to time with an appropriate time schedule for each commodity.

- For products of the temperate zone produced by developing countries and not specifically mentioned in the preceding paragraphs, the Secretary-General of UNCTAD should continue to exchange information with GATT, FAO and other international agencies, in conformity with General Assembly resolution 1995 (XIX) of 30 December 1964 with the objective of making a comprehensive and continuing evaluation of the problems and of measures to be adopted for their solution, and should report periodically to the Trade and Development Board.

77th plenary meeting
26 March 1968



28 March 1983

United Nations Conference on Trade and Development

Agenda item 11(b)

RESOLUTION ADOPTED BY THE CONFERENCE

21(II) Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries

The United Nations Conference on Trade and Development,

Having examined the problems relating to the application of a generalized non-reciprocal, non-discriminatory system of preferences in favour of the developing countries,

Having taken cognizance of the Charter of Algiers (TD/38), the report of the Special Group of the Organization for Economic Co-operation and Development (OECD) (TD/56) and document TD/II/C.2/L.5 of the Group of 77,

Recognizing the progress achieved since the first session of the Conference as reflected in the OECD report which involves a major change in commercial policies as between developed market-economy countries and the developing countries,

Recognizing the unanimous agreement in favour of the early establishment of a mutually acceptable system of generalized non-reciprocal and non-discriminatory preferences which would be beneficial to the developing countries,

Considering that it was not possible to achieve sufficient progress in respect to some key questions related to this problem,

Convinced of the need for further intensive work so as to elaborate such a system,

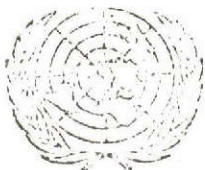
1. Agrees that the objectives of the generalized non-reciprocal, non-discriminatory system of preferences in favour of the developing countries, including special measures in favour of the least advanced among the developing countries, should be:

- (a) to increase their export earnings;
- (b) to promote their industrialization;
- (c) to accelerate their rates of economic growth;

2. Establishes, to this end, a Special Committee on Preferences, as a subsidiary organ of the Trade and Development Board, to enable all the countries concerned to participate in the necessary consultations. Any member country which is unable to participate in the Special Committee may make its views known to the Secretary-General of UNCTAD who will bring them to the attention of the Special Committee;
3. Decides that, for the purpose of the action to be taken in accordance with paragraph 2 above, due account should be taken of the agreements and comments contained in the report of the Second Committee (TD/88 and Corr. 1 to 3);
4. Requests that the first meeting of the Special Committee be held in November 1968 to consider the progress made by that time, and further requests that a second meeting be held in the first half of 1969 so that the Committee can draw up its final report to the Board; the aim should be to settle the details of the arrangements in the course of 1969 with a view to seeking legislative authority and the required waiver in GATT as soon as possible thereafter;
5. Notes the hope expressed by many countries that the arrangements should enter into effect in early 1970.

77th plenary meeting

26 March 1968



ANNEX 4

Distr.
GENERAL

TD/II/RES/27
29 March 1968

United Nations Conference on Trade and Development

Second session
Agenda item 12

DECISION TAKEN BY THE CONFERENCE

27(II). Aid volume target

1. The Conference agrees that economic development entails mutually reinforcing efforts by developing and developed countries. It is appreciated that developing countries must and do bear the main burden for financing their own development. The developed countries, for their part, recognise their responsibility to provide increased resources to developing countries. The Conference stresses that, in view of the crucial role of external resources in helping to mobilize the domestic resources of developing countries, the efforts of developed countries in support of development should be further intensified.
2. The Conference accordingly recommends that each economically advanced country should endeavour to provide annually to developing countries financial resource transfers of a minimum net amount^{1/} of 1 per cent of its GNP at market prices in terms of actual disbursements, having regard to the special position of those countries which are net importers of capital.
3. The Conference recognises that the target should be regarded as an incentive to greater efforts to provide resources rather than as a ceiling or a suitable method for comparing the appropriate quantitative or qualitative development assistance efforts as between different economically advanced countries.

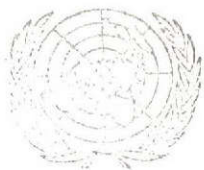
1/ Net financial resource transfers are defined as follows:

(i) official cash grants and grants in kind including grants for technical assistance but excluding grants for defence purposes; sales of commodities against local currencies exclusive of utilisation of such currencies by the donor country for its own purposes; government lending for periods exceeding one year net of repayments of principal; grants and capital subscriptions to multilateral aid agencies, and net purchases of bonds, loans and participation from those agencies.

(ii) private capital on the basis of net long-term movements originating with residents of the capital exporting countries; they are thus net of repatriation of principal, disinvestment and retirement of long-term loans, portfolio assets and commercial debt. They are not net of reverse flows of capital originating with residents of less-developed countries, nor of investment income.

4. Some economically advanced countries have already met the target as defined above. They are prepared to endeavour to ensure that their net financial resource transfers are maintained and to envisage, if possible, an increase in them.
5. Several developed countries expressed the view that their progress towards the target is affected by their relative aid-giving capacity, and may, from time to time, be affected by certain temporary difficulties.
6. In the view of developing countries and some donor countries this target should be achieved by 1972; some other donor countries stated that they were prepared to meet this target either by this date or at the latest by 1975; all the other donor countries do not feel able to accept a precise date.
7. The Conference recognises that official bilateral and multilateral flows are clearly required to meet many of the basic needs of developing countries. It is generally accepted that the resources which individual donor countries can provide differ widely in composition in view of the differences in their economic structure. The Conference recognises, moreover, that private funds have their role to play, and in order to meet the increasing needs of developing countries, these as well as official flows should be promoted. A number of developed countries stated that within the one per cent target defined above, they were prepared to attempt to provide a minimum of 0.75 per cent of its GNP by way of net official financial resource transfers.^{2/} One developed country expressed the view that this proportion should be at least half of the one per cent target. The other developed countries, even though they are not prepared to accept any precise ratio, believe that endeavours should be made to ensure that official bilateral and multilateral flows represent a substantial part of the totality of financial resources provided.
8. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) and Trade and Development Board resolution 19(II).

^{2/} Net official financial resource transfers are defined in paragraph (i) of foot note 1/.



Distr.
GENERAL

TD/II/RES/28
29 March 1968

United Nations Conference on Trade and Development

Second session

Agenda item 12

DECISION TAKEN BY THE CONFERENCE

28(II). Improving the mobilization of internal resources

1. The Conference recognizes that the primary responsibility for their development rests with the developing countries themselves. While appreciating the efforts already made by the developing countries to mobilize and make effective use of their internal resources, the Conference considers that further efforts in this regard are essential for accelerating economic development in the developing countries. These efforts are also important for mobilizing public opinion in developed countries in support of their assistance programmes.
2. In the interests of rapid development, developing countries need both to mobilize internal resources as fully as possible and to ensure effective use of available resources, both internal and external. The Conference notes with satisfaction the continuing progress being made in development planning and the increasing recognition that effective implementation is an essential part of the planning process. Implementation involves a broad range of economic and social policies conducive to development. It also depends on the creation of the necessary institutions and on mobilization of public support and co-operation in developing countries.
3. The Conference recognizes that external resources can help to make possible full deployment of the resources and efforts of developing countries, and at the same time that well directed efforts by the developing countries are necessary in order for external resources to make their full contribution to development.
4. Countries which provide external resources in support of development are concerned that these resources should not replace but supplement and help to mobilize adequate domestic efforts and should be effectively used. The Conference acknowledges, however, that priorities, problems and possibilities differ between developing countries, and that the standards of effort which it is reasonable to expect depend on the circumstances of individual developing countries.
5. With these considerations in mind, the Conference stresses the importance of continuing frank and constructive exchanges between providers and recipients of external resources. The Conference notes with interest and the experience gained in consortia

and consultative groups, and also the establishment of certain mechanisms for mutual review and exchange of experience among developing countries. It recommends that attention should be given to the further development and extension of such arrangements.

6. The UNCTAD secretariat should continue its work on the relations between the rate of growth and the amount of aid received. Its studies should take account of alternative development targets, policies and standards of effort and external circumstances. They should seek to investigate any relevant implications of factors which may lead to limitation of absorptive capacity and evaluate the effects of alternative types of performance including the possibilities for useful import substitution.



Distr. ANNEX 6
GENERAL

TD/II/RES/29
29 March 1966

United Nations Conference on Trade and Development

Agenda item 12

DECISION TAKEN BY THE CONFERENCE

29(II). Improving the terms and conditions of aid alleviating the problems of external indebtedness

Terms of aid

1. The Conference endorses the view expressed in the Agreed Statement of the Problems of Development that the terms of development assistance generally remain too hard. Further efforts are required to soften the terms of aid and to harmonize the terms given by individual developed countries to individual developing countries. Developed countries agree to renew their efforts to achieve by the end of 1968 the terms and conditions of external resources laid down by the Development Assistance Committee (DAC) of the OECD in its resolution of July 1965, and by the General Assembly of the United Nations in its resolution 2170 (XXI). The Conference urges those countries which are now furthest from these norms to make special efforts to achieve them.

2. The Conference notes with appreciation that a review of the terms and conditions specified in the Recommendations of the DAC is to be undertaken this year and expresses the hope that it will result in further liberalization of them. It considers that efforts should be made to raise the norms set out in the present target, either by increasing the amount of aid given in the form of grants, or by improving interest rates, maturities or grace periods, or by increasing the grant element of the official aid commitments of donor countries. Developing countries and some developed countries consider that either of the following alternative norms, to be achieved by the end of 1970, should be specified for each donor country.

Either

- (a) developed countries might provide 80 per cent or more of their official aid in the form of grants;

Or

- (b) they might:
 - (i) provide 90 per cent of their official aid commitments as grants or loans at 2.5 per cent or less, with a repayment period of 30 years or more;
 - (ii) attain a minimum grace period of 8 years.

The developed countries generally take note of these suggestions and will consider them in the evolution of their assistance policies.

3. The Conference recognizes that the ability of individual countries to service external debt varies. It recognizes also that the terms on which different types of funds are obtainable to promote development vary. It considers, however, that most developing countries will need to receive development assistance on soft terms for a long time ahead whether the judgment is based on their national income per head or their external financial position and prospects. The developing countries and some developed countries consider that, by 1975, the bulk of bilateral lending should be on terms comparable in general effect though not necessarily identical in all individual respects with the terms currently applied by the IDA, with suitable arrangements made to enable developing countries not now eligible to avail themselves of these terms to do so. The developed countries generally take note of these suggestions and agree to consider them in the further evolution of their lending policies.

4. The Conference stresses the importance of harmonizing the terms of assistance to individual countries, particularly but not exclusively in the case of countries for which multilateral-co-ordinating arrangements exist. Further study should be given to the determinants of debt servicing capacity, with a view to establishing general criteria for settling terms for countries or groups of countries. Judgments on the terms to be offered should be made, where possible, on a case by case basis. Particular regard should be paid to the needs of the least-developed countries in determining terms. Some donor countries emphasize that the overall terms of aid of individual donors should be taken into account in this connexion.

5. Some donor countries point out that for them the volume of lending and the rate at which terms can be improved are closely connected, especially if the donor country has to provide at least part of its aid by raising funds in the private capital market, and to subsidize the rates at which they are relented to developing countries. They also point out that the problem is particularly acute in view of their relatively limited aid giving capacity.

6. The Conference considers that further study is necessary of possible improvements in techniques of lending, having to do among other things with conditions and schedules of repayments, and requests the IBRD to prepare such a study in consultation with the Secretary-General of UNCTAD and IMF. In particular the study should take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency. The results of this study should be presented to the next session of the Committee on Invisibles and Financing related to Trade.

7. The Conference welcomes the increased availability of financial assistance for programme financing and stresses that external finance should be made available both for programmes and projects and should include local costs where necessary. Since development requires a continuous supply of external resources, individual donor countries should take such steps as they can to ensure such continuity.

Commercial credits including suppliers' credits

8. The Conference endorses the judgment in the Agreed Statement that commercial credits add to the flow of resources and can play a useful role, within limits, in promoting development. They are, however, no real substitute for long-term development aid.

9. It was noted in the Agreed Statement that four main questions arise:

- (i) to what extent should commercial credits be adapted to promote development as well as trade?
- (ii) how should its acceptance and use be controlled by both recipients and lenders?
- (iii) should the terms be softened, and what would be the implications for both aid and trade?
- (iv) should the question whether any new institutional arrangements are needed to alleviate harmful developments in the field of commercial credits be further studied?

10. The Conference invites the IMF to prepare a study on these questions, in consultation with member Governments, with the secretariat of the UNCTAD, the IBRD and other appropriate institutions. This study should be made available for discussion in the Committee on Invisibles and Financing related to Trade which will then decide whether to refer it to an intergovernmental group with equitable representation of developing and developed countries, or to deal with it in some other appropriate way.

11. The Conference further requests the United Nations Secretariat and the IBRD to continue, in consultation with other institutions, the study of commercial credit as a means of assisting developing countries to increase their exports and to finance trade with each other including ways in which facilities available to them might be strengthened and developed. Consideration should be given to the possibility of refinancing by international financial institutions of commercial credit extended by developing countries.

Indebtedness

12. The Conference recognizes the gravity of the problems of external indebtedness and acuteness of some of them, and the fact that such problems arise not only from official lending but also from commercial credit. It considers, first, that as was noted in the Agreed Statement, further analysis is required of the whole question of indebtedness differentiating between the various types of debt involved. These must not be judged in isolation but in relation to the debt-servicing capacity of the country concerned, its external trade and its rate of growth. The problem of indebtedness is also linked with the problems of terms and volume of aid.

13. Secondly, improved arrangements to forecast and forestall debt crises are clearly desirable.

14. Thirdly, since the first objective must be to prevent debt crises from arising, developing countries should undertake sound policies of debt management, while developed countries should help by providing assistance on appropriate terms and conditions.

15. Finally, where difficulties do arise, countries concerned should stand ready to deal reasonably with them within the framework of an appropriate forum, in co-operation with the international institutions concerned. They should bear in mind that some developing countries are carrying an excessively heavy burden of long term debt, having regard to their need to sustain an adequate rate of economic growth and that suitable measures should be adopted in appropriate cases to alleviate this burden. In other cases, situations of crisis may arise and arrangements to refinance or reschedule on appropriate terms and conditions may be required. Present institutional arrangements for dealing with such problems may require review when the analysis of the problems has proceeded further and the arrangements for forecasting situations have been further developed.

Tied aid

16. The Conference, while recognizing that the causes and effects of tied aid need to be further studied, endorses the judgment on the effects of tying contained in the Agreed Statement. Tying restricts the developing countries' opportunities of benefiting from the price and quality advantages which normally accrue from a free choice of suppliers. This is particularly the case when restrictions are imposed not only as to the source of procurement of the goods but also as to the nature of the goods. Further tying tends to reduce the real value of aid inasmuch as the definition

and the choice of projects and of technology best suited to the requirements of the developing countries is limited. Some of these disadvantages may be mitigated if a country has the freedom of recourse to several sources of procurement or to a broad range of goods and services from one source. Furthermore, some tied loans are used for reimbursing import payments relating to contracts which have been obtained in open international competition.

17. The Conference therefore considers that, in principle, financial assistance should be untied. Many donors, however, find it necessary to tie their aid, mainly in order to protect their balance of payments or to secure public support for their aid programmes. The tying of aid is therefore directly related to the level of aid.

18. The Conference urges the developed countries to take what practical measures they can, individually or collectively, both to reduce the extent of tying and to mitigate any harmful effects. The Conference considers that in any case efforts should be made to mitigate harmful effects of tying. Practical steps might include:

- (i) A greater provision for the use of aid funds to cover local costs;
- (ii) the allowing of procurement in developing countries;
- (iii) a broadening of the range of commodities or services to which aid may be devoted so that recipients have reasonable freedom of choice;
- (iv) improvement in the administration of procurement;
- (v) a development of pooling systems under which contracts might be decided by international competitive bidding within a group of donor countries.

19. Developing countries also consider that double tying, that is, tying to sources of procurement as well as to specified products, should be eliminated except in the case of project assistance, and that donors should subsidize the excess cost of procurement resulting from tying practices. Developed countries are unable to accept the second suggestion and are not unanimously able to accept the first.

Access to capital markets

20. The Conference notes the concern felt by the developing countries over the question of access to capital markets by themselves and by multilateral development institutions, and invites the Secretary-General of the UNCTAD to seek the advice of the IBRD and the regional development banks with a view to its discussion by the Committee on Invisibles and Financing related to Trade.

Interest equalization

21. The Conference notes the studies prepared by the Secretariat on the proposal for a multilateral interest equalization fund to cover the interest margin between loans obtained on international capital markets and concessional development loans. It notes, further, that the technique of subsidizing the rates at which funds raised on the private capital market are relent as aid is already practised by a number of donors. It commends the technique to those who find it an appropriate means of achieving appropriately soft terms. The proposal for a multilateral scheme raises a number of problems. The Conference invites the Secretary-General of UNCTAD to keep the matter under review and to report to the next session of the Committee on Invisibles and Financing related to Trade.

22. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) and Trade and Development Board resolution 19 (II).



ANNEX 7

Distr.
GENERAL

TD/II/RES/30
29 March 1968

United Nations Conference on Trade and Development

Agenda item 12

DECISION TAKEN BY THE CONFERENCE

30 (II). Supplementary financial measures

1. The Conference reaffirms the objective of the proposal for Supplementary Financial Measures set out in Annex A.IV.18 to the Final Act of the first Conference. This states that "the new scheme should aim to deal with problems arising from adverse movement in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance of payments support. Its purpose should be to provide longer term assistance to developing countries which would help them to avoid disruption of their development programmes."
2. Any measures devised to meet this need should, on the basis of appropriate criteria, which should, to the extent possible, be objective, provide reasonable assurance of help to protect a country's development plan or programme against the effects of export shortfalls, to the extent that they cannot be met by short-term balance of payments support.
3. The Conference expresses its appreciation of the report prepared by the staff of the IBRD, and of the reports of the Intergovernmental Group on Supplementary Financing. These reports have defined the issues involved and clarified many of them. The Conference agrees that further work is required to resolve some outstanding issues. The principal issues are:
 - (i) The definition and method of assessment of reasonable expectations;
 - (ii) The scope, nature and acceptability of the understandings between the administering agency and individual participant countries on their development programmes and the policies to be adopted in order to carry them out;
 - (iii) The measures to be taken by countries applying for assistance;

- (iv) The relationship between supplementary finance and the IMF Compensatory Financing Facility.

4. A matter requiring additional attention is how to determine in quantitative terms the disruption which has resulted from export shortfalls and consequently, what are the financial implications of proposals to meet the objectives of Part A of recommendation A.IV.18.

5. Some of the issues set forth in paragraphs 3 and 4 above would arise not only from consideration of the World Bank Staff Scheme but from consideration of other measures to meet the objectives of Part A of recommendation A.IV.18, including those submitted to the Intergovernmental Group. Any additional proposals clearly responsive to the recommendation should receive due attention, with the aim of working out the most effective measures possible.

6. The Conference decides:

- (i) to continue in existence the Intergovernmental Group suitably expanded;
- (ii) to request the Intergovernmental Group to consider and attempt to resolve the issues set forth in paragraphs 2 to 5 above;
- (iii) in the light of the foregoing considerations to instruct the Group to work out measures for supplementary finance;
- (iv) to instruct the Group to report thereon to the Trade and Development Board as early as possible, and no later than its ninth session;
- (v) to direct the Trade and Development Board to study and take early action on the findings of the Intergovernmental Group, taking account of any proposals for action in the field of international commodity policy which may be submitted to the Board of Governors of the IBRD and the IMF on the basis of the studies which they have requested to be presented to them at their next annual meetings;
- (vi) to instruct the Chairman of the Intergovernmental Group to report on its progress to the seventh session of the Trade and Development Board.



ANNEX 8

Distr.
GENERAL

TD/II/RES/31
29 March 1968

United Nations Conference on Trade and Development

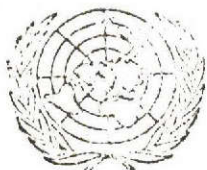
Second session
Agenda item 12

DECISION TAKEN BY THE CONFERENCE

31(II). Compensatory financing facility

The Conference notes with satisfaction that the International Monetary Fund has adopted measures for the liberalization of the Compensatory Financing Facility in response to recommendation A.IV.17 of the Final Act of the first UNCTAD. The Conference further notes that much more extensive use has been made of the Fund Facility since its revision in September 1966. As the revised Facility has been in operation only for a about 18 months, further experience seems to be necessary before any further revision of the Facility is undertaken. The Conference, however, draws the attention of governments members of the IMF to the following suggestions made in discussion and refers them to the Fund for consideration in its continuing review of the Facility.

1. Adverse movements in import prices should render a developing country eligible for a drawing under the Facility;
2. Drawings on the International Monetary Fund under the Facility should be immediately available up to 50 per cent of the countries' quotas in the Fund and such drawings should not be subject to any conditions;
3. The re-purchase liability in respect of outstanding drawings on the Facility should not arise within five years after the drawing and thereafter should fall due only in the years in which the countries' exports exceed the estimated trend value and should not exceed 50 per cent of the export excess;
4. The liability of the drawing country in respect of the interest charges on the outstanding compensatory drawings should be calculated separately from that in respect of ordinary drawings and that it should not attract the normal progressive interest provisions of IMF.



United Nations Conference on Trade and Development

Agenda item 12

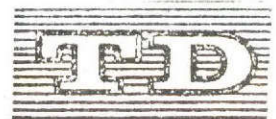
DECISIONS TAKEN BY THE CONFERENCE

32(II). International monetary system - issues relating to development finance and trade of developing countries

1. The Conference recognizes the great interest of the developing countries in the satisfactory operation of the international monetary system so as to allow them to share the benefits of the continued expansion of the world economy.
2. The Conference notes with satisfaction the agreement reached during the annual meeting of the Board of Governors of the International Monetary Fund last September in Rio de Janeiro on an Outline to create Special Drawing Rights within the Fund, and the participation of the developing countries represented by their Executive Directors in the Fund in the negotiations that led to the agreement on the Outline. It stresses the importance of active participation of these countries in the operation of the new arrangements for Special Drawing Rights.
3. In view of the fact that, according to the Outline, the Special Drawing Rights will be distributed in proportion to member countries' quotas, the Conference invites governments members of the Fund to continue to give careful consideration to applications from developing countries for increases of quotas so as to enable these countries to benefit more from the facilities of the Fund.
4. The Conference recommends that the Secretary-General of UNCTAD, after consultation with the appropriate international institutions, review progress since the first Conference towards the reform of the international monetary system devoting particular attention to the needs of the developing countries in their trade with one another and the rest of the world, and, if he considers it necessary, that he should make to the Trade and Development Board in due course any suggestions which he may have for special study of this matter.
5. The developing countries stress the importance of the early activation of the Special Drawing Rights scheme.
6. During the last annual meeting of the Board of Governors of the IMF, the Executive Directors were also requested to review the rules and practices relating to the traditional activities of the Fund and to propose amendments in the light of such review. The developing countries recommend to governments members of the IMF that the

IMF, in its operations and in considering possible changes in its rules and practices with regard to the use of and conditions attached to drawings, should not introduce any changes that would work to the disadvantage of the developing countries, and that any change should be in the direction of softening the terms and conditions applicable to drawings by the developing countries. As a first step in this direction the IMF is urged to consider the extension of the repurchase period applicable to ordinary drawings by developing countries to seven to nine years..

7. With regard to the various proposals for forging a link between the creation of Special Drawing Rights and the provision of external development finance, the developing countries urge governments members of the IMF to consider at an early date the establishment of such a link.



ANNEX 10

United Nations Conference on Trade and Development

Distr.
GENERAL

TD/II/RES/33
29 March 1968

Agenda item 12

RESOLUTION ADOPTED BY THE CONFERENCE

33(II). Increasing the flow of private capital to
developing countries

The United Nations Conference on Trade and Development,

Recognizing the important role that private foreign investment can play in the economic development of developing countries by providing capital, technical services and know-how,

Bearing in mind that continuing systematic study concerning the structures of foreign investment and its economic effects in the developing countries is essential, if foreign investment is to make its optimum contribution to development,

Bearing in mind the efforts and measures of both developed and developing countries, as well as interested international institutions, to promote foreign private investment in developing countries,

Recalling recommendation A.IV.12 of the first United Nations Conference on Trade and Development,

Taking note of the report entitled "The role of private enterprise in investment and promotion of exports in developing countries" (TD/35 and TD/35/Supp.1),

Believing that in the interest of increasing the flow of private foreign investment to developing countries and improving its effectiveness, it is important that this matter should be the subject of a dialogue between developed and developing countries,

Taking note of Economic and Social Council resolution 1286 (XLIII) of 14 November 1967 which requested the Secretary-General of the United Nations to consult with Governments and international organizations concerned on their experience and attitudes to the various problems discussed in the Secretary-General's report on promotion of foreign private investment in developing countries (E/4293) and on opportunities and means of implementing the specific recommendations contained in that report,

ND.68-4663

Taking note of General Assembly resolution 2091 (XX) and Economic and Social Council resolution 1201 (XLII) which calls on the Secretary-General of the United Nations to undertake thorough study of the manner, forms, conditions, costs and effects of the transfer of patented and non-patented technology from foreign enterprises to enterprises in developing countries (both public and private),

1. Requests the Secretary-General of the United Nations in carrying out these tasks, in particular with a view to providing useful guidelines to both developing and developed countries with respect to foreign investment, to bear in mind inter alia the importance of the following considerations:

- (a) Criteria and practices employed by developing countries for the acceptance and promotion of foreign investment;
- (b) Developing countries' policies governing relative shares of foreign and host country investors in capital investment;
- (c) The forms of foreign equity participation such as cash investment, supply of machinery and equipment, provision of technical services and know-how;
- (d) Policies and practices governing foreign participation in management and training of management personnel in developing countries;
- (e) Investment opportunities and fields of investment for foreign enterprises;
- (f) Policies and measures of developing countries with regard to the use of patents and licences supplied by foreign enterprises;
- (g) Adequacy of existing business practices for transfer of technology to developing countries through patents and licences by foreign enterprises;
- (h) Policies applied by foreign enterprises with respect to goods and services produced by these firms;
- (i) Tax treatment of foreign investment, both in capital importing and capital exporting countries;
- (j) Practices of foreign enterprises as regards exports of products resulting from foreign investment and/or grant of patents and licences;
- (k) Reinvestment undertaken by foreign enterprises from income earned in developing countries;
- (l) Policies applied by the developed countries with regard to the flow of private capital to developing countries and by developing countries with regard to the repatriation of capital and earnings;

- (m) The introduction of incentives by the developing and developed countries to encourage such flows;
 - (n) Policy of developing countries towards employment of foreign personnel and imports of machinery and equipment;
2. Notes with interest that in accordance with General Assembly resolution 2276(XXII), the Secretary-General of the United Nations is requested to include in the regular report on the international flow of long-term capital and official donations such statistics as are available of reverse flows of capital from the developing countries, assessing their significance in relation to total financial transfers and giving an analysis of factors affecting them;
3. Further requests the Secretary-General to undertake a study of the economic effects of foreign investment, as outlined in Annex XIII of the Report on "Measurement of the flow of resources to developing countries." ^{1/}

The studies shall take into account:

- (a) The level of economic development of the developing countries;
 - (b) Studies carried out by other agencies with respect to any of the items enumerated in operative paragraph 1. The studies shall, on the basis of their findings, also recommend policy measures and practices concerning foreign investment and transfer of technical services and know-how, and make any suggestions relevant to the purpose of the study;
4. Recommends that these studies and reports be submitted to competent United Nations organs, including UNCTAD, for consideration and appropriate action at the earliest opportunity, including consideration of the appointment of a group of governmental experts for examination of the issues involved. They should also be brought to the attention of other interested international organizations, and through their respective governments, to non-governmental organizations concerned with private investment.
5. Expresses the hope that progress can be expedited in the study undertaken by the IBRD on multilateral investment insurance and requests the Secretary-General of UNCTAD to invite the IBRD to submit a progress report and any other relevant material which the Bank considers it appropriate to release to the next session of the Committee on Invisibles and Financing related to Trade.

^{1/} United Nations Publication Sales No. 67.II.D.17.

GROWTH, DEVELOPMENT FINANCE AND AID
(SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)World Bank Group mattersRevised text of Note by the Chairman of the
Third Committee on World Bank Group matters

The following text is submitted to the Third Committee for consideration:

1. The Conference recognizes the contribution of the work of the IBRD and its affiliates in the promotion of development of developing countries. The Conference notes with appreciation the completion of negotiations for the replenishment of the resources of the IDA at a higher level. It also notes that the World Bank Group has continuously adjusted its activities to the needs of the developing countries.
2. The Conference encourages governments of countries, members of the World Bank and its affiliates, to continue their support for the work of these institutions and recommends to those governments to advise their representatives in the competent organs of the IBRD and its affiliates to consider the following questions, while bearing in mind the need to safeguard the Bank's ability to borrow:
 - (a) that the Bank Group should devote as large a part as possible of its resources for assistance to developing countries;
 - (b) that the Bank Group should be alert to the necessity for new approaches in its lending policies and procedures, for example in keeping under review the advisability of financing non-private and semi-public productive enterprises and the possibility of extending IDA financing to projects and programmes designed to correct regional imbalances in the developing countries;

- (c) that the Bank Group should continue, in appropriate cases, to extend loans for purposes wider than the financing of individual projects and that it should consider, wherever necessary, the financing of local costs;
- (d) that the Bank Group should continue co-operating with regional financial institutions both in co-ordinating their operations and, where appropriate, in financing jointly projects of regional importance;
- (e) that the Bank Group should continue and, to the extent feasible, increase its operations relating to rural and urban development (including public sanitation and water supply), education, agriculture and projects designed to foster economic integration;
- (f) that the Bank Group should extend, to the extent feasible, its co-ordinating services relating to particular countries, such as consultative groups;
- (g) at the request of the parties involved, the Bank Group should co-operate in the consideration of measures to deal with external debt problems;
- (h) that the Bank should keep under review the possibility of applying the legal provisions of its Articles of Agreement empowering it to give guarantees for loans to developing countries;
- (i) that the activities of the International Finance Corporation should be expanded in particular with regard to undertakings in developing countries and especially to projects which promote economic integration;

- (j) that the IDA should explore the possibility of receiving trust funds in administration from various governments and institutions;
- (k) that the IDA in distributing its funds should give particular attention to the least-developed among the developing countries, in particular to those developing countries which have not yet received adequate international aid.

(4) GROWTH, DEVELOPMENT FINANCE AND AID (SYNCHRONIZATION
OF INTERNATIONAL AND NATIONAL POLICIES)Extension of the operations of the World Bank and its affiliates
(agenda item 12)

Draft resolution submitted by: Afghanistan, Algeria, Argentine, Barbados, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Democratic Republic of), Costa Rica, Cyprus, Dominican Republic, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malaysia, Malawi, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Southern Yemen, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia.

The Conference,

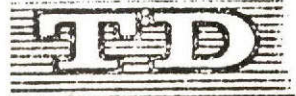
1. Recommends that the Governments of countries which are members of the World Bank and its affiliates should request at the next meeting of the Board of Governors that the Bank should study the transformation and adaptation of the activities of the group to enable it to devote itself entirely to aid to the developing countries, and that to this end the necessary policy reforms should be introduced, with particular reference to the following considerations:

- (a) That the Bank should consider the possibility of financing plans and programmes including, wherever necessary, local costs, instead of financing only projects as has been its traditional policy;
- (b) That the Bank should consider the imperative need to ensure that loan periods shall be longer and interest rates easier for developing countries;

- (c) That the Bank should enter into negotiations with the debtor developed countries to examine the possibility of advance payment of their debt balances;
- (d) That the Bank should increase its aid to countries which still have no direct access to international capital markets and to those developing countries which have not yet received adequate international aid;
- (e) That the Bank should enlarge its loan policy with a view to giving effective financial assistance to projects of non-private and mixed enterprises engaged in industrial activity, especially those which are working in strategic areas of development;
- (f) That the Bank should consider financing public health projects and programmes and should broaden its operations relating to rural and urban development, education, agriculture and economic integration;
- (g) That the Bank should agree to administer trust funds provided by various Governments and institutions, preferably of an untied nature;
- (h) That the Bank should apply the legal provisions of its Articles of Agreement empowering it to give guarantees for loans to developing countries from capital-exporting countries; and second, to place bonds in both international and national markets;
- (i) That the Bank should increase its co-operation with regional financing institutions, and where appropriate should grant credits jointly with regional banks and with banks and corporations engaged in the field of integration;

- (j) That the Bank should extend and broaden its consortium and consultative group services so that a larger number of developing countries can use them;
- (k) That the Bank should co-operate with countries, at their request, in negotiations with creditor countries for the consolidation, conversion and re-negotiation of their external debts;
- (l) That the operations of the International Finance Corporation should be expanded in the most effective possible way giving preference to undertakings in developing countries and particularly to those activities which fall within the process of economic integration;
- (m) That the Bank should vigorously pursue negotiations with the developed countries in order that the International Development Association may have at its disposal the additional funds needed to expand its activities as soon as possible;
- (n) That the International Development Association should broaden its lending policy so as to finance projects and programmes designed to correct regional imbalances in the developing countries;
- (o) That in distributing its funds the International Development Association should give attention to those developing countries which have not yet received adequate financial and technical aid and to the least-developed among the developing countries.

2. Further recommends to the Board of Governors of the Bank that the terms and conditions of development loans provided by the Bank, including interest rates, commitment charges and repayment periods, should be adapted to the particular needs of the least developed countries.



ANNEX 13

Distr.
GENERAL

TD/II/RES/15
28 March 1963

United Nations Conference on Trade and Development

Agenda item 5(c)

RESOLUTION ADOPTED BY THE CONFERENCE

- 15(II) Trade relations among countries having different economic and social systems including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account the work in this field of other United Nations organs, including the regional economic commissions

The United Nations Conference on Trade and Development,

Recognizing the desirability of expanding East-West trade on the one hand, and trade between developing countries and socialist countries on the other,

Recalling the relevant parts of General Assembly resolutions 1995(XIX) of 30 December 1964 and 2085(XX) of 20 December 1965,

Recalling the second, sixth, seventh and eighth general principles governing international trade relations and trade policies conducive to development as embodied in the recommendation in Annex A.I.1 of the Final Act of the first session of the Conference,

Noting the declaration unanimously adopted at the twenty-second session of the United Nations Economic Commission for Europe concerning the further development of trade, economic, scientific and technical co-operation between the member countries of the Commission,

Bearing in mind the recommendations in Annexes A.II.1, Part 2B, A.III.2, A.III.7 and A.VI.7 of the Final Act of the first session of the Conference,

Noting the statement made by the Secretary-General of the United Nations at the 51st plenary meeting of the second session of the Conference to the effect that "it is an inevitable consequence of growing international interdependence that the construction of any one channel of economic relationship tends to react adversely upon other channels as well",

Considering that East-West trade is an integral part of world trade and that the expansion of this flow of trade would positively affect the expansion of international trade as a whole, including the trade of developing countries, provided that necessary constructive measures to promote trade and economic relations with developing countries are undertaken by those two groups of countries.

A

1. Recommends that countries participating in East-West trade, while giving due consideration to the interests of developing countries, and in accordance with principles as embodied in the Final Act of the first session of the Conference,
 - (a) continue their common efforts towards the expansion of trade and, to this end, seek to remove the economic, administrative and trade policy obstacles to the development of trade,
 - (b) promote constructive measures in the field of economic, industrial, technical and scientific co-operation,
 - (c) consider any further appropriate policies or measures aimed at expanding economic relations between them on the basis of mutual advantage;
2. Recommends that countries participating in East-West trade ensure, through positive measures, that the expansion of trade between them does not unfavourably affect the trading possibilities of the developing countries and leads to expansion of trade between them and the latter.

B

Recommends that Socialist countries of Eastern Europe:

1. Adopt the necessary measures, taking duly into consideration the trade needs of the developing countries when quantitative targets are fixed in their long-term economic plans, to expand further their trade with developing countries and, at the same time, to promote the diversification of the structure and of the geographical basis of this trade with these countries, in order that the largest possible number of developing countries derive the maximum benefit from this trade. They will endeavour to maintain and, whenever possible, to accelerate the rate of growth of trade exchanges with developing countries;
2. Conclude long-term agreements for the purchase of commodities from the developing countries which would include suitable provision aiming at a satisfactory solution as to volume and stability of prices of primary commodities;
3. Abolish or reduce, on a preferential basis, tariffs on manufactures and semi-manufactures imported from developing countries;
4. Accord preferential conditions in their procurement policies for products imported from developing countries, it being understood that each of them will do so in accordance with the modalities of its foreign trade system;

5. Take all practicable steps, within the framework of their respective national economic policies, in order to grant such favourable terms to imports from developing countries and to consumption of products imported;
6. Alongside bilateral forms of agreements, multilateralize to the extent possible when acceptable to the interested countries payments arrangements between them and developing countries to facilitate and stimulate the expansion of their trade with developing countries;
7. Ensure that the period of validity of the contracts concluded between their agencies and enterprises and those of the developing countries would be sufficiently long to enable the agencies and enterprises in the developing countries concerned to plan and execute with greater efficiency their investment, production and delivery programmes;
8. Adopt appropriate measures designed to maximize and diversify imports of primary commodities, semi-manufactures and manufactures from developing countries, giving due consideration to the trade and development interests of the latter, and to that end:
 - (a) take into account the production and export potential of developing countries in drawing up their plans;
 - (b) not encourage the import of primary commodities from other sources whenever they are available on competitive terms in developing countries;
 - (c) undertake measures so that imports of manufactures and semi-manufactures from developing countries constitute a growing element in their total imports of manufactures and semi-manufactures;
9. Refrain from re-exporting the goods purchased from developing countries, unless it is with the consent of the developing countries concerned;
10. Take into consideration when extending credits for the financing of projects in developing countries the particular conditions of the countries concerned and make provisions, where appropriate, for their repayment by the export of the products of those projects or other products;
11. In the light of the recommendation in Annex A.III.2 of the Final Act of the first Conference, encourage the conclusion of industrial branch agreements on partial division of labour, providing inter alia for the supply of plants and equipment on credit to the developing countries accepting repayment of such credits, in particular, with the goods manufactured by these plants in the developing countries concerned;
12. Co-operate in the technological research efforts of developing countries by making available to them, on the most favourable terms possible, the results of their work in this field and also by helping national research efforts in these countries;

C

1. Recommends that developing countries, in their efforts to increase their over-all trade, give, in particular, due attention to the possibility of expanding their trade with socialist countries -

(a) by encouraging direct trade relations with these countries,

(b) by endeavouring to adapt their exports to commercial specifications required by their trading partners,

(c) by granting to these countries conditions for trade not inferior to those granted normally to the developed market economy countries,

(d) by undertaking steps to facilitate the implementation of the measures enumerated in Part B and by carrying out other positive measures with a view to promoting the further expansion of economic ties and the increase and diversification of mutual trade exchanges.

D

1. Requests the Secretary-General of UNCTAD, in consultation with the regional economic commissions of the United Nations and with the United Nations Economic and Social Office in Beirut and with other competent organs of the United Nations, to keep under review the progress achieved in the expansion of trade (a) between developed market economy countries and socialist countries giving due consideration to trade interests of developing countries and (b) between socialist countries and developing countries, and to continue to submit periodical reports thereon to the Conference and to the Trade and Development Board, including the sessional committee to be convened under paragraph 3 hereunder;

2. Further requests the Secretary-General of UNCTAD

(a) to address a questionnaire to governments on the problems involved in the establishment of different forms of multilateral payments arrangements between developing and socialist countries and also suggestions thereon and to prepare, for the group of experts mentioned below, a background study on the topic taking into account replies received from the countries concerned and having in view the Report on Payments Arrangements among the Developing Countries for Trade Expansion (TD/B/80/Rev.1),

(b) to convene a group on multilateral payments arrangements, not later than the first quarter of 1969, consisting of experts from interested Socialist, developing and developed market economy countries to examine, taking into account the study prepared by the Secretary-General and other relevant information, the suitability of different forms of multilateral payments arrangements between developing and Socialist countries and to submit its recommendations thereon to the Trade and Development Board for consideration and action;

3. Requests the Trade and Development Board to convene periodically a sessional committee to proceed, in the light of the present recommendation, to consultations-on, and to the elaboration of proposals concerning, inter alia,

(a) the expansion of East-West trade giving due consideration to the trade interests of developing countries,

(b) the expansion of trade between Socialist countries and developing countries.

76th plenary meeting
25 March 1968



ANNEX 14

Distr.
GENERAL

TD/II/RES/9
25 March 1968

United Nations Conference on Trade and Development

Second session
Agenda item 9(f)

RESOLUTION ADOPTED BY THE CONFERENCE

[on the report of Working Group I (TD/81)]

9(II). Declaration on the World Food Problem

The United Nations Conference on Trade and Development,

STATES THAT

1. half of mankind is undernourished or badly fed, because the world production of energy-giving and protective foods is insufficient to satisfy nutritional requirements. The millions of people suffering from hunger and malnutrition live in developing countries.
2. in nearly all the developing countries, a backward agricultural sector has in recent years been unable to increase food output fast enough to match the increase in the demand for food resulting from population growth and rising incomes. For this reason, these countries are obliged, even for maintaining present low levels of nutrition, to import food in ever-increasing amounts, to the detriment of their capacity to import capital goods essential for accelerating their economic development.
3. the food surpluses in developed countries which have hitherto been used to cover emergency world shortage have been substantially reduced, and the surplus of cereals has practically disappeared.
4. in most developing countries there exists at the same time a deep social and human problem which arises, like the world food problem, from the insufficient dynamism of the agricultural sector - namely, the chronic under-employment and the low incomes of the rural population. The level of living of the rural population which constitutes the vast majority of the total population in these countries is incompatible with human dignity and the rural population is unable to participate actively enough in the common endeavour to overcome under-development.

5. some favourable developments have taken place recently with regard to these problems. Some developing countries are making promising progress in increasing their agricultural production and improving the productivity of the agricultural sector, through substantial national efforts in matters of investment, improved technology and structural reforms, supported in some cases by more active international co-operation. Moreover, in recent years the conscience of the world has been alerted to the dangers and urgency of the world food problem, particularly through the FAO Freedom From Hunger Campaign.

RECOGNIZES THAT

1. the persistence of these problems constitutes one of the major obstacles to social and economic development. Hence the solution to these problems is the joint responsibility of the whole international community. The primary responsibility rests with the developing countries themselves which must increase their food production, as the basic and permanent means of satisfying their needs. They must also raise the level of living of the rural populations. The developed countries should co-operate fully in these efforts of the developing countries.
2. the rapid development of agriculture, which is indispensable not only for producing food, producing raw materials for some industries and providing employment but also, in the case of exporting countries, as a means of earning foreign exchange, is an essential part of general economic and social development. Agricultural and industrial development are inter-dependent. This inter-dependence calls for the balanced and integrated growth of the various sectors of the economy, coupled with a dynamic policy of social justice and betterment of the living conditions of humanity.
3. effective action to overcome the world food problem and to modernize rural life in developing countries should consequently be conceived in the framework of a universal endeavour dedicated to the fullest and most effective use of all human, scientific and natural resources to ensure a faster rate of economic growth and parallel social progress.
4. the ultimate solution of the world food problem requires a series of convergent measures some of which would have immediate effects and others long-term results. Overall measures should be directed to increasing food production through actions of institutional, technical, social and economic character; to the improvement of marketing at both national and international levels; to the development of agro-industries and to the consideration of the dynamics of population. The adoption of measures to increase supplies, including food aid, to meet shortages and the

application of improved techniques will continue to be required to alleviate the situation in the short-term. Action should be taken urgently on measures having both immediate and long-term effects.

AFFIRMS THAT

1. the United Nations, with its subsidiary organs, the specialized agencies, the World Food Programme and the international financial institutions have important responsibilities in the solution of the world food problem.
2. the Food and Agricultural Organization has a crucial role as the international agency entrusted with the task of raising levels of nutrition and the standards of living of rural people and securing improvements in the efficiency of production and distribution of all food and agricultural products. Present trends in FAO and the regional and international Banks toward the planning and execution of practical programme and integrated projects leading to international and national investment should be supported and encouraged by member countries.
3. the integrated approach to the world food problem calls for the fullest co-operation and co-ordination among the international organizations concerned, and for the utilization, as appropriate, of the opportunities provided by bilateral programmes and those of certain private foundations.

NOTES WITH APPROVAL the assistance already extended by the international organizations concerned and certain major undertakings, including inter alia:

- (a) the elaboration of plans for the Second Development Decade 1970-1980;
- (b) the FAO Indicative World Plan for Agricultural Development;
- (c) the Inter-Agency Study on Multilateral Food Aid initiated under General Assembly resolution 2096 (XX) of 20 December 1965;
- (d) efforts to expand multilateral food aid under the World Food Programme;
- (e) the Convention on food aid of the International Grains Arrangement, 1967, and similar possibilities of mobilizing through international arrangements for other commodities the capacity of both developing and developed countries to produce supplies for food aid purposes;
- (f) the Agricultural Development Fund of the Asian Development Bank.

THEREFORE URGES

Developing countries

1. to pay special attention, in the formulation of balanced and integrated plans, to the requirements of the agricultural sector, taking account of the food situation and of the important role of this sector in overall development, and to remove such impediments to increases in agricultural production as arise from agrarian and credit structure inherited from the past, to carry out, wherever appropriate, the reforms in the systems of land tenure, land and water use and credit and to modernize administrative institutions;
2. to plan agricultural production in the interest of balanced economic development taking into account current and potential requirements;
3. to lay emphasis on the development of human resources and to this effect, among other measures, to adopt programmes of mass education in the rural areas, technical training and community development, to ensure an active participation by the farmers in the common tasks to increase their income and their standard of living and to ensure the enjoyment of their political, social, economic and cultural rights;
4. to promote the establishment and expansion of co-operative organizations to be effective instruments for a better development of production and marketing of foodstuffs;
5. strengthen measures for improving the availability of key agricultural requisites, including fertilizers, improved seeds, pesticides, improved agricultural machinery and implements, and to provide adequate advisory and extension services and institutions for training and research with due attention to the adaptation of methods and techniques to local conditions;
6. promote the establishment of agro-industries, specially those supplying the agricultural sector with fertilizers, pesticides and agricultural machinery and equipment;
7. improve transport, marketing, storage and distribution facilities;
8. pay special attention, where necessary, to increased water supply including ground water exploitation;
9. intensify their efforts to make better use of the resources of the sea and of the fishery resources of both sea and river for human foodstuffs, through, among other measures, the application of modern technology in small fishery industries and the technical training of fishermen;

10. promote adequate pricing policies which take into account the need to attain the maximum degree of production as well as appropriate level of efficiency;
11. promote national reserves of foodgrains for stabilization of consumer prices and meeting emergencies;
12. increase their efforts to conclude agreements on complementary food production within the existing regional and sub-regional integration schemes and other regional and sub-regional agreements in conformity with national development programmes;
13. consider the effects of the problems created by the dynamics of population on food requirements and take appropriate measures;
14. encourage foreign private investments and the inflow of private capital for the above-mentioned purposes, if it is in accordance with their national development plans;

Developed countries

1. within the framework of their respective global aid programmes and in the light of the targets set by the Conference with regard to the volume of aid,
 - (a) to continue and to strengthen their aid to developing countries making efforts to increase food production and modernize the agricultural sector and for this purpose to give more emphasis, in response to requests of these developing countries, to increasing the assistance by providing agricultural requisites, especially fertilizers, pesticides, improved seeds, agricultural machinery and implements;
 - (b) to lay also equal emphasis on aid intended for the establishment of agro-industries for the manufactures of fertilizers, pesticides, agricultural machinery and water development equipment and to promote, for the same purpose, private investment if it is in accordance with national development plans of developing countries;
 - (c) to continue and to strengthen the necessary technical assistance through bilateral and multilateral channels including such assistance as would improve the quality of human resources which are crucial to economic growth;
 - (d) to provide food aid on a fair and just basis among developed countries as an interim measure of assistance to food-deficit countries, in such a way as not to affect the productive capacity of the recipient countries and,

to the greatest practicable extent, in accordance with the FAO Principles of Surplus Disposal. This food aid should also assist the food-deficit countries in building up emergency reserves replenishable from time to time for short term needs. In the case of food-importing donor countries, however, due account should be taken of their special circumstances,

Food aid should be given on a grant basis or a loan basis on as generous terms as circumstances permit.

Food aid should not provide undue incentives for an increased production in developed countries.

Food aid should mobilize where appropriate through international arrangements the capacity of developing countries to produce food supplies for food aid purposes.

Any increase in cash contributions to multilateral food aid programmes should be used, where practicable, for the purchase on economic terms of food from the developing countries.

2. to carry out, to the extent practicable, measures providing more favourable conditions of access to their markets for primary products exporting countries, particularly bearing in mind the interests of developing countries, and permitting primary products exporting countries to participate in the growth of the markets of industrial nations.

The international organizations concerned

1. to intensify their co-operation with the developing and developed countries in their joint efforts to solve the world food problem, support and, within the limits of their resources and constitutional responsibilities, carry out an effective assistance to developing countries;
2. to take into account in so doing, among other considerations, the need for a co-ordinated global approach to action on the world food problem, including development on the agricultural sector and trade in agricultural products, as a guide to developing and developed countries and international agencies in the formulation and implementation of their plans, policies and programmes;

3. in adapting their structure, strategy and programmes to the changing situation and the global efforts, to concentrate their activities and, in so far as their particular character permits, place greater emphasis on operational aspects, decentralize their services and strengthen their work in the field;
4. in financing agricultural development programmes and projects by international agencies, to give appropriate emphasis to the importance of providing, in response to requests, sizeable amount of agricultural requisites as an essential element in their assistance.

70th plenary meeting
22 March 1968



ANNEX 15

Dis.
GENERAL

TD/II/RES/24
28 March 1968

United Nations Conference on Trade and Development

Second session
New Delhi, India
Agenda item 15

RESOLUTION ADOPTED BY THE CONFERENCE

- 24(II). Special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development

The United Nations Conference on Trade and Development

Recognizing the differing characteristics and stages of development of developing countries and recalling the Final Act of the first session of the Conference,

Further recognizing the special problems that confront the least developed amongst the developing countries in their efforts to accelerate their economic and social improvement and aware of the need to provide effective and concrete measures that can ensure their sustained economic growth and enhance the ability of the least developed countries to benefit fully from the general measures in favour of all developing countries,

Accepting that such measures should be adapted to the particular situations and specific problems of these countries,

Taking note of the Charter of Algiers (TD/38 and its Annex II) and of the special measures which could be taken as outlined in the documents of the UNCTAD secretariat,

Convinced that the international community, when embarking upon a policy of co-operation for development, should pay due attention to the special handicaps of the least developed countries with the object of removing their disabilities,

Recognizing that it is necessary to study further and to elaborate the detailed measures which could be taken in this regard within the various fields of activity of the UNCTAD and other organs of the United Nations and of other international organizations,

Having agreed that it should not be the objective of any special measures taken in favour of the least advanced developing countries to create discrimination among the developing countries but to ensure due benefits for the least developed among them so that all developing countries can gain equitable benefits,

Affirming the need to pay particular attention to the least developed countries in measures and concrete decisions emanating from UNCTAD and other organizations of the United Nations system concerned with the problems of economic development,

Further affirming that special support should be given by States members of UNCTAD, the international institutions and the regional economic commissions to the least developed countries so as to ensure their active participation in world trade and development, including regional and sub-regional industrial development,

1. Recommends that special measures be devised, within a global strategy, of convergent measures in order to enable the least developed among the developing countries to derive equitable benefits so that all the developing countries are enabled to gain comparable results from the co-operation of member countries of UNCTAD, particularly the co-operation between developing and developed countries. The possibilities of devising such measures in relation to both developed market economy and socialist countries, and in accordance with the practices of these countries' particular economic systems, should be examined in the following spheres among others:

- (a) commodity policy
- (b) manufactures and "semi-manufactures"
- (c) development finance
- (d) regional economic integration
- (e) invisibles and shipping
- (f) trade promotion
- (g) special technical and financial assistance;

2. Invites the international bodies responsible for particular measures designed to benefit developing countries generally, whenever possible, to design the form of and elaborate on the special measures which might be taken in favour of the least developed countries and to identify such countries in the context of each measure concerned, taking fully into account the identifying criteria relevant to the policy measure in question;

3. Requests

(a) the Trade and Development Board and its subsidiary organs to bear in mind in all their activities, studies and decisions the special needs of the least advanced among the developing countries and to keep this question under review on a continuing basis;

(b) the Secretary-General of UNCTAD to undertake studies of different aspects of the special problems of least developed countries with a view to devising effective measures that would enable these countries to benefit fully from measures undertaken within the UNCTAD programme and framework;

(c) the Secretary-General of UNCTAD to continue studies relative to the identification of least developed countries and to examine the various approaches to this problem, taking into consideration the recommendations and the report of the Conference and the work undertaken by the regional economic commissions and the invitation in paragraph 2 above with the object of suggesting practical guidelines to be followed in the process of identification;

4. Invites:

(a) other organs of the United Nations, as well as other international organizations whose activities may have a bearing on measures which can be taken to assist the least advanced of the developing countries, to pay special attention in their activities to the problems of these countries and wherever possible to introduce, within the measures they may recommend or undertake in favour of developing countries as a whole, particular provisions to assist the least advanced among them;

(b) in particular the regional economic commissions for Asia and the Far East, for Latin America and for Africa, to pay special attention in their work programme to the special problems of the least developed countries of their regions, and also to undertake studies and take any other action which they consider appropriate to enable the Secretary-General of UNCTAD to suggest guidelines as in paragraph 3(c) above;

(c) the States members of UNCTAD, the regional economic commissions and the appropriate bodies of the United Nations system to co-operate with the Secretary-General of UNCTAD by providing information relevant to the preparation of the studies mentioned in the above paragraphs;

(d) the United Nations Development Programme, (UNDP), the United Nations Industrial Development Organization (UNIDO) and the international financial institutions to devote particular attention to the needs of the least developed countries in the drawing up of their programmes of assistance, and in identifying viable projects and promoting their financing.



ANNEX 16

Distr.
GENERAL

TD/II/RES/11
26 March 1963

United Nations Conference on Trade and Development

Second session
Agenda item 9(g)

RESOLUTION ADOPTED BY THE CONFERENCE

[on the report of Working Group III (TD/89)]

11(II). Special Problems of the Land-locked Countries

The United Nations Conference on Trade and Development,

A

Recalling the Principles relating to Transit Trade of Land-locked Countries which were adopted by the first session of UNCTAD (Final Act, Annex A.I.2),

Recalling that, on the basis of these Principles, the United Nations Conference on Transit Trade of Land-locked Countries adopted on 8 July 1965 the Convention on Transit Trade of Land-locked States,

Noting that the Convention entered into force on 9 June 1967 but so far has been ratified or acceded to by only two transit States having a sea-coast,

Noting further that the Convention is open for ratification or accession without any time limit,

Considering that, for the promotion of the trade and economic development of the land-locked States, it is essential to provide facilities to enable them to overcome the effects of their land-locked position on their trade,

Recalling General Assembly resolution 1028 (XI) of 20 February 1957,

1. Urges all States invited to become parties to the 1965 Convention to Transit Trade of Land-locked States to investigate the possibilities of ratifying or acceding to it and to make it effective at the earliest possible date.

B.

Recognizing that

(a) the land-locked position of many developing countries affects the expansion of trade and economic development of these countries and may hamper them in taking advantage of some of the international measures envisaged to support the trade expansion and economic development of all developing countries,

(b) the special problems involved in the promotion of the trade and economic development of the land-locked developing countries, in particular the high cost of transportation due to distance from sea, the poor state of transport and communications and other factors inhibiting the execution of their trade expansion and economic development programmes, call for special attention and require special solutions,

Convinced that the international community, when embarking upon a comprehensive policy of co-operation for development, should pay due attention to the above-mentioned special problems of the land-locked developing countries,

Noting that, within the framework of some United Nations regional economic commissions and some regional and sub-regional economic groupings of developing countries, studies of certain important aspects of the special problems of the land-locked developing countries of the regions or sub-regions concerned have been initiated with a view to contributing to their solution,

1. Recommends that, in view of the special problems of the land-locked developing countries, the land-locked situation should be considered as a factor in determining the criteria for the identification of the least developed among the developing countries;

2. Recommends that the Governments of the developed countries, in their financial and technical assistance programmes in the field of transport and communications, should accord appropriate attention to the special needs of land-locked developing countries in extending adequate financial and technical assistance to projects designed for the development and improvement of the transport and communications infrastructure needed by these countries, in particular of the transport modes and

facilities most convenient to them and mutually acceptable to the transit and the land-locked developing countries concerned, including joint projects concluded by common agreement with the transit States concerned for the establishment, expansion and/or improvement of transport and communications facilities serving the transit trade of the land-locked countries;

3. Further recommends that the appropriate international financial institutions be invited to give similar attention among their priorities to the matters mentioned in the preceding paragraph;

4. Calls on transit countries to extend their fullest possible co-operation to the formulation and execution of the projects mentioned in the preceding paragraph;

5. Recommends that the land-locked developing countries and the transit countries should enter into consultations and negotiations, whether bilaterally or on a regional or sub-regional basis, with a view to examining jointly the special difficulties which the land-locked developing countries face in the promotion of their trade and economic development, and to concluding agreements designed to overcome such difficulties in accordance with the nature of each particular case, paying special attention to the facilities requested by the land-locked countries for their transit trade;

6. Further recommends that the Governments of the developed countries be invited to bear in mind, in their assistance programmes or through the international organizations concerned, the possibility of extending loans on favourable terms:

(a) to the land-locked developing countries for the development of transport and communication facilities designed to help the latter to overcome the special difficulties of their land-locked position;

(b) to the developing land-locked and transit countries for the development of transport and communication facilities referred to in paragraph 2 above designed to help the developing countries concerned to overcome the special difficulties of the land-locked position;

7. Recommends that the Governments of States members of UNCTAD invite liner conferences and equivalent organizations, directly or through the shipowners members of them, and likewise insurance companies, to bear in mind, in forming their respective tariff policies, the special problems of land-locked developing countries;

8. Calls on the developed land-locked countries, through the exchange of information experience, training and technical know-how, to lend, upon request, directly or through the appropriate United Nations bodies, special assistance to the land-locked developing countries in outlining suitable solutions to the special problems of the latter;

9. Invites the regional economic commissions concerned with the developing regions and the regional and sub-regional economic groupings of the developing countries to pay special attention in their work programmes to the special problems in the field of the trade expansion and economic development of the land-locked countries members of such regional economic commissions and regional or sub-regional economic groupings, and to give special consideration to the need of greater participation of such land-locked developing countries in regional and international trade;

10. Requests:

(a) the Secretary-General of UNCTAD, in consultation with the Under Secretary-General of the United Nations for Economic and Social Affairs, to establish a group of experts to carry out a comprehensive examination of, and to report upon, the special problems involved in the promotion of the trade and economic development of the land-locked developing countries, a special study to be made in this examination of the transport problems, outlining possible ways by which the adverse effects of higher transportation costs on the trade position, production costs and execution of economic development programmes of the land-locked developing countries might be minimized; the background material to be prepared for the examination by the group of experts shall draw fully upon the experience and competence in this field of other appropriate United Nations bodies, in particular the Department of Economic and Social Affairs and the regional economic commissions; the report of this expert group should describe the experience so far gained in the solution of the above-mentioned problems and outline further practical measures and procedures for presentation to the Trade and Development Board for consideration and appropriate action;

(b) the States members of UNCTAD, the regional economic commissions, the specialized agencies concerned, the economic groupings of the developing countries and other international organizations dealing with the subject to co-operate with the Secretary-General of UNCTAD by providing to the extent possible, information relevant to the preparation of the studies and reports mentioned in this paragraph;

(c) the Secretary-General of UNCTAD to follow the progress made in giving effect to the recommendations made in this resolution and to report thereon in his annual reviews of international trade and economic development to be prepared in pursuance of the Trade and Development Board's resolution 19(II).

71st plenary meeting
23 March 1968

THIS FILE IS CLOSED AS OF April 15, 1968

FOR FURTHER CORRESPONDENCE, PLEASE SEE Vol. IV

General Files and
Communications Section

UNCTAD
S. P. van der Tak

April 15, 1968

Mr. C. S. Sturmeij
Head, Shipping Branch
UNCTAD
Palais des Nations
Geneva
SWITZERLAND

Dear Mr. Sturmeij:

I greatly enjoyed meeting you during my recent visit to Geneva. Our discussion of your work on shipping and port problems was of great interest to me. I hope this will lead to continuing contacts and exchange of views and information.

I have made arrangements for your name to be put on our mailing list for our Status of Studies Report and for our transportation studies. I would greatly appreciate it if you would keep us informed of the activities of the Shipping Branch by sending us relevant documentation on work programs and publications and if possible draft studies.

With best wishes,

Sincerely yours,

Herman G. van der Tak
Head, Sector and Project Group
Economics Department

Van

HGvanderTak:zmc

cc: Mr. Hogg
Messrs. Schmedtje/de Weille

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COMMUNICATIONS
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OFFICE

Mr. C. S. Starnes
Head, Shipping Branch
UNITED
FEDERAL RESERVE BANK
WASHINGTON

I greatly enjoyed meeting you during my recent visit to Geneva. Our discussion of your work on shipping and port problems was of great interest to me. I hope this will lead to continuing contacts and exchange of views and information.

With best wishes

Heinrich G. van der Tak
Head, Sector and Project Group
Economic Department

cc: Messrs. Schmiedtje & Weille
Mr. Hogg

1968 APR 17 AM 10:44

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ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

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INTBAFRAD
PARIS

DATE: APRIL 15, 1968

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Cable No.: 380

PRESIDENT PREFERS MAKE DECISION ON DESIRABILITY ORAL REPORT TO BOARD
ON UNCTAD AFTER SUBMISSION YOUR WRITTEN REPORT. SUGGEST THEREFORE
YOU CANCEL PLANS FOR WASHINGTON VISIT AT THIS TIME ALTHOUGH YOU MAY
BE ASKED TO MAKE VISIT AND STATEMENT AT LATER DATE

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth
DEPT. Development Services

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHD:tf

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(3-21)

Form 100-33

April 12, 1968

Mr. Raul Prebisch
Secretary-General
United Nations Conference
on Trade and Development
Palais des Nations
CH-1211 Geneva 10, Switzerland

Dear Mr. Prebisch:

This will acknowledge your letter of April 4, 1968, transmitting the notification of the sixth session of the Trade and Development Board to be held in Geneva on May 6, 1968. The Bank does not plan to be represented at this meeting.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

MLHoffman/pnn

[Handwritten signature]

cc: Mr. Consolo

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'IEÑA, PARIS (16^e) - FRANCE

Telephone - 553-2510



April 12, 1968

Dear Dick:

Arthur suggests I should write you this note to remind you of a matter which we discussed when you were here.

You will remember that we mentioned various UNCTAD follow-up meetings which are to be held in Europe. The information we have on these is as follows:-

<u>June 18-28</u>	Group on Preferences 3rd session to be held in Geneva
<u>July 16-26</u>	Committee on Commodities 3rd session to be held in Geneva
<u>July 30-August 9</u>	Committee on Manufactures 3rd session to be held in Geneva
<u>September 4-20</u>	Trade and Development Board 7th session to be held in Geneva.

You said that you were not sure at the moment whether the Bank need be represented at these meetings, or at least at some of them. If we were to be represented you would like to think further regarding who should be the representative.

This note is just to remind you of this matter. At a later date, you will be letting us know whether or not you want us to make any arrangements for representation from this office.

Yours sincerely,

Apr. 12 - 23 - Lumbis

G. C. Wishart

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

OFFICE MEMORANDUM

TO: Files

DATE: April 12, 1968

FROM: Richard H. Demuth SUBJECT: Visit by Dr. Prebisch

Dr. Prebisch visited Mr. McNamara today. I was also present.

The visit was largely in the nature of a courtesy call. Dr. Prebisch, however, made the point that his hopes for progress within UNCTAD now centered on the spring meeting of the Trade and Development Board. At that meeting, he hoped to obtain an agreement on a scheme of preferences and an agreement on supplementary finance. He also hoped to make progress toward agreement on a date by which the 1% aid target would be reached. If he succeeded on all three of these fronts, he would then try to make progress toward an agreement on a "Strategy of Development," which would stress the responsibilities of the developed and the developing countries alike. In each field covered by the Strategy, there would be proposals for action on both sides. There would also be some effort to establish long-term quantitative targets.

Mr. McNamara expressed strong agreement with the notion of a Strategy of Development. He explained what he was trying to achieve in terms of long-term programs for the major countries being financed by the Bank Group. He and Dr. Prebisch agreed to keep in touch.

In response to a question which I asked Dr. Prebisch after the meeting as to the division of functions in connection with the Strategy of Development between UNCTAD, on the one hand, and the Tinbergen group and the U.N. Secretariat, on the other, Dr. Prebisch said that the latter in their work on the Second Development Decade were stressing the econometric approach with a view to promulgating global quantitative targets. In UNCTAD, on the other hand, the emphasis of the work was on action to be taken by both the developed and the developing countries on a series of specific fronts.

cc: Messrs. Friedman, Kamarck, Consolo and Karasz

RHD:tf

UNCTAD
Business Publications

IDA		IBRD		IFC	
FORM NO. 92 (10-61)		CORRESPONDENCE RECORD FORM			
FROM			DATED		
M. Botsio Business Publications Accra, Ghana			April 11, 1968		
SUBJECT					
Request for address at plenary session of UNCTAD II.					
Addressed to Mr. Woods					
REFERRED TO			DATE RECEIVED		
Information Dept.			April 16, 1968 jgv		

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/68-14

DATED: April 8, 1968

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

UNCTAD II

9. Mr. Friedman said that, while the formal texts of the conclusions reached by Committee III of UNCTAD, which dealt with financial matters, had not yet been received, it appeared that the outcome on the principal subjects discussed was as follows:

- (a) Supplementary Financing: The "77" developing countries endorsed the scheme, as did some developed countries, notably the Scandinavian countries, the Netherlands and Switzerland. The U.K., although one of the originators of the scheme, had been lukewarm in view of its balance of payments difficulties, while others, including Japan and the United States, wished to avoid any commitment, at least for the time being. A stalemate had resulted, and the Inter-Governmental Group (which was being expanded) which had reported on the scheme had been asked to continue to try to resolve the various issues, probably in the hope that final decisions could be deferred until the United States and others were more disposed to commit funds.
- (b) The Bank had been asked to continue its work on suppliers' credits, on which it had already prepared a study for UNCTAD; the IMF had also been asked to do a study which, perhaps, could be combined with the Bank's.

- P. P.
- (c) The target for the external aid of developed countries had been defined as 1% of gross national product. The 1% covered both public and private aid, although some countries had already announced their intention of bringing their public aid alone to this level. The coverage of private and public aid included in the target had been defined in detail. Views on when the 1% target should be attained had differed, some suggesting 1971 or 1972, while others refused to commit themselves to a date.
 - (d) The Bank was requested to make a study of the terms, conditions and techniques of development lending.
 - (e) What appeared to be, but was not certainly, a resolution on the Bank raised a number of questions on such matters as local currency financing and program financing similar to those raised in the Bank by various Governors. It was urged that the Bank should offer its services in debt rescheduling exercises. The tone of the "resolution" and other actions and statements indicated respect for the Bank Group.

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FROM: The Secretary

April 8, 1968

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Attached for information are the texts of the following seven documents submitted and agreed upon in the closing hours of the United Nations Conference on Trade and Development held recently in New Delhi:

- I. Improving the Terms and Conditions of Aid
Alleviating the Problems of External Indebtedness.
- II. Improving the Mobilization of Internal Resources.
- III. Compensatory Financing Facility.
- IV. Increasing the Flow of Private Capital to
Developing Countries.
- V. Aid Volume Target.
- VI. Supplementary Financial Measures.
- VII. International Monetary System - Issues Relating
to Development Finance and Trade of Developing
Countries.

It is believed that these are the final texts as approved by the Plenary Session on March 29, 1968. As it will be a month or more before the rapporteur's report containing authenticated texts will become available, the attached texts of documents of particular interest to the World Bank Group are being made available at this time.

There is also attached a copy of document TD/II/C.3/L.35 of March 20, 1968, concerning World Bank Group matters, being a Note by the Chairman submitted to the Third Committee. It is understood that a short covering resolution transmitting this text to the Trade and Development Board was approved during the final session of the Conference.

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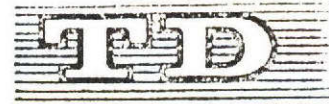
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TD/L.28
27 March 1968

Original: ENGLISH

United Nations Conference on Trade and Development

Second session
Agenda item 12

GROWTH, DEVELOPMENT FINANCE AND AID (SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)

Note by the Chairman of the Contact Group of the Plenary

Following consultations within the Contact Group the attached texts are
submitted to the Conference for consideration.

I IMPROVING THE TERMS AND CONDITIONS OF AID
ALLEVIATING THE PROBLEMS OF EXTERNAL INDEBTEDNESS

Terms of Aid

1. The Conference endorses the view expressed in the Agreed Statement of the Problems of Development that the terms of development assistance generally remain too hard. Further efforts are required to soften the terms of aid and to harmonize the terms given by individual developed countries to individual developing countries. Developed countries agree to renew their efforts to achieve by the end of 1968 the terms and conditions of external resources laid down by the Development Assistance Committee (DAC) of the OECD in its Resolution of July 1965, and by the General Assembly of the United Nations in its Resolution 2170 (XXI). The Conference urges those countries which are now furthest from these norms to make special efforts to achieve them.
2. The Conference notes with appreciation that a review of the terms and conditions specified in the Recommendations of the DAC is to be undertaken this year and expresses the hope that it will result in further liberalization of them. It considers that efforts should be made to raise the norms set out in the present target, either by increasing the amount of aid given in the form of grants, or by improving interest rates, maturities or grace periods, or by increasing the grant element of the official aid commitments of donor countries. Developing countries and some developed countries consider that either of the following alternative norms, to be achieved by the end of 1970, should be specified for each donor country.

Either

- (a) developed countries might provide 80 per cent or more of their official aid in the form of grants;

Or

- (b) they might;
 - (i) provide 90 per cent of their official aid commitments as grants or loans at 2.5 per cent interest or less, with a repayment period of 30 years or more;
 - (ii) attain a minimum grace period of 8 years.

The developed countries generally take note of these suggestions and will consider them in the evolution of their assistance policies.

3. The Conference recognizes that the ability of individual countries to service external debt varies. It recognizes also that the terms on which different types of funds are obtainable to promote development vary. It considers, however, that most developing countries will need to receive development assistance on soft terms for a long time ahead, whether the judgment is based on their national income per head or their external financial position and prospects. The developing countries and some developed countries consider that, by 1975, the bulk of bilateral lending should be on terms comparable in general effect though not necessarily identical in all individual respects with the terms currently applied by the IDA, with suitable arrangements made to enable developing countries not now eligible to avail themselves of these terms to do so. The developed countries generally take note of these suggestions and agree to consider them in the further evolution of their lending policies.

4. The Conference stresses the importance of harmonizing the terms of assistance to individual countries, particularly but not exclusively in the case of countries for which multilateral co-ordinating arrangements exist. Further study should be given to the determinants of debt servicing capacity, with a view to establishing general criteria for settling terms for countries or groups of countries. Judgments on the terms to be offered should be made, where possible, on a case by case basis. Particular regard should be paid to the needs of the least-developed countries in determining terms. Some donor countries emphasize that the overall terms of aid of individual donors should be taken into account in this connexion.

5. Some donor countries point out that for them the volume of lending and the rate at which terms can be improved are closely connected, especially if the donor country has to provide at least part of its aid by raising funds in the private capital market, and to subsidize the rates at which they are lent to developing countries. They also point out that the problem is particularly acute in view of their relatively limited aid giving capacity.

6. The Conference considers that further study is necessary of possible improvements in techniques of lending, having to do among other things with conditions and schedules of repayments, and requests the IBRD to prepare such a study in consultation with the Secretary-General of UNCTAD and IMF. In particular the study should take into account the possibility of postponing or waiving interest and amortization payments in years of foreign exchange stringency. The results of this study should be presented to the next session of the Committee on Invisibles and Financing related to trade.

7. The Conference welcomes the increased availability of financial assistance for programme financing and stresses that external finance should be made available both for programmes and projects and should include local costs where necessary. Since development requires a continuous supply of external resources, individual donor countries should take such steps as they can to ensure such continuity.

Commercial credits including suppliers' credits

8. The Conference endorses the judgment in the Agreed Statement that commercial credits add to the flow of resources and can play a useful role, within limits, in promoting development. They are, however, no real substitute for long-term development aid.

9. It was noted in the Agreed Statement that four main questions arise:

- (i) to what extent should commercial credits be adapted to promote development as well as trade?
- (ii) how should its acceptance and use be controlled by both recipients and lenders?
- (iii) should the terms be softened, and what would be the implications for both aid and trade?
- (iv) should the question whether any new institutional arrangements are needed to alleviate harmful developments in the field of commercial credits be further studied?

10. The Conference invites the IMF to prepare a study on these questions, in consultation with member Governments, with the secretariat of the UNCTAD, the IBRD and other appropriate institutions. This study should be made available for discussion in the Committee on Invisibles and Financing related to Trade which will then decide whether to refer it to an intergovernmental group with equitable representation of developing and developed countries, or to deal with it in some other appropriate way.

11. The Conference further requests the United Nations Secretariat and the IBRD to continue, in consultation with other institutions, the study of commercial credit as a means of assisting developing countries to increase their exports and to finance trade with each other including ways in which facilities available to them might be strengthened and developed. Consideration should be given to the possibility of refinancing by international financial institutions of commercial credit extended by developing countries.

Indebtedness

12. The Conference recognizes the gravity of the problems of external indebtedness and acuteness of some of them, and the fact that such problems arise not only from official lending but also from commercial credit. It considers, first, that as was noted in the Agreed Statement, further analysis is required of the whole question of indebtedness differentiating between the various types of debt involved. These must not be judged in isolation but in relation to the debt-servicing capacity of the country concerned, its external trade and its rate of growth. The problem of indebtedness is also linked with the problems of terms and volume of aid.

13. Secondly, improved arrangements to forecast and forestall debt crises are clearly desirable.

14. Thirdly, since the first objective must be to prevent debt crises from arising, developing countries should undertake sound policies of debt management, while developed countries should help by providing assistance on appropriate terms and conditions.

15. Finally, where difficulties do arise, countries concerned should stand ready to deal reasonably with them within the framework of an appropriate forum, in co-operation with the international institutions concerned. They should bear in mind that some developing countries are carrying an excessively heavy burden of long term debt, having regard to their need to sustain an adequate rate of economic growth and that suitable measures should be adopted in appropriate cases to alleviate this burden. In other cases, situations of crisis may arise and arrangements to refinance or reschedule on appropriate terms and conditions may be required. Present institutional arrangements for dealing with such problems may require review when the analysis of the problems has proceeded further and the arrangements for forecasting situations have been further developed.

Tied Aid

16. The Conference, while recognizing that the causes and effects of tied aid need to be further studied, endorses the judgment on the effects of tying contained in the Agreed Statement. Tying restricts the developing countries' opportunities of benefiting from the price and quality advantages which normally accrue from a free choice of suppliers. This is particularly the case when restrictions are imposed not only as to the source of procurement of the goods but also as to the nature of the goods. Further tying tends to reduce the real value of aid inasmuch as the definition

and the choice of projects and of technology best suited to the requirements of the developing countries is limited. Some of these disadvantages may be mitigated if a country has the freedom of recourse to several sources of procurement or to a broad range of goods and services from one source. Furthermore, some tied loans are used for reimbursing import payments relating to contracts which have been obtained in open international competition.

17. The Conference therefore considers that, in principle, financial assistance should be untied. Many donors, however, find it necessary to tie their aid, mainly in order to protect their balance of payments or to secure public support for their aid programmes. The tying of aid is therefore to be directly related to the level of aid.

18. The Conference urges the developed countries to take what practical measures they can, individually or collectively, both to reduce the extent of tying and to mitigate any harmful effects. The Conference considers that in any case efforts should be made to mitigate harmful effects of tying. Practical steps might include:

- (i) A greater provision for the use of aid funds to cover local costs;
- (ii) the allowing of procurement in developing countries;
- (iii) a broadening of the range of commodities or services to which aid may be devoted so that recipients have reasonable freedom of choice;
- (iv) improvement in the administration of procurement;
- (v) a development of pooling systems under which contracts might be decided by international competitive bidding within a group of donor countries.

19. Developing countries also consider that double tying, that is, tying to sources of procurement as well as to specified products, should be eliminated except in the case of project assistance, and that donors should subsidize the excess cost of procurement resulting from tying practices. Developed countries are unable to accept the second suggestion and are not unanimously able to accept the first.

Access to capital markets

20. The Conference notes the concern felt by the developing countries over the question of access to capital markets by themselves and by multilateral development institutions, and invites the Secretary-General of the UNCTAD to seek the advice of the IBRD and the regional development banks with a view to its discussion by the Committee on Invisibles and Financing related to Trade.

Interest Equalization

21. The Conference notes the studies prepared by the Secretariat on the proposal for a multilateral interest equalization fund to cover the interest margin between loans obtained on international capital markets and concessional development loans. It notes, further, that the technique of subsidizing the rates at which funds raised on the private capital market are relent as aid is already practiced by a number of donors. It commends the technique to those who find it an appropriate means of achieving appropriately soft terms. The proposal for a multilateral scheme raises a number of problems. The Conference invites the Secretary-General of the UNCTAD to keep the matter under review and to report to the next session of the Committee on Invisibles and Financing related to Trade.

22. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) and Trade and Development Board resolution 19 (II).

II IMPROVING THE MOBILIZATION OF INTERNAL RESOURCES

1. The Conference recognizes that the primary responsibility for their development rests with the developing countries themselves. While appreciating the efforts already made by the developing countries to mobilize and make effective use of their internal resources, the Conference considers that further efforts in this regard are essential for accelerating economic development in the developing countries. These efforts are also important for mobilizing public opinion in developed countries in support of their assistance programmes.
2. In the interests of rapid development, developing countries need both to mobilize internal resources as fully as possible and to ensure effective use of available resources, both internal and external. The Conference notes with satisfaction the continuing progress being made in development planning and the increasing recognition that effective implementation is an essential part of the planning process. Implementation involves a broad range of economic and social policies conducive to development. It also depends on the creation of the necessary institutions and on mobilization of public support and co-operation in developing countries..
3. The Conference recognizes that external resources can help to make possible full deployment of the resources and efforts of developing countries, and at the same time that well directed efforts by the developing countries are necessary in order for external resources to make their full contribution to development.
4. Countries which provide external resources in support of development are concerned that these resources should not replace but supplement and help to mobilize adequate domestic efforts and should be effectively used. The Conference acknowledges, however, that priorities, problems and possibilities differ between developing countries, and that the standards of effort which it is reasonable to expect depend on the circumstances of individual developing countries.
5. With these considerations in mind, the Conference stresses the importance of continuing frank and constructive exchanges between providers and recipients of external resources. The Conference notes with interest and experience gained in consortia and consultative groups, and also the establishment of certain mechanisms for mutual review and exchange of experience among developing countries. It recommends that attention should be given to the further development and extension of such arrangements.

6. The UNCTAD secretariat should continue its work on the relations between the rate of growth and the amount of aid received. Its studies should take account of alternative development targets, policies and standards of effort and external circumstances. They should seek to investigate any relevant implications of factors which may lead to limitation of absorptive capacity and evaluate the effects of alternative types of performance including the possibilities for useful import substitution.

III COMPENSATORY FINANCING FACILITY

The Conference notes with satisfaction that the International Monetary Fund has adopted measures for the liberalization of the Compensatory Financing Facility in response to recommendation A.IV.17 of the Final Act of the First UNCTAD. The Conference further notes that much more extensive use has been made of the Fund facility since its revision in September 1966. As the revised facility has been in operation only for about 18 months, further experience seems to be necessary before any further revision of the Facility is undertaken. The Conference, however, draws the attention of governments members of the IMF to the following suggestions made in discussion and refers them to the Fund for consideration in its continuing review of the Facility.

1. Adverse movements in import prices should render a developing country eligible for a drawing under the Facility;

2. Drawings on the International Monetary Fund under the Facility should be immediately available up to 50 per cent of the countries' quotas in the Fund and that such drawings should not be subject to any conditions;

3. The re-purchase liability in respect of outstanding drawings on the Facility should not arise within five years after the drawing and thereafter should fall due only in the years in which the countries' exports exceed the estimated trend value and should not exceed 50 per cent of the export excess.

4. The liability of the drawing country in respect of the interest charges on the outstanding compensatory drawings should be calculated separately from that in respect of ordinary drawings and that it should not attract the normal progressive interest provisions of IMF.

IV INCREASING THE FLOW OF PRIVATE CAPITAL TO DEVELOPING COUNTRIES

The Conference:

Recognizing the important role that private foreign investment can play in the economic development of developing countries by providing capital, technical services and know-how,

Bearing in mind that continuing systematic study concerning the structures of foreign investment and its economic effects in the developing countries is essential, if foreign investment is to make its optimum contribution to development,

Bearing in mind the efforts and measures of both developed and developing countries, as well as interested international institutions, to promote foreign private investment in developing countries,

Recalling recommendation A.IV.12 of the first United Nations Conference on Trade and Development,

Taking note of the report entitled "The Role of Private Enterprise in Investment and Promotion of Exports in Developing Countries" (TD/35 and TD/35/Supp.1),

Believing that in the interest of increasing the flow of private foreign investment to developing countries and improving its effectiveness, it is important that this matter should be the subject of a dialogue between developed and developing countries,

Taking note of Economic and Social Council resolution 1286 (XLIII) of 14 November 1967 which requested the Secretary-General Of the United Nations to consult with Governments and international organizations concerned on their experience and attitudes to the various problems discussed in the Secretary-General's report on Promotion of Foreign Private Investment in Developing Countries (E/4293) and on opportunities and means of implementing the specific recommendations contained in that report,

Taking note of General Assembly resolution 2091 (XX) and Economic and Social Council resolution 1201 (XLII) which calls on the Secretary-General of the United Nations to undertake thorough study of the manner, forms, conditions, costs and effects of the transfer of patented and non-patented technology from foreign enterprises to enterprises in developing countries (both public and private),

1. Requests the Secretary-General of the United Nations in carrying out these

tasks, in particular with a view to providing useful guidelines to both developing and developed countries with respect to foreign investment, to bear in mind inter alia the importance of the following considerations:

- (a) Criteria and practices employed by developing countries for the acceptance and promotion of foreign investment;
- (b) Developing countries' policies governing relative shares of foreign and host country investors in capital investment;
- (c) The forms of foreign equity participation such as cash investment, supply of machinery and equipment, provision of technical services and know-how;
- (d) Policies and practices governing foreign participation in management and training of management personnel in developing countries;
- (e) Investment opportunities and fields of investment for foreign enterprises;
- (f) Policies and measures of developing countries with regard to the use of patents and licences supplied by foreign enterprises;
- (g) Adequacy of existing business practices for transfer of technology to developing countries through patents and licences by foreign enterprises;
- (h) Policies applied by foreign enterprises with respect to goods and services produced by these firms;
- (i) Tax treatment of foreign investment, both in capital importing and capital exporting countries;
- (j) Practices of foreign enterprises as regards exports of products resulting from foreign investment and/or grant of patents and licences;
- (k) Re-investment undertaken by foreign enterprises from income earned in developing countries;
- (l) Policies applied by the developed countries with regard to the flow of private capital to developing countries and by developing countries with regard to the repatriation of capital and earnings;
- (m) The introduction of incentives by the developing and developed countries to encourage such flows;
- (n) Policy of developing countries towards employment of foreign personnel and imports of machinery and equipment;

2. Notes with interest that in accordance with resolution 2276(XVII) of the General Assembly, the Secretary-General of the United Nations is requested to

include in the regular report on the international flow of long-term capital and official donations such statistics as are available of reverse flows of capital from the developing countries, assessing their significance in relation to total financial transfers and giving an analysis of factors affecting them.

3. Further requests the Secretary-General to undertake a study of the economic effects of foreign investment, as outlined in Annex XIII of the Report on "Measurement of the flow of resources to developing countries." ^{1/}

The studies shall take into account:

- (a) The level of economic development of the developing countries;
- (b) Studies carried out by other agencies with respect to any of the items enumerated in operative paragraph 1. The studies shall, on the basis of their findings, also recommend policy measures and practices concerning foreign investment and transfer of technical services and know-how, and make any suggestions relevant to the purpose of the Study.

4. Recommends that these studies and reports be submitted to competent United Nations organs, including UNCTAD, for consideration and appropriate action at the earliest opportunity, including consideration of the appointment of a group of governmental experts for examination of the issues involved. They should also be brought to the attention of other interested international organizations, and through their respective governments, to non-governmental organizations concerned with private investment.

5. Expresses the hope that progress can be expedited in the study undertaken by the IBRD on multilateral investment insurance and requests the Secretary-General of UNCTAD to invite the IBRD to submit a progress report and any other relevant material which the Bank considers it appropriate to release to the next session of the Committee on Invisibles and Financing related to Trade.

^{1/} United Nations Publication Sales No.67.II.D.17.

V AID VOLUME TARGET

1. The Conference agrees that economic development entails mutually reinforcing efforts by developing and developed countries. It is appreciated that developing countries must and do bear the main burden for financing their own development. The developed countries, for their part, recognise their responsibility to provide increased resources to developing countries. The Conference stresses that, in view of the crucial role of external resources in helping to mobilise the domestic resources of developing countries, the efforts of developed countries in support of development should be further intensified.
2. The Conference accordingly recommends that each economically advanced country should endeavour to provide annually to developing countries financial resource transfers of a minimum net amount^{1/} of 1 per cent of its GNP at market prices in terms of actual disbursements, having regard to the special position of those countries which are net importers of capital.
3. The Conference recognises that the target should be regarded as an incentive to greater efforts to provide resources rather than as a ceiling or a suitable method for comparing the appropriate quantitative or qualitative development assistance efforts as between different economically advanced countries.

1/ Net financial resource transfers are defined as follows:

(i) official cash grants and grants in kind including grants for technical assistance but excluding grants for defence purposes; sales of commodities against local currencies exclusive of utilisation of such currencies by the donor country for its own purposes; government lending for periods exceeding one year net of repayments of principal; grants and capital subscriptions to multilateral aid agencies, and net purchases of bonds, loans and participation from those agencies

(ii) private capital on the basis of net long-term movements originating with residents of the capital exporting countries; they are thus net of repatriation of principal, disinvestment and retirement of long-term loans, portfolio assets and commercial debt. They are not net of reverse flows of capital originating with residents of less-developed countries, nor of investment income.

4. Some economically advanced countries have already met the target as defined above. They are prepared to endeavour to ensure that their net financial resource transfers are maintained and to envisage, if possible, an increase in them.
5. Several developed countries expressed the view that their progress towards the target is affected by their relative aid-giving capacity, and may, from time to time, be affected by certain temporary difficulties.
6. In the view of developing countries and one donor country this target should be achieved by 1972; some other donor countries stated that they were prepared to meet this target either by this date or at the latest by 1975; all the other donor countries do not feel able to accept a precise date.
7. The Conference recognises that official bilateral and multilateral flows are clearly required to meet many of the basic needs of developing countries. It is generally accepted that the resources which individual donor countries can provide differ widely in composition in view of the differences in their economic structure. The Conference recognises, moreover, that private funds have their role to play, and in order to meet the increasing needs of developing countries, these as well as official flows should be promoted. A number of developed countries stated that within the one per cent target defined above, they were prepared to attempt to provide a minimum of 0.75 per cent of its GNP by way of net official financial resource transfer^{2/}. One developed country expressed the view that this proportion should be at least half of the one per cent target. The other developed countries, even though they are not prepared to accept any precise ratio, believe that endeavours should be made to ensure that official bilateral and multilateral flows represent a substantial part of the totality of financial resources provided.
8. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) and Trade and Development Board resolution 19(II)

^{2/} Net official financial resource transfers are defined in paragraph (i) of note 1/

VI SUPPLEMENTARY FINANCIAL MEASURES

1. The Conference reaffirms the objective of the proposal for Supplementary Financial Measures set out in Annex A.IV.18 to the Final Act of the first Conference. This states that "the new scheme should aim to deal with problems arising from adverse movement in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance of payments support. Its purpose should be to provide longer term assistance to developing countries which would help them to avoid disruption of their development programmes."

2. Any measures ^{desired} ~~desire~~ to meet this need should, on the basis of appropriate criteria, which should, to the extent possible, be objective, provide reasonable assurance of help to protect a country's development plan or programme against the effects of export shortfalls, to the extent that they cannot be met by short-term balance of payments support.

3. The Conference expresses its appreciation of the Report prepared by the staff of the IBRD, and of the Reports of the IGG. These reports have defined the issues involved and clarified many of them. The Conference agrees that further work is required to resolve some outstanding issues. The principal issues are:

- (i) The definition and method of assessment of reasonable expectations;
- (ii) The scope, nature and acceptability of the understandings between the administering agency and individual participant countries on their development programmes and the policies to be adopted in order to carry them out;
- (iii) The measures to be taken by countries applying for assistance;
- (iv) The relationship between supplementary finance and the IMF Compensatory Financing Facility.

4. A matter requiring additional attention is how to determine in quantitative terms the disruption which has resulted from export shortfalls and consequently, what are the financial implications of proposals to meet the objectives of Part A of Recommendation A.IV.18.

5. Some of the issues set forth in paragraphs 3 and 4 above would arise not only from consideration of the World Bank Staff Scheme but from consideration of other measures to meet the objectives of Part A of Recommendation A.IV.18, including those submitted to the Intergovernmental Group. Any additional proposals clearly responsive to the Recommendation should receive due attention, with the aim of working out the most effective measures possible.

6. The Conference decides:

- (i) to continue in existence the Intergovernmental Group suitably expanded;
- (ii) to request the Group to consider and attempt to resolve the issues set forth in paragraphs 2 through 5;
- (iii) in the light of the foregoing considerations to instruct the Group to work out measures for supplementary finance;
- (iv) to instruct the Group to report thereon to the TDB as early as possible, and no later than the ninth session of the Trade and Development Board;
- (v) to direct the Trade and Development Board to study and take early action on the findings of the Intergovernmental Group, taking account of any proposals for action in the field of international commodity policy which may be submitted to the Board of Governors of the IBRD and the IMF on the basis of the studies which they have requested to be presented to them at their next annual meetings;
- (vi) to instruct the Chairman of the Group to report on its progress to the seventh session of the Trade and Development Board.

VII. INTERNATIONAL MONETARY SYSTEM - ISSUES RELATING TO DEVELOPMENT
FINANCE AND TRADE OF DEVELOPING COUNTRIES.

1. The Conference recognizes the great interest of the developing countries in the satisfactory operation of the international monetary system so as to allow them to share the benefits of the continued expansion of the world economy.
2. The Conference notes with satisfaction the agreement reached during the annual meeting of the Board of Governors of the International Monetary Fund last September in Rio de Janeiro on an Outline to create Special Drawing Rights within the Fund, and the participation of the developing countries represented by their Executive Directors in the Fund in the negotiations that led to the agreement on the Outline. It stresses the importance of active participation of these countries in the operation of the new arrangements for Special Drawing Rights.
3. In view of the fact that, according to the Outline, the Special Drawing Rights will be distributed in proportion to member countries' quotas, the Conference invites governments members of the Fund to continue to give careful consideration to applications from developing countries for increases of quotas so as to enable these countries to benefit more from the facilities of the Fund.
4. The Conference recommends that the Secretary-General of UNCTAD, after consultation with the appropriate international institutions, review progress since the first Conference towards the reform of the international monetary system devoting particular attention to the needs of the developing countries in their trade with one another and the rest of the world, and, if he considers it necessary, that he should make to the Trade and Development Board in due course any suggestions which he may have for special study of this matter.
5. The developing countries stress the importance of the early activation of the Special Drawing Rights scheme.
6. During the last annual meeting of the Board of Governors of the IMF, the Executive Directors were also requested to review the rules and practices relating to the traditional activities of the Fund and to propose amendments in the light of such review. The developing countries recommend to governments members of the IMF that the IMF, in its operations and in considering possible changes in its rules and practices with regard to the use of and conditions attached to drawings, should not introduce any changes that would work to the disadvantage of the developing countries, and that any change should be in the direction of softening the terms and conditions applicable

to drawings by the developing countries. As a first step in this direction the IMF is urged to consider the extension of the repurchase period applicable to ordinary drawings by developing countries to seven to nine years.

7. With regard to the various proposals for forging a link between the creation of Special Drawing Rights and the provision of external development finance, the developing countries urge governments members of the IMF to consider at an early date the establishment of such a link.

* * * *

THIRD COMMITTEE
Agenda item 12

GROWTH, DEVELOPMENT FINANCE AND AID
(SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)

World Bank Group matters

Note by the Chairman

The following text is submitted to the Third Committee for consideration:

1. The Conference expresses its appreciation for the work of the IBRD and its affiliates which have contributed greatly to the promotion of development and developing countries. The Conference notes with satisfaction the completion of negotiations for the replenishment of the resources of the IDA at a higher level. It also notes that the World Bank Group has continuously adjusted its activities to the needs of developing countries.
2. The Conference encourages governments of countries, members of the World Bank and its affiliates, to continue their support for the work of these institutions and recommends to those governments to advise their representatives in the competent organs of the IBRD and its affiliates to consider the following questions, while bearing in mind the need to maintain sound banking standards in order to safeguard the Bank's ability to borrow:

- (a) that the Bank should devote as large a part as possible of its resources for assistance to developing countries;
- (b) that the Bank should continue, in appropriate cases, to extend loans for purposes wider than the financing of individual projects and that it should consider, wherever necessary, the

financing of local costs;

- (c) that the Bank should continue co-operating with regional financial institutions both in co-ordinating their operations and, where appropriate, in financing jointly projects of regional importance;
- (d) that the Bank should extend, to the extent feasible, its coordinating services relating to particular countries, such as consultative groups;
- (e) that the World Bank Group, as its President Mr. Woods suggested to the Conference, should be alert to the necessity for new approaches, for example in keeping under review the advisability of financing public and semi-public productive enterprises;
- (f) that the IDA should explore the possibility of receiving trust funds in administration from various governments and institutions;
- (g) that the activities of International Finance Corporation should be expanded in particular with regard to undertakings in developing countries and especially to projects which promote economic integration;
- (h) that the IDA in distributing its funds should give particular attention to the least-developed among the developing countries.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



April 5, 1968

Dear Mike:

...

As indicated in my cable No. 367, I enclose the authenticated text of TD/II/Res/19 concerning the Bank-Fund Rio Study.

In your cable you also asked me the question when we could transmit to you the authenticated text of all UNCTAD resolutions of interest to the Bank. As you could see from my reports, the last days of the Conference were quite disorderly; therefore, it will take sometime until we receive these authenticated texts via Geneva.

I shall do my best to expedite.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Michael L. Hoffman
Associate Director
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

COMM-FR-00002
APR 10 1968
10:10 AM



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:
4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



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I shall do my best to expedite.

With best regards,

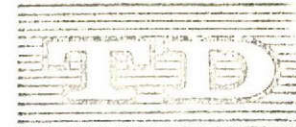
Sincerely yours,

Arthur Karasz

Mr. Michael L. Hoffman
Associate Director
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

2:53

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GENERAL FILES
COMMUNICATIONS



Distr.
GENERAL

TD/II/RES/19
28 March 1968

United Nations Conference on Trade and Development

Agenda item 10

RESOLUTION ADOPTED BY THE CONFERENCE

19(II). Studies by international financial institutions on stabilization of commodity prices

The United Nations Conference on Trade and Development,

Reaffirming the importance and urgency of so conducting commodity trade as to make available to the developing countries external resources of which they stand in grave need,

Noting the resolution on commodity price stabilization adopted by the Board of Governors of the International Bank for Reconstruction and Development (IBRD) and of the International Monetary Fund (IMF) at the Rio de Janeiro session in September 1967, requesting a study of the conditions in which IMF, IBRD and the International Development Association (IDA) could participate in introducing suitable machinery comprising commitments balanced as between producer and consumer countries and allocate the necessary funds thereto,

1. Emphasizes the importance of the role of IMF, IBRD and IDA in helping to solve the financial and development problems arising in world commodity trade;
2. Calls the attention of these agencies to the importance it attaches to the study requested of them in the above-mentioned resolution;
3. Expresses the hope that this study will contribute to the solution of commodity problems;
4. Further expresses the hope that these agencies, in preparing the study, will concentrate, inter alia, on the problems of financing buffer stocks and diversification;
5. Requests these agencies to transmit the study to UNCTAD, in view of the latter's responsibility, as defined in General Assembly resolution 1995 (XIX) of 30 December 1964, for the framing and implementation of an international policy on commodities.

77th Plenary meeting
26th March 1968

UN CTD

just

INCOMING CABLE

DATE AND TIME
OF CABLE:

APRIL 5, 1968

641PM

LOG NO.:

RCA TELEX/5

TO:

INTBAFRAD

FROM:

PARIS

ROUTING

ACTION COPY:

MR. HOFFMAN

INFORMATION
COPY:

DECODED BY:

TEXT:

367 FOR HOFFMAN

FIRST TEXT OF UNCTAD RESOLUTION ON BANK FUND RIO STUDY WAS ENCLOSED
MY LETTER 97 UNDER NUMBER TD/L.21. FOR THE SAKE OF CERTAINTY
SENDING YOU TODAY TEXT OF THIS RESOLUTION AS ADOPTED BY PLENARY
TD/II/RES.19.

SECOND OTHER SEVEN UNCTAD RESOLUTIONS INTEREST TO BANK ENCLOSED MY
LETTER APRIL 3 FROM PARIS. THIS INCLUDES AMONG OTHERS TEXT ON
SUPPLEMENTARY FINANCE.

THIRD AS INDICATED IN THAT SAME LETTER PLENARY DECIDED TO TRANSMIT TO
TDB THE TEXT OF DRAFT RESOLUTION ON BANK IDA POLICIES

REGARDS

KARASZ

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TYPED

DATE AND TIME OF CALL	APRIL 5, 1968	CALL	ROUTING
TO	FOR THE DIRECTOR	INFORMATION	MR. TOLSON
FROM	FIELD	DECISION	

THE FIRST OF TWO PAGES OF INFORMATION ON THIS MATTER WAS ENCLOSED
IN LETTER OF APRIL 4, 1968, TO THE DIRECTOR OF THE FBI.
ENCLOSING YOU TODAY WITH OF THIS INFORMATION AS REQUESTED BY DIRECTOR
TO THE FBI.
SECOND OF TWO PAGES OF INFORMATION ON THIS MATTER WAS ENCLOSED IN
LETTER OF APRIL 4, 1968, TO THE DIRECTOR OF THE FBI.
ENCLOSING YOU TODAY WITH OF THIS INFORMATION AS REQUESTED BY DIRECTOR
TO THE FBI.
FOR THE DIRECTOR OF THE FBI.

ENCLOSURE

OUTGOING WIRE

TO: KARASZ
INTBAFRAD
PARIS

DATE: APRIL 5, 1968

CLASS OF
SERVICE: TELEX

COUNTRY: FRANCE

TEXT:
Cable No.: 356

UNCTAD
INFORMATIVELY PLESCOFF HAS REQUESTED CIRCULATION OF/COMMODITY
STABILIZATION RESOLUTION TO BANK AND FUND BOARDS. CAN YOU INDICATE
OTHER
WHEN WE MIGHT EXPECT AUTHENTICATED TEXT OF/UNCTAD RESOLUTIONS OF
INTEREST TO BANK BOARD FOR CIRCULATION? ARE ANY OF DRAFTS ENCLOSED
YOUR LAST FEW LETTERS FINAL? WE PARTICULARLY UNCLEAR ABOUT HOW
EVERTS SUMMARY OF CONCLUSIONS ON BANK/IDA POLICIES EMERGED FROM PLENARY

HOFFMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Michael L. Hoffman
DEPT. Development Services Department

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

MLH:tf

ORIGINAL (File Copy)

(IMPORTANT: See back of yellow copy for guide in preparing form)

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APR 5 10 47 AM 1968

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OUTGOING WIRE

TO: DEMUTH
INTBAFRAD
PARIS

DATE: APRIL 5, 1968

CLASS OF
SERVICE: NLT *Telex*

COUNTRY: FRANCE

TEXT:
Cable No.: 3

4/5/68
FOLLOWING CABLE SENT CONSOLO QUOTE MCNAMARA GLAD TO SEE PREBISCH
11:30 A.M. FRIDAY APRIL 12 UNQUOTE

HOFFMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Michael L. Hoffman *MLH*
DEPT. Development Services

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

MLH:tf

ORIGINAL (File Copy)

(IMPORTANT: See back of yellow copy for guide in preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use by Archives Division

Checked for Dispatch: _____

OUTGOING WIRE

TO: CONSOLO
~~HOTEL DES BERGUES~~ HOTEL
GENEVA

DATE: APRIL 5, 1968

CLASS OF
SERVICE: NLT

COUNTRY: SWITZERLAND

R. 24

TEXT:
Cable No.: 5

MCNAMARA GLAD TO SEE PREBISCH 11:30 A.M. FRIDAY APRIL 12

HOFFMAN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Michael L. Hoffman *MLH*

DEPT. Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

MLH:tf

ORIGINAL (File Copy)

(IMPORTANT: See back of yellow copy for guide in preparing form)

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cc: Mr. Steckhan

For Use by Archives Division

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INCOMING CABLE

DATE AND TIME
OF CABLE:

APRIL 5, 1968

1425

LOG NO.:

ITT 24/5

TO:

INTBAFRAD

FROM:

GENEVA

ROUTING

ACTION COPY: MR. FRIEDMAN

INFORMATION
COPY:

DECODED BY:

TEXT:

5 FRIEDMAN

4/5/68
HAVE CABLED MCNAMARA PREBISCH DESIRE TO MEET HIM WASHINGTON NEXT
WEEK. ON SAME OCCASION HE WOULD LIKE TO SEE YOU REGARDS

CONSOLO

FCA

UNCTAD
7 files

INCOMING CABLE

DATE AND TIME
OF CABLE:

APRIL 5, 1968

1425

LOG NO.:

ITT 25/5

TO:

INTBAFRAD

FROM:

GENEVA

ROUTING

ACTION COPY: MR. DEMUTH

INFORMATION
COPY: MR. MCNAMARA

DECODED BY:

TEXT:

FOR MCNAMARA

PREBISCH ARRIVING NEW YORK APRIL 8 FOR ONE WEEK. WOULD LIKE TO
VISIT WASHINGTON TO MEET YOU AND BRIEF YOU ON UNCTAD 2. PLEASE
CABLE ME IF VISIT WOULD BE CONVENIENT AND IF SO WHAT DAY PREFER
REGARDS

FEDERICO CONSOLO BERGUES HOTEL

FCA

COMMUNICATIONS
GENEVA
APR 2 11 11 AM 1968

acc. 4/5/68

TYPED

APR 5 11 11 AM 1968

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CONFÉRENCE DES NATIONS UNIES
SUR LE COMMERCE ET LE DÉVELOPPEMENT



UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

Télégrammes : UNATIONS, GENÈVE

Télex : 22.212 ou 22.344

Téléphone : 34 60 11 33 40 00 33 20 00 33 10 00

Palais des Nations

CH - 1211 GENÈVE 10

REF. No. : TDO 243 Sixth Session

4 April 1968

Dear Mr. Woods,

..... I have pleasure in transmitting herewith the notification concerning the forthcoming sixth session of the Trade and Development Board. This notification is given in accordance with rule 6 of the Board's rules of procedure.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Raúl Prebisch'.

for Raúl Prebisch
Secretary-General

Mr. G.D. Woods
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
USA

COMMUNICATIONS
SECTION
RECEIVED

acc April 12/68

UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT



CONFÉRENCE DES NATIONS UNIES
SUR LE COMMERCE ET LE DÉVELOPPEMENT

Palais des Nations
CH - 1211 GENEVE 10

Télégrammes : UNATIONS, GENEVE
Télax : 22.312 ou 22.344
Téléphones : 34 60 11 33 40 00 33 20 00 33 10 00

4 April 1968

REF. No. : TDO 243 Sixth Session

Dear Mr. Woods,

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Yours sincerely,

Rudolf Prebisch
Rudolf Prebisch
Secretary-General

Mr. G.D. Woods
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20563
USA

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GENERAL FILES
COMMUNICATIONS

12/12/68



TDO 243 Sixth Session

NOTIFICATION

Trade and Development Board,
sixth session, Geneva, 6 May 1968

? The Secretary-General of UNCTAD has the honour to indicate that the United Nations Conference on Trade and Development, during its second session held in New Delhi, at its seventy-eighth meeting on 27 March 1968 decided that the sixth session of the Trade and Development Board, originally scheduled to be held in New Delhi, should convene in Geneva on 6 May 1968. The Board will thus meet on that date at 11 a.m. at the Palais des Expositions in Geneva. The session is expected to last for two days. The provisional agenda for the session will be issued shortly.

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4 April 1968



Current membership of the
Trade and Development Board

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Algeria	Madagascar
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Austria	Mali
Belgium	Mexico
Brazil	Netherlands
Bulgaria	New Zealand
Canada	Nigeria
Chad	Pakistan
Chile	Peru
Colombia	Philippines
Costa Rica	Poland
Czechoslovakia	Romania
Denmark	Rwanda
Federal Republic of Germany	Senegal
Finland	Somalia
France	Spain
Ghana	Sweden
Greece	Switzerland
Guatemala	Syria
Hungary	Tunisia
India	Uganda
Indonesia	Union of Soviet Socialist Republics
Iran	United Kingdom
Iraq	United States of America
Italy	Venezuela
Ivory Coast	Yugoslavia
Jamaica	

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP		Date	
		April 15, 1968	
NAME		ROOM NO.	
General Files		233	
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
REMARKS			
See Mr. Hoffman's reply to Dr. Prebisch of April 12, 1968.			
From Mr. Perinbam's office			

INCOMING MAIL ROUTING SLIP				Date
				APR 10 1968
Mr. Aldewereld	308	Mr. Kraske	604	
Mr. Alter	510	Mr. Kruithof	651	
Mr. Avramovic	1033	Mr. Lejeune	668	
Mr. Bart	672	Mr. McIvor	541	
Mr. Benjenk	668	Mr. Melmoth	622	
Mr. Billington	553	Mr. Michaels	1217	
Mr. Brakel	617	Mr. Mirza	659	
Mr. Broches	810	Mr. Nelson	500	
Mr. Calika	541	Mr. Nurick	805	
Mr. Cargill	600	Office Services		
Mr. Cavanaugh	700	Personnel Division	267	
Mr. Chaufourrier	510	Projects Dept.		
Mr. Cheek	646	Mr. Reamy	719	
Mr. Clark	805	Mr. Reitter	578	
Consolo	839	Mr. Richardson	645	
Mr. Cope	640	Mr. Ripman	1210	
Mr. de la Renaudiere	560	Secretary's Dept.	1205	
Mr. Demuth	845	Mr. Skillings	584	
E.D.I.		Mr. Springuel	653	
Mr. El Emary	541	Statistics		
Mr. Fontein	640	Mr. Stevenson	800	
Mr. Friedman	1223	Mr. Street	602	
Mr. Frost	572	Travel Office	224	
Mr. Gibbs	625	Treasurer's Dept.	717	
Mr. Goodman	600	Mr. Tolley	559	
Mr. Graves	847	Mr. Twining	1210	
Mr. Hartwich	653	Mr. Votaw	677	
Mr. Hoffman	845	Mr. Wiese	570	
Mr. Hornstein	552	Mr. Williams	853	
Mr. Horsley	547	Mr. Woods	1220	
Information Dept.	461	Mr. Worthington	239	
Mr. Kamarck	800			
Mr. Knapp	1220			

22.12.12

CONFÉRENCE DES NATIONS UNIES
SUR LE COMMERCE ET LE DÉVELOPPEMENT



UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

Télégrammes : UNATIONS, GENÈVE

Télex : 22.212 ou 22.344

Téléphone : 34 60 11 33 40 00 33 20 00 33 10 00

Palais des Nations

CH - 1211 GENÈVE 10

REF. No. : TDO 243 Sixth Session

4 April 1968

Dear Sir,

..... I have pleasure in transmitting herewith the notification concerning the forthcoming sixth session of the Trade and Development Board. This notification is given in accordance with rule 6 of the Board's rules of procedure.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Raúl Prebisch'.

Raúl Prebisch
Secretary-General

The President
International Finance Corporation
1818 H. Street, N.W.
Washington 25, D.C.
USA

1200100-3 PM 8:12

COMMUNICATIONS
GENERAL UNIT
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am. 4/12



Palais des Nations
CH - 1211 GENEVE 10

Télégrammes : UNATIONS, GENEVE
Téléc : 22.212 ou 22.244
Téléphone : 34 00 11 33 40 00 33 50 00 33 10 00

4 April 1968

REF. No. : TDO 243 Sixth Session

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.....
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Yours truly,

Paul Prebisch

Paul Prebisch
Secretary-General

USA
Washington 25, D.C.
1818 H. Street, N.W.
International Finance Corporation
The President
RECEIVED
GENERAL FILES
COMMUNICATIONS
APR -9 PM 8:19



TDO 243 Sixth Session

NOTIFICATION

Trade and Development Board,
sixth session, Geneva, 6 May 1968

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4 April 1968



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Costa Rica	Poland
Czechoslovakia	Romania
Denmark	Rwanda
Federal Republic of Germany	Senegal
Finland	Somalia
France	Spain
Ghana	Sweden
Greece	Switzerland
Guatemala	Syria
Hungary	Tunisia
India	Uganda
Indonesia	Union of Soviet Socialist Republics
Iran	United Kingdom
Iraq	United States of America
Italy	Venezuela
Ivory Coast	Yugoslavia
Jamaica	

INTERNATIONAL DEVELOPMENT ASSOCIATION

INCOMING MAIL ROUTING SLIP				Date	APR 10 1968
Mr. Aldewereld	308		Mr. Kraske	604	
Mr. Alter	510		Mr. Kruithof	651	
Mr. Avramovic	1033		Mr. Lejeune	668	
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Yours sincerely,

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for Raúl Prebisch
Secretary-General

Mr. G.D. Woods
President
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
USA

1208 178 -2 PM 8:12

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Palais des Nations
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Télégrammes : UNATIONS, GENEVE
Téléc : 22.512 ou 22.344
Téléphone : 34 60 17 34 40 00 33 20 00 33 10 00

4 April 1968

REF. No. : TDO 243 Sixth Session

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Yours sincerely,

Paul Prebisch
Paul Prebisch
Secretary-General

Mr. G.D. Woods
President
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
USA
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TDO 243 Sixth Session

NOTIFICATION

Trade and Development Board,
sixth session, Geneva, 6 May 1968

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Colombia	Philippines
Costa Rica	Poland
Czechoslovakia	Romania
Denmark	Rwanda
Federal Republic of Germany	Senegal
Finland	Somalia
France	Spain
Ghana	Sweden
Greece	Switzerland
Guatemala	Syria
Hungary	Tunisia
India	Uganda
Indonesia	Union of Soviet Socialist Republics
Iran	United Kingdom
Iraq	United States of America
Italy	Venezuela
Ivory Coast	Yugoslavia
Jamaica	

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

April 3, 1968



Mr. Michael L. Hoffman,
Associate Director,
Development Services
Department,
I. B. R. D.,
Washington D. C. 20433.

Dear Mike,

As you probably know, I left Delhi two days before the very end of the Conference. (The Conference should have ended on March 25th. First, it was extended for 24 hours, thereafter for another 72 hours; it finally ended on March 29th at 10.00 p.m.)

The last subject to have been agreed upon was the Package Deal on Financing. This has become such a difficult matter that the "highest level top negotiators" had to go beyond the Everest level to find some field of agreement. I enclose Document TD/L.28 dated March 27th, which contains the agreements reached. They are the following:

1. Terms of Aid and External Indebtedness
2. Mobilization of Internal Resources (Performance)
3. Compensatory Financing
4. Private Capital
5. The Volume of Aid
6. Supplementary Financing
7. Problems Relating to the International Monetary System (Special Drawing Rights, etc.).

The above items 1 to 5 (and 7) had been described in previous reports of mine. As far as 6. is concerned (S.F.M.), the enclosed text speaks for itself.

You will not find in the Package Deal a draft resolution on the World Bank, although it had been discussed in many meetings during the Conference. As you may have seen in my papers, the original draft of this resolution contained several paragraphs which

Attachments to Memoirs for Board deliberations.

Handwritten: "The draft of the resolution contained several paragraphs which during the conference. As you may have seen in my papers, the World Bank, although it had been discussed in many meetings you will not find in the package deal a draft resolution on aspects for itself."

original draft of this resolution contained several paragraphs which during the conference. As you may have seen in my papers, the World Bank, although it had been discussed in many meetings you will not find in the package deal a draft resolution on aspects for itself.

of mine. As far as I am concerned (S.F.M.), the enclosed text the above items 1 to 2 (had been described in previous reports

system (special drawing rights, etc.).

1. Problems relating to the International Monetary
2. Supplementarily financing
3. The Volume of Aid
4. Private Capital
5. Compensatory financing
6. Mobilization of Internal Resources (Performance)
7. Terms of Aid and External Indebtedness

are the following:

dated March 24th, which contains the agreements reached. They refer to the same field of agreement. I enclose document ID/1.58 the "highest level for negotiators" had to go beyond the Everest deal on financing. This has become such a difficult matter that the last subject to have been agreed upon was the package

15 hours: It finally ended on March 24th at 10:00 P.M.) March 24th. First, it was extended for 24 hours, thereafter for end of the conference. (The conference should have ended on As you properly know, I left Beirut two days before the very

Dear Mike,

Washington D. C. 20533.
I. B. E. D.
Department
Development Services
Associate Director
Mr. Michael L. Hoffman,

April 2, 1968

Telephone - 223-3210

4, YABENIE D. IENY, BAKIS (R.) - EKAVICE
"HUBOBYAN OFFICE"

СНБ УТД-000 - ИНДЕВАД БУКИЗ

INTERNATIONAL DEVELOPMENT ASSOCIATION

СНБ УТД-000 - ИНДЕВАД БУКИЗ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Mr. Michael L. Hoffman

- 2 -

April 3, 1968

disturbed me a little. Fortunately, these paragraphs were eliminated in the definitive draft resolution. Nevertheless, on the last day of the Conference, agreement was reached that, instead of putting the draft to the vote, it would be transmitted to the next meeting of the Trade and Development Board for further consideration. I have the feeling that some developed nations were hesitant to adopt the resolution and Prebisch himself was not too happy with it either.

As soon as I receive the definitive documents of the Conference (Rapporteurs' Report and its Annexes), I shall try to prepare a more comprehensive paper on the entire Conference.

With best regards.

Sincerely yours,



Arthur Karasz
Director, European Office

Enclosure

cc: Mr. R. Demuth,
c/o Paris Office.
(with attachment)

UNCTAD

UNITED NATIONS NATIONS UNIES
NEW YORK

TELEPHONE: PLAZA 4-1234

CABLE ADDRESS • UNATIONS, NEWYORK • ADRESSE TELEGRAPHIQUE

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REF. NO.

2 April 1968

Projects Dept. Correspondence

ANS'D BY

No reply needed

DATE

Apr 15, 1968

S.T.

Dear Dr. Takahashi,

May I take this opportunity to thank you for sparing your valuable time. Not only did I find the discussion fruitful but equally enjoyable. I have now read your interesting paper, "Diversification As A Means of Stabilizing Agricultural Commodity Prices - Some Possibilities, Problems and Constraints", and have learned a great deal from it, particularly ecological factors involved in agricultural production. You have rightly stressed these and economic considerations, yet one will think that slow agricultural growth may also be due to institutional situations; like restrictive land tenure, skewed income distribution, etc., since these limit the effectiveness of economic policies.

With best wishes,

Yours sincerely,



Romesh K. Diwan

Dr. S. Takahashi, Adviser
Agricultural Economics
Agriculture Division, Projects Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/68-13

DATED: March 29, 1968

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

UNCTAD II

2. Mr. Friedman, reporting on the United Nations Conference on Trade and Development which was in its closing stages in New Delhi, said that delegates had shown much interest in the progress of the commodity study which the Bank and Fund were preparing in response to the "Rio" Resolution, the "Grand Assize" on economic development proposed by Mr. Woods in his Stockholm speech, the Supplementary Finance Scheme, and the Bank's current work on economic performance. They had been pleased to hear that there were good prospects that the "Grand Assize" would take place.

3. Mr. Friedman said that the failure of the Conference to produce positive results was largely due to the fact that it had turned into a negotiating meeting rather than a meeting to finalize or ratify prior understandings. Such subjects as preferences and commodity price stabilization were highly complex, and to prepare formal international agreements on them inevitably required prolonged negotiations. The international climate, particularly the positions of certain developed countries, made multilateral negotiations at the Conference itself virtually impossible. Many of the delegates had come to realize that, in future, such negotiations should precede a conference, which should otherwise not take place. Such negotiations as had taken place at the Conference had been additionally handicapped by the absence of responsible ministers from key developed countries in a position to give and take.

4. The Chairman said that Mr. Karasz, who had headed the Bank team throughout the Conference, should give an oral report to the Executive Directors as soon as he could conveniently come to Washington.

Headquarters:
Washington, D.C., U. S. A.



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EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^È) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 101

March 27, 1968

Dear Dick:

At last night's Plenary, there was an interesting discussion on a draft resolution submitted to the Conference by Chile and India on a proposed reorganization of certain working methods of UNCTAD (TD/L.30, dated March 25, 1968).

The draft resolution is accompanied by a working paper containing the following three proposals:

1. Authority to be given to the Secretary-General of UNCTAD to convene inter-governmental consultative groups, having more flexibility than the normal UNCTAD bodies, to explore possibilities especially in the field of Commodity agreements.
2. The General Assembly may be requested to decide that there should be only one regular session of the TDB each year. The TDB should be asked to review the pattern, frequency and duration of the meetings of UNCTAD.
3. UNCTAD's work should be coordinated with that of GATT. The UN General Assembly may consider whether UNCTAD should be made a participating agency in UNDP.

Sweden, representing the developed countries, made a counterproposal TD/L.34, dated March 26, 1968), inviting the TDB to consider the review of the working methods of UNCTAD at its Seventh Session. The Conference adopted both draft resolutions with the understanding that they would be submitted to the Seventh Session of the Trade and Development Board for further consideration.

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

1028468-1 64 5:48

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.../...

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Delegation Services Department
Mr. Bishop H. Deming

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1968 APR -1 PM 2:48

Further consideration

submitted to the General Session of the Trade and Development Board for
submitted with their resolutions with the understanding that they would be
of the working methods of UNCTAD at its General Session. The Conference
LD\G\30 dated March 29, 1968, inviting the IDB to consider the matter
Sweden, representing the developed countries, made a counterproposal

agency in UNCTAD.

General Assembly may consider whether UNCTAD should be made a participating
3. UNCTAD's work should be coordinated with that of CEE. The UN

UNCTAD.

sake of better frequency and duration of the meetings of
be only one regular session of the IDB each year. The IDB should be
5. The General Assembly may be requested to decide that there should

field of commodity agreements.

from the normal UNCTAD bodies, to explore possibilities especially in the
to convene inter-governmental consultative groups, meeting more frequently
7. Authority to be given to the Secretary-General of UNCTAD

the following three proposals:

The draft resolution is accompanied by a working paper containing

22, 1968).

reorganization of certain working methods of UNCTAD (LD\G\30, dated March
resolution submitted to the Conference by CEE and India on a proposed

At that meeting, however, there was an interesting discussion on a draft

Dear Sir:

Letter No. 101

March 21, 1968

c/o Vapors Hotel, New Delhi, India

Telephone - 223-2210

* VALENE D. DEIV, BAKIS (P.) - EKVISE
BANKOVNI OFFICE:

CHE VAPORS - INDIAN BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHE VAPORS - INDIAN BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Another draft adopted by the Conference under the same item 16 of the Agenda, is on measures to inform world public opinion of the work of UNCTAD, and the programmes of development, (TD/L.10).

With best regards,

Sincerely yours,



Arthur Karasz

Report No. 100

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 100

March 27, 1968

Dear Dick:

The role of private investment was also brought up in Committee III.

... The Federal Republic of Germany, Switzerland and the United States, with the active cooperation of Roberta Lysardi, prepared a draft on this subject copy of which I enclose (TD/L.19, dated March 23, 1968).

It is a somewhat lopsided document mentioning among others the Stikker report, recommending the preparation of a number of studies. Thereafter, it expresses the hope that "discussions in the IBRD Board of Executive Directors on multilateral investment insurance will be expedited." This text replaces, we hope, the original draft of Iran which was written in much stronger language (my letter No. 82).

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

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

ROUTING SLIP		Date	
		April 3, 1968	
NAME		ROOM NO.	
1. Mr. Graves			
2. General Files		233	
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
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X	Full Report		Recommendation
	Information		Signature
	Initial		Send On
REMARKS			
From Michael L. Hoffman			

UNCTAD

Headquarters:
Washington, D.C., U. S. A.



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Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 99

March 27, 1968

Dear Dick:

If I remember well, it was in my letter No. 86 that I last reported on the draft resolution on the expansion of the operations of the World Bank.

... In the meantime, the draft has been published by the Chairman of Committee III (TD/II/C.3/L.35, dated March 20, 1968), entitled "World Bank Group matters". I enclose a copy of the draft which is less disturbing than the original draft had been.

I am told there will be some changes in the draft, but words only. It will be submitted to tonight's Plenary or, latest, that of tomorrow.

With best regards,

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Dick" or "Arthur Karasz".

Arthur Karasz

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

P.S. Thus, all matters relating to Committee III are ready for discussion by the Plenary, except for SFM. As of to-day (12 Noon) there is no formal agreement yet. However, I have reason to believe that agreement will be reached on this matter, too, at this night's Plenary.

THIRD COMMITTEE
Agenda item 12

GROWTH, DEVELOPMENT FINANCE AND AID
(SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)

World Bank Group matters

Note by the Chairman

The following text is submitted to the Third Committee for consideration:

1. The Conference expresses its appreciation for the work of the IBRD and its affiliates which have contributed greatly to the promotion of development and developing countries. The Conference notes with satisfaction the completion of negotiations for the replenishment of the resources of the IDA at a higher level. It also notes that the World Bank Group has continuously adjusted its activities to the needs of developing countries.
2. The Conference encourages governments of countries, members of the World Bank and its affiliates, to continue their support for the work of these institutions and recommends to those governments to advise their representatives in the competent organs of the IBRD and its affiliates to consider the following questions, while bearing in mind the need to maintain sound banking standards in order to safeguard the Bank's ability to borrow:

- (a) that the Bank should devote as large a part as possible of its resources for assistance to developing countries;
- (b) that the Bank should continue, in appropriate cases, to extend loans for purposes wider than the financing of individual projects and that it should consider, wherever necessary, the

.../...

financing of local costs;

- (c) that the Bank should continue co-operating with regional financial institutions both in co-ordinating their operations and, where appropriate, in financing jointly projects of regional importance;
- (d) that the Bank should extend, to the extent feasible, its coordinating services relating to particular countries, such as consultative groups;
- (e) that the World Bank Group, as its President Mr. Woods suggested to the Conference, should be alert to the necessity for new approaches, for example in keeping under review the advisability of financing public and semi-public productive enterprises;
- (f) that the IDA should explore the possibility of receiving trust funds in administration from various governments and institutions;
- (g) that the activities of International Finance Corporation should be expanded in particular with regard to undertakings in developing countries and especially to projects which promote economic integration;
- (h) that the IDA in distributing its funds should give particular attention to the least-developed among the developing countries.

Report No. 98

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 98

March 27, 1968

Dear Dick:

~~Will be sent by air mail~~ The only important result of Committee II
... (Preferences) is the enclosed resolution (TD/L.32, dated March 26, 1968).
It was adopted last night by the Plenary. As you can see, the only
thing it does is to establish a Special Committee on Preferences as
a subsidiary organ of the TDB to discuss the elaboration of a generalized
non-reciprocal non-discriminatory system of preferences in favour of
the developing countries. This Special Committee will meet for the
first time in November 1968, and will do its best to settle details
of the arrangements in the course of 1969.

All the other big subjects of the Committee on Preferences like
product coverage have disappeared from the final text.

With kind regards,

Sincerely yours,

A handwritten signature in dark ink, appearing to be "A. Karasz".

Arthur Karasz

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

March 27

Headquarters
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 97

March 27, 1968

Dear Dick:

Although I wrote my farewell letter two days ago, there is still some news that will be of interest to you: last night, the Plenary adopted some resolutions on Commodities. It agreed on an action programme of Commodity Conferences (Cocoa, Sugar, Oils, etc.), on some general statements recommending the TDB to follow more closely the activities of Commodity Groups and asks the Secretary General of UNCTAD to study the possibilities of the introduction of a minimum agricultural income.

The Plenary also agreed to the enclosed draft resolution TD/L.21 on the Bank-Fund study concerning the stabilization of commodity prices. This was originally submitted by France and, as reported in previous letters, underwent numerous changes.

With kind regards,

Sincerely yours,

A. Karasz

Arthur Karasz

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

P.S. Details of last
days' events will
be sent 7-11 from
Paris.



DECLASSIFIED

JUN 24 2024

WBG ARCHIVES



Distr.
LIMITED

TD/L.21
24 March 1968

ENGLISH
ORIGINAL : FRENCH

United Nations Conference on Trade and Development

Second session
New Delhi, India
1 February 1968
FIRST COMMITTEE
Agenda item 10(b)

MAIN ELEMENTS OF COMMODITY POLICY INCLUDING INTERNATIONAL COMMODITY AGREEMENTS AND OTHER TECHNIQUES OF COMMODITY MARKET STABILIZATION

Stabilization of commodity prices

Draft resolution submitted by the delegation of France

The Second United Nations Conference on Trade and Development

Re-affirming the importance and urgency of so ~~adjusting~~ ^{conducting} commodity trade as to make available to the developing countries the external resources of which they stand in grave need,

Noting the resolution on commodity price stabilization adopted by the Board of Governors of IBRD and of IMF at its Rio de Janeiro session in September 1967, which requested that a study be made of the conditions in which IMF, IBRD and IDA could participate in introducing suitable machinery comprising commitments balanced as between producer and consumer countries and to allocate the necessary funds thereto;

1. Emphasizes the importance of the role of IMF, IBRD and IDA in helping to solve the financial and development problems arising in world commodity trade;
2. Calls the attention of these agencies to the importance it attaches to the study requested of them in the above-mentioned resolution;
3. Expresses the hope that this study ~~may~~ ^{will} contribute to the solution of commodity problems;
4. Further expresses the hope that these agencies, in preparing their study will ^{concentrate} ~~devote~~ attention, ^{on} ~~to~~ the problems of financing buffer stocks and diversification;
5. Requests these agencies to transmit the study to UCTAD, in view of the latter's responsibility, as laid down in General Assembly resolution 1995 (XIX), for the framing and implementation of an international policy on commodities.

UNCORP
SEP
[Signature]

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 26, 1968 1235

LOG NO.:

WU 7/26

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY:

MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

30 FOR DEMUTH

THANKS YOURS 27. POSTPONED DEPARTURE WEDNESDAY NIGHT

REGARDS

KARASZ

3592

MT

GENERAL FILES
COMMUNICATIONS

MAR 26 8 31 AM 1968

SECRET

RECEIVED BY: [illegible]
DATE: [illegible]

1000

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OFFICE OF [illegible]
DATE: [illegible]
BY: [illegible]
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INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 26, 1968

0935

ROUTING

ACTION COPY: MR. FRIEDMAN
INFORMATION
COPY:
DECODED BY:

LOG NO.:

WU 1 / 26

TO:

INTBAFRAD

FROM:

NEW DELHI

TEXT:

29 FOR FRIEDMAN

CONFERENCE EXTENDED ARRIVE WASHINGTON 31ST 1800 HOURS

DULLES PAA 107 KINDLY INFORM FAMILY REGARDS

SARMA

FAMILY NOTIFICATION BEING MADE

IRA

75957

GENERAL FILES
COMMUNICATIONS

MAR 26 8 33 AM 1968

INTERNATIONAL DEVELOPMENT
ASSOCIATIONINTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENTINTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: KARASZ
INTBAFRAD
NEW DELHI

DATE: MARCH 25, 1968

CLASS OF
SERVICE: FULL RATE

COUNTRY: INDIA

RCH

TEXT:
Cable No.: 27 REURCAB 28, YOU AUTHORIZED USE YOUR DISCRETION ON DEPARTURE
SCHEDULE

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME

Richard H. Demuth

DEPT.

Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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CORPORATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

OUTGOING WIRE

MARCH 25, 1968

DATE

CLASS OF

FULL RATE

SERVICE

KARAZ
INTBRAD
NEW DELHI

TO:

INDIA

COUNTRY:

REURCAR 28, YOU AUTHORIZED USE YOUR DISCRETION ON DEPARTURE

27

TEXT:
Cable No.:

SCHEDULE

DEMUTH

NOT TO BE TRANSMITTED

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Checked for Dispatch

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DATE AND TIME
OF CABLE:

MARCH 25, 1968

1100

ROUTING

LOG NO.:

WU 27 / 25

ACTION COPY: MR. DEMUTH

TO:

INTBAFRAD

INFORMATION
COPY:

FROM:

NEW DELHI

DECODED BY:

TEXT:

28 FOR DEMUTH

CONFERENCE EXTENDED UNTIL TUESDAY NIGHT. HOWEVER MIGHT HAPPEN SUCH ONE DAY
EXTENSION INSUFFICIENT AND CONFERENCE BE EXTENDED UNTIL WEDNESDAY EVENING.
SINCE MATTERS RELATING DIRECTLY TO BANK LIKE NEW DRAFT RESOLUTION ON FUTURE
ROLE IBRD AND ACCEPTABLE AND BANK DELEGATION DOES NOT PARTICIPATE HIGH LEVEL
MEETINGS ON PACKAGE DEAL SUGGEST KEEP MY SCHEDULE AS ORIGINALLY PLANNED FOR
WEDNESDAY MORNING UNLESS UNFORESEEN COMPLICATIONS REGARDS

KARASZ

 ARE AS RECEIVED. COULD BE 'ARE'

IR

am March 25/68

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

April 1, 1968

NAME

ROOM NO.

~~1. Mr. Graves~~

2. General Files

233

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

X

Information

Signature

Initial

Send On

REMARKS

From

Shirley Boskey

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 96

March 25, 1968

Dear Dick:

In my letter No. 90, I mentioned that document L/35 on "World Bank Group matters" would be modified.

I enclose the revised text of the Note by Everts to the Plenary meeting on this matter (TD/L.22 dated March 24, 1968).

As you can see, the ^{new} ~~text~~ text differs considerably from the original proposals made by the "77" and I hope it will be satisfactory.

I cabled you this morning about the extension of the Conference until tomorrow night. The "Himalayan group on the Everest level" is holding meetings day and night in Prebisch's room at the Oberoi, but as of this moment (10.30 a.m., Monday) we have not heard about any progress on the package deal, preferences, commodities or financing. In financing, the main subjects are target and volume of aid, and supplementary finance. If the conversations succeed, agreement might be reached on a new text extending the existence of the Intergovernmental Group in order to continue discussing different alternatives in supplementary finance.

A piece of personal news: the rumours about Prebisch (my letter No. 85) seemed to be wrong. Yesterday, I was told that U Thant had extended Prebisch's contract by another three years.

Unless there are unforeseen complications, this will be my last letter to you from Delhi. We are very grateful for all the assistance we have been given while here and for your patience in reading all our despatches from India.

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

.../...

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. William H. Bennett

our discussions from today.
We have been given more time and for your patience in reading all
letter to you from Beirut. We are very grateful for all the assistance
unless there are unforeseen complications, this will be my last

extended Beirut's contract by another three years.
No. 82) seemed to be wrong. Yesterday, I was told that a draft had
a piece of personal news: the London's about Beirut (my letter

subsequently finance.
Group in order to continue discussing different alternatives in
be reached on a new text extending the existence of the intergovernmental
subsequently finance. If the conversations succeed, agreement with
in financing, the main subjects are fuel and loans of aid, and
progress on the backside deal, preferences, commodities or financing.
as of this moment (10:30 a.m., Monday) we have not heard about any
holding meetings day and night in Beirut's room at the hotel, but
until tomorrow night. The "International Group on the Greenest Level" is
I carried you this morning about the extension of the conference

original proposals made by the "all" and I hope it will be satisfactory.
As you can see, the ~~new~~ text differs considerably from the

meeting on this matter (ID/T-55 dated March 27, 1968).

I enclose the revised text of the note by Beirut to the General
Bank Group matters, which will be modified.

In my letter No. 80, I mentioned that document T/32 on Monday

Dear Dick:

Letter No. 80

March 22, 1968

cc: Asoka Note, New Beirut, today

Telephone - 223-2210

* VALERIE DUBOIS, BUREAU (10) - FRANCE
ELKORIAN OFFICE:

CHIEF OFFICE - INTERBANK BUREAU

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF OFFICE - INTERNATIONAL BUREAU

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



[Handwritten signature]

- 2 -

I hope all of you are in good health.

With best personal regards,

Sincerely yours,

Arthur

Arthur Karasz

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi



Letter No. 94

March 25, 1968

Dear Dick:

As reported in previous letters, UNCTAD has elected the 55-member Trade and Development Board. The distribution of the seats is the following: Asian and African 22; Western 18; Latin American 9, and Eastern Europe 6.

The first meeting of the new Trade and Development Board will probably be held next May in Geneva, but a definitive decision on this matter has not yet been taken.

With best regards,

Sincerely yours,

A handwritten signature in dark ink, appearing to read "A. Karasz".

Arthur Karasz

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

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Relations Department
Mr. Richard H. Denton

Arthur Kelsen

Handwritten signature

Sincerely yours,

With best regards,

this matter has not yet been taken.

properly be held next May in Geneva, and a definitive decision on

The first meeting of the new Trade and Development Board will
and Eastern Europe &

following: Asian and African 55; Western 18; Latin American 8;

Trade and Development Board. The distribution of the seats is the

as reported in previous letters, UNCTAD has elected the 22-member
Dear Dick:

Letter No. 81

March 22, 1968

c/o Ashoka Hotel, New Delhi
Delhi - 110 001

* VALERIE D. DENIA, BAKIS (DE) - EKVANCE
EKOBYAN OFFICE:

CHE VITTORE - INDALUS BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHE VITTORE - INDALUS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Headquarters:
Washington, D.C., U. S. A.



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INTERNATIONAL DEVELOPMENT ASSOCIATION

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EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 95

March 25, 1968

Dear Dick:

Just for the file, I would like to draw your attention to the record of the Senior Staff Meeting held on March 13 which says among other things that at UNCTAD France and Japan have agreed to the Bank scheme on Supplementary Finance. This is a misunderstanding because, as you know, both countries are still opposed to the Scheme.

I do not know whether you think this should be rectified, or not.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

*Done
Melt*

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

Washington, D.C.
Reconstruction and Development
International Bank for
Director's Development Relations Department
Mr. Richard H. Demuth

Alfred Kellogg

Sincerely yours,

With best regards,

not.

I do not know whether you think this should be referred to
to the Supreme
standing because, as you know, both countries are still opposed
to the Bank scheme on governmental finance. This is a misunder-
standing among other things that at DISCOP Finance and Labor have agreed
the record of the recent staff meeting held on March 13 which
that for the time, I would like to draw your attention to

Best Dick:

Letter No. 22

March 22, 1968

c/o Wapora Hotel, New Delhi, India

Telephone - 223-3210

* VALIUM D. J. B. KIS (196) - K. K. K. K.
BANK OF INDIA OFFICE

C. H. V. K. K. - INDIAN BANK

INTERNATIONAL DEVELOPMENT ASSOCIATION

C. H. V. K. K. - INDIAN BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Headquarters:
Washington, D.C., U. S. A.



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Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÏENA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi



Letter No. 94

March 25, 1968

Dear Dick:

As reported in previous letters, UNCTAD has elected the 55-member Trade and Development Board. The distribution of the seats is the following: Asian and African 22; Western 18; Latin American 9, and Eastern Europe 6.

The first meeting of the new Trade and Development Board will probably be held next May in Geneva, but a definitive decision on this matter has not yet been taken.

With best regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

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

No. 94

March 25/68

FORM NO. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

April 1, 1968

NAME

ROOM NO.

1. ~~Mr. Riley~~

2. ~~Mr. Graves~~

3. General Files

233

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

From

Shirley Boskey

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÏÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 93

March 25, 1968

Dear Dick:

At yesterday's Plenary, K.B. Lall submitted a proposal on the subject of a considerable increase in technical assistance activities by UNCTAD and UNIDO.

...

I thought you might be interested in the matter and enclose the text of the Indian statement.

With kind regards,

Yours sincerely,

Arthur Karasz

Arthur Karasz

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

Washington, D.C.
Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. Richard H. Demery

Arthur Karsas

Arthur

Yours sincerely,

With kind regards,

the text of the Indian statement.

I thought you might be interested in the matter and enclose

by DISCLAD and UNIDO.

subject of a considerable increase in technical assistance activities

At yesterday's Board, K.B. GILL submitted a proposal on the

Dear Dick:

Letter No. 83

March 22, 1968

c/o Varokas Hotel, New Delhi, India

Telephone - 223-2210

* VALINDO D. JENY, BAKIS (IDB) - EKVINDO
EUKOVAN OFFICE:

City Address - INDIA BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

City Address - INTERNATIONAL BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Handwritten signature and initials

Item No.16(b) - Statement by the Indian Delegation
made on 22nd March, 1968.

21th

Mr. President,

The Indian Delegation attaches very great importance to technical assistance activities relating to trade, since these activities represent the determination and willingness of the international community to cooperate in an effort to harness the human and material resources of the world for accelerating economic development and reducing the gap between the standard of living in the developing countries and that in the developed countries. There is no difference of opinion on the significant role of technical assistance programme, as will be evident from the Special Principle Ten of First UNCTAD which dealt with the expansion of bilateral and multilateral programmes of technical assistance. The several recommendations of first UNCTAD which called for increased technical and financial assistance to developing countries to improve their export earnings were adopted unanimously and without dissent.

2. The objective of Technical Assistance programmes, in-so-far as they relate to international trade, is to transfer to the developing countries the knowledge, the skills and the techniques, which would enable them to increase their export earnings from exports of primary commodities and manufactured and semi-manufactured products, to increase their receipts from invisibles including shipping, tourism and insurance, and to expand trade among the developing countries themselves. (TD/23). The developed countries have long experience in various aspects relating to international trade; they are also constantly evolving new and improved

.....2/-

techniques, developing new skills and adding to the store of human knowledge on a continuing basis. It is highly essential that the developing countries should benefit from this accumulated and continuing experience and acquire the know-how already developed by the industrially advanced countries, and save unnecessary expenditure of time and money rather than go over the same ground again in building up their expertise and knowledge.

3. There has, of late, been an increasing recognition of the need for stepping up technical assistance activities in the field of international trade both at international and multilateral levels as well as at bilateral levels. The establishment of UNCTAD/GATT International Trade Centre is an indication of recognition of this need. The aim of all these efforts is primarily to strengthen and supplement the national efforts of developing countries in developing their export potential and in making the necessary structural adjustments in their economies.

4. Mr. President, in his statement at the Plenary Session of this Conference, the distinguished representative of the UNDP stated - and I quote - "Our programme stands ready to expand to the demands which global strategy would place upon it". By global strategy, he meant a strategy of development in which international efforts would be integrated and on which international action would be concentrated. However, he struck a discouraging note when he said that the anticipated needs of the developing countries for assistance from the Programme in all fields during the next three years are far in excess of the rate of growth needed to bring the financial resources of the programme to

the level of \$350 million by 1970 and that the current rate of growth of resources is very inadequate, the pledges for 1968 being only of \$180 million, comprising only half the target required to be attained by 1970.

5. The areas of development, which are of particular significance for stepping up the export potential of developing countries, have been identified in considerable detail in the meetings of expert groups arranged at the initiative of the UNCTAD and UNIDO. Technical assistance programmes have to be concentrated on enabling the developing countries to strengthen these areas which cover the following:

(a) In the field of commodities, there is need to tackle competition from synthetics and substitutes, raise technical efficiency of production so as to reduce cost, intensify research on the uses of natural products and increased access for these natural and semi-processed products in the markets of developed countries.

(b) In the field of manufactures and semi-manufactures, there is need to establish export-oriented industries, and in this connection, technical assistance has to concentrate on various problems relating to production, design, packaging, quality, etc.

(c) In the field of developing marketing efforts, the areas of action include market surveys, collection and dissemination of information, development of Trade Commissioner Services, surveys of markets of developed countries, and the evolution of techniques to benefit from the opportunities in market economy countries as well as in the socialist countries.

(d) In the field of shipping, it is necessary that the technical assistance should aim at the establishment of effective administrative and technical operation of consultation machinery and shippers councils, identification of the sea-lanes of interest to developing countries which have traffic potential and which need special assistance, and the determination of measures for international assistance for promoting such shipping services and various aspects of port development, construction, administration and operation.

(e) There is urgent need for technical assistance and training activities in the field of insurance and re-insurance as well as in the field of tourism.

6. It is thus obvious that the technical assistance activities which need to be undertaken are of such magnitude that the resources at present available to the UNDP are far from adequate. We would, therefore, strongly urge that a large allocation, at least to the level of \$350 million envisaged by the Administrator of UNDP, should be provided to the UNDP for expansion of technical assistance programmes related to different aspects of international trade. The industrially advanced countries should also step up their bilateral programmes and make a much more effective contribution to this global effort of raising the level of export earnings of developing countries from commodities, manufactures and semi-manufactures and from invisibles.

7. In conclusion, Mr. President, it will be observed that all these activities relating to trade fall within the competence of the United Nations Conference on Trade and Development. The UNCTAD has to play a central and vital role in this entire programme and should constitute a focal point for formulation

of the details of the programmes, in consultation with the concerned organisations and other-operating agencies of the United Nations, and should also keep itself informed about the activities of the developed countries as well as the concerned organisations and agencies. It is also necessary that UNCTAD should periodically review the progress and implementation of the activities generated through these organisations and agencies, so as to secure the maximum and most efficient use of the resources which are made available for the purpose, and should ensure that the export efforts of developing countries are strengthened in a coordinated and integrated manner. For all these purposes it is necessary and desirable that the UNCTAD should become an effective instrument for initiation and implementation of the programmes of technical assistance into fields of development and expansion of trade, and it should at the earliest possible become a participating agency of United Nations Development Programme, so that it can directly, and jointly with the UNCTAD/GATT International Trade Centre, undertake programmes of technical assistance financed by UNDP.

Thank you, Mr. President.

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: March 25, 1968

TO: Mr. G. Woods

FROM: Mr. Walter Hill
ICC

FILED UNDER: LIAISON - ICC

SUMMARY: Re: Letter enclosing one copy each of the English and French texts of the statements on world trade and development submitted by the ICC to UNCTAD II.

ACK. March 25, 1968

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 92

March 23, 1968

Dear Dick:

Enclosed please find Sarma's report on Committee Three
covering the period March 1 - 21, 1968.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

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

RECEIVED
MARCH 1 1968
COMMUNICATIONS

RECEIVED 20 AM 8:47

Washington, D.C.
Reconstruction and Development
International Bank for
Director, Development Relations Department
Mr. Richard H. Denton

Arthur Karsas

A. K.

Sincerely yours,

With best regards,

covering the period March 1 - 31, 1968.

Enclosed please find Germany's report on Committee Three

Dear Dick:

Letter No. 85

March 53, 1968

c/o Varoka Hotel, New Delhi, India

Telephone - 223-2210

* VALENTIN D. IENIN, BUKIS (IC) - RUSSIAN
EMBASSY OFFICE:

С. И. УЛТОВ - ИНДИАНСКИЙ БУКИС

INTERNATIONAL DEVELOPMENT ASSOCIATION

С. И. УЛТОВ - ИНДИАНСКИЙ БУКИС

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
H. H. H. H.

2EP

UNCTAD II : COMMITTEE III : R E P O R T

March 1 to 21, 1968.

1. The Committee devoted four sessions, from March 1 to March 6, to Supplementary Financial Measures. In their statements, most of the developing countries and some developed countries endorsed in principle a scheme generally on the lines of the Bank Staff proposal. Some developed countries extended support in varied measure; other developed countries opposed the principle of Supplementary Finance itself or had major reservations to the Bank Staff Scheme (please see summary record of these discussions dated March 8, 1968 from me and Jalan).

2. When the Committee took up for consideration the Compensatory Financing Facility of the Fund, the U.K. noted that the facility was obviously evolving and was being increasingly used; careful study was needed of the relationship between this facility and the proposed Supplementary Finance. Developing countries generally welcomed the extension of the facility after the First UNCTAD, but argued for further liberalization of the facility.

3. The final item on the agenda related to international monetary issues. The developing countries acknowledged that the maintenance of adequate international liquidity and the resolving of their balance-of-payments difficulties by major donor countries would facilitate the flow of development finance. They emphasized the need for establishing a link between the creation of international liquidity and provision of additional development finance; a means of doing this would be to transfer a part of the new drawing rights to IDA by Part I member countries. France, speaking for herself as well as for the other members of the Community, stated that international liquidity and development finance should be kept distinct. USA, Japan and others also felt that SDR's could not be used for long-term financial needs.

4. During March 13-20, there were no meetings of the Committee. The time was utilized for consultations among representatives. A few meetings also were held of the Contact Group of the Committee. A number of draft resolutions were then circulated, as also a few notes by the Chairman for consideration of the Committee. The Chairman's notes essentially reflected the results of informal consultations among representatives during the week.

(continued .. 2)

5. A broad consensus would seem to have been reached in regard to the flow of private capital, Compensatory Financing Facility, and the working of the World Bank Group. With respect to the terms and conditions of aid, tied aid, and international monetary system, some outstanding points remained. On supplementary finance and targets for aid volume, considerable differences in approach remained to be settled as between developing countries and a majority of the donor countries. On Supplementary Finance, the note by the Chairman recalls the work of the Bank Staff and of the intergovernmental group, recognizes the clear and urgent need to provide Supplementary Finance, and suggests the continuance of the intergovernmental group with certain terms of reference. The view is taken that administration should be by an institution within the World Bank Group. On aid targets, the note by the Chairman refers to the mutually reinforcing efforts and responsibilities of developing and developed countries, and urges intensification by developed countries of their efforts in support of development. For the rest, such as the denominator (GNP or net national income) target dates, separate targets for official aid etc., there was no agreement.

6. The notes by the Chairman and the draft resolutions came up for consideration before the Committee on March 21, at a late-night session. There was little time for discussion. It was decided to forward all the proposals to the Plenary Session of the Conference for further consideration and decision.

N. A. Sarma

N. A. Sarma

New Delhi.

March 23, 1968.

cc: Mr. Karasz (2)
Mr. de Fontenay

Files
SEB

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 22, 1968

1400

LOG NO.:

WU 22 / 22

TO:

INTBAFRAD

FROM:

ASHOKA HOTEL, NEW DELHI

ROUTING

ACTION COPY: MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

26 FOR DEMUTH

FURTHER MY CABLE 25 NOTES BY EVERTS TO PLENARY CONTAIN FOLLOWING PARAGRAPHS OF
SPECIAL INTEREST TO BANK:

FIRST

L/29 PARA 10 "CONFERENCE EXPRESSES HOPE THAT PROGRESS CAN BE
EXPEDITED IN STUDY UNDERTAKEN BY IBRD ON INVESTMENT INSURANCE
AND REQUESTS U THANT INVITE IBRD SUBMIT PROGRESS REPORT TO NEXT
SESSION OF CIFT.

SECOND

L/32 PARA 6 REQUESTS IBRD PREPARE STUDY IN CONSULTATION WITH UNCTAD
AND IMF ON IMPROVEMENTS IN TECHNIQUES OF LENDING (LIKE BISQUE ETC.).
PARA 10 INVITES IMF PREPARE STUDY ON ROLE AND POSSIBILITIES OF
COMMERCIAL CREDITS IN CONSULTATION WITH MEMBER GOVERNMENTS UNCTAD
IBRD AND OTHER APPROPRIATE INSTITUTIONS. PARA 11 REQUESTS UN
SECRETARIAT AND IBRD TO CONTINUE STUDY OF COMMERCIAL CREDIT AS
MEANS TO ASSIST LDCS INCREASE THEIR EXPORTS.

THIRD

L/32 URGES IBRD AND IDA TO CONTINUE APPLY PRINCIPLE OF INTERNATIONAL
COMPETITIVE BIDDING, INVITES PREBISH SEEK ADVICE OF IBRD QUESTION OF
ACCESS TO CAPITAL MARKETS BY LDCS AND INVITES PREBISCH TO KEEP
HOROWITZ UNDER REVIEW AND REPORT TO NEXT SESSION CIFT.

FOURTH

L/36 DEALS WITH SUPPLEMENTARY FINANCE. AIRMAILED MOST RECENT NOTE
ON SFM BY CHAIRMAN REGARDS

KARASZ

GENERAL FILES
COMMUNICATIONS

WISCONSIN AGRICULTURAL COLLEGE, MADISON, WISCONSIN

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 22, 1968

1012

LOG NO.:

RC 4 / 23

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY: MR. WOODS

INFORMATION
COPY: MR. DEMUTH

DECODED BY:

TEXT:

*Mr. Woods - to see, please.
RBS 3/25*

FOR WOODS COPY DEMUTH

HAVE FOUND ATTENDANCE AT UNCTAD CONFERENCE MOST USEFUL AND REWARDING.

SUPPLEMENTARY FINANCE NOW AT DELICATE STAGE OF SECRET TOP LEVEL POLITICAL
NEGOTIATIONS. PROGRESS TOWARDS AGREEMENT ON CONFERENCE RESOLUTION MAY BE
MADE DURING TODAY BUT UNPREDICTABLE. BELIEVE I CANNOT BE OF FURTHER USE
BEYOND TODAY AND AM LEAVING LATE TONIGHT AS SCHEDULED TO BE IN OFFICE
MONDAY REGARDS

FRIEDMAN

FAMILY NOTIFICATION HAS BEEN MADE

MR. WOODS & MISS FALARDEAU TELEPHONED DURING WEEKEND

IR

Files
SEB

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 22, 1968

1120

LOG NO.:

WU 3 / 22

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY:

MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

25 FOR DEMUTH

LAST NIGHT COMMITTEE THREE ON FINANCES HAS HELD ITS LAST MEETING. IT FAILED TO PRODUCE AGREEMENT ON ANY IMPORTANT SUBJECT LIKE VOLUME TARGET OF AID OR SUPPLEMENTARY FINANCE. THEREFORE EVERTS TRANSMITTED TO THE PLENARY ITSELF NUMBER OF "NOTES FROM THE CHAIRMAN ON MATTERS WHERE CERTAIN DEGREE OF AGREEMENT COULD BE OBTAINED FOR FURTHER CONSIDERATION" THE IDEA SEEMS TO BE THAT EITHER CONFERENCE WILL FIND THE SOLUTIONS THE COMMITTEE WAS UNABLE TO AGREE OR ELSE THE PROBLEMS WILL BE LEFT TO PERMANENT MACHINERY UNCTAD. AIRMAIL TODAY SET OF NOTES AVAILABLE REGARDS

KARASZ

TVRBD

GENERAL FILES
COMMUNICATIONS

MAR 22 8 54 AM 1968

NOTED

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/68-12

DATED: March 22, 1968

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

CORRIGENDUM

The third sentence of paragraph 6 of the minutes of the March 15 meeting (SSM/M/68-11) should read, "France, Japan and New Zealand opposed the scheme".

No. 19

March 22, 1968

Mr. Arthur Karasz
Ashoka Hotel
New Delhi, India

Dear Mr. Karasz:

Mr. Demuth has asked me to drop you a line in reply to your cable No. 27, [✓]inquiring about letter No. 17. We have discovered that this number was assigned to a letter from the Personnel Division, and the reason you did not receive it is that it was never sent.

With best wishes,

Sincerely yours,



Thelma E. Falardeau
Secretary to Mr. Demuth

Mr. George D. Woods

March 22, 1968

A. G. El Emery *ay 427*

Letter from Mr. A. Postel-Vinay, President of the French "Caisse Centrale de Coopération Economique", Paris

I thought that you might like to see the attached letter from Mr. Postel-Vinay dated March 18, 1968, with an English translation, in which he comments about the speeches which you delivered at the recent Society for International Development and UNCTAD Conferences.

After attending the Society for International Development Conference in Washington, Mr. Postel-Vinay visited the Bank on March 8 and we had quite useful discussions with him on our existing and prospective joint lending operations in Africa.

Attachments: 2

cel
OHC/Calika/fo

Wm

INCOMING CABLE

DATE AND TIME
OF CABLE: MARCH 22, 1968 1630

LOG NO.: WU 21/22

TO: INTBAFRAD

FROM: NEW DELHI

ROUTING	
ACTION COPY:	MR. DEMUTH
INFORMATION COPY:	
DECODED BY:	

TEXT:

*This was written
in Personnel
& never sent*

27 FOR DEMUTH

YOUR LETTER NUMBER 17 NOT RECEIVED. IF IMPORTANT PLEASE CABLE

REGARDS

KARASZ

FCA

COMMUNICATIONS
GENERAL FILES
MAR 25 10 03 AM 1968

11960

am March 22/68

TYPED

MAR 22 10 07 AM 1968

GENERAL FILES
COMMUNICATIONS

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ADAMS WALTER EDWARD JR BOE BOMBLARD IL INDEPENDENT LITVING CYCLE
51 MAR DENVER

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RECEIVED BY

Report No. 91

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 91

March 22, 1968

Dear Dick:

Gunther Wiese wrote me on February 22, (Letter No. 11) on the new Bank policy on procurement in Brazil. I answered him on March 8 (Letter No. 62).

The Brazilians are well aware of the Bank's new policy and they are unhappy about it. They wanted to introduce a draft resolution to UNCTAD, requesting the Bank to change its policy. This draft seems to be deleted so I hope there will be no word about this matter in the UNCTAD resolutions, or recommendations. I am sure, however, that the Brazilians will keep the matter alive and will bring it up in Rio, or on their next visit to Washington.

With best wishes,

Sincerely yours,

A. Karasz

Arthur Karasz

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

Washington, D.C.

Recommendation and Delegation
International Bank for
Director, Delegation Delegates Delegation
Mr. Richard H. Doherty

RECEIVED
GENERAL PITS
COMMUNICATIONS
1960 MAR 26 AM 10:50

Valentin Kiselev

H.K.

Director, Delegation

With best regards

next visit to Washington.

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recommendations or recommendations. I am sure, however, that the Brazilians
deferred as I hope there will be no more about this matter in the UNCTAD
concerning the Bank to change its policy. This case seems to be
unusually about it. They wanted to introduce a draft resolution to UNCTAD.
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(Letter No. 25).

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another letter where we on February 25 (Letter No. 11) on the

Dear Dick:

Letter No. 21

March 25, 1960

c/o Aeroport Hotel, New Delhi, India

Telephone - 223-2210

* ALEKSEI D. IENIN, BAKIS (TEL) - BAKIS
ENKOPENI OFFICE

Cable address - INDELAVS BAKIS

INTERNATIONAL DELEGATION ASSOCIATION

Cable address - INDELAVS BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



March 22

Headquarters:
Washington, D.C., U. S. A.

SEB



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAPRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 90

March 22, 1968

Dear Dick:

Please refer to my cable No. 25. ^{3/22/68}

Last night Committee Three held its last meeting. It ended at about 1.00 a.m. and failed to produce any results. As the "contact groups", the "exploratory groups" the "mini-contact groups", the "bracket-eliminating squads" etc., have all failed to produce any agreement of real usefulness Everts, the unfortunate Chairman of the Committee, decided to produce a number of "Notes from the Chairman to the Plenary" on how he, Everts, imagines the text of some future draft resolutions. In these papers, he collected with the best possible intentions all the views which might produce an agreement. However, these papers are just the personal opinion of Everts and will have to be discussed by the Plenary, if there is time for such an operation.

The papers will be accompanied by a text of the Committee stating that Notes by the Chairman have been prepared, seeking to reflect the degree of agreement on certain subjects which could be reached in the Committee. These papers are enclosed "for further consideration" by the Conference.

The idea of Everts, and probably the Bureau of the Conference, seems to be that the documents will either be decided upon by the Conference itself, or will be given to the "permanent machinery of the Conference" to take care of. What this latter idea means in practise has been left to everyone's imagination.

... Enclosed, I am sending you the collection of Notes by the Chairman: L/32 on terms of aid; L/36 on supplementary financial measures, and L/37 on the volume of aid, with their number of square brackets will give you some idea of the lack of agreement on these basic issues. The complete list of documents enclosed is the following:

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

.../...

L/27 on increasing the flow of international capital.

L/28 on special measures on development finance.

L/29 on private investment. Paragraph 10 of this draft requests the Secretary-General of the UN to invite the IBRD to submit a progress report to UNCTAD on investment insurance. The text was prepared on my insistence by some delegations in order to replace L/24, and was the subject of your cable to me No. 26, which arrived this morning. Paragraph 10 is about the best we can obtain and as it just "invites" us to give a progress report we shall always be in the position to say, if needed, that a detailed report cannot yet be submitted. (I must add, however, that L/24 has not yet been deleted. Curiously enough, the Iranian delegation is lobbying it all around the Plenary, but I hope I shall succeed).

L/30 on the mobilization of internal resources.

L/31 on the financial implications of draft resolutions under consideration.

L/32 on terms of aid. Paragraph 6 of L/32 requests IBRD to prepare a study, in consultation with the Secretary-General of UNCTAD and IMF, on possible improvements in techniques of lending. Paragraph 10 of the same Note invites the IMF to prepare a study, in consultation with member governments, with the Secretariat of UNCTAD, IBRD and other appropriate institutions on the problem of commercial credits. Paragraph 11 requests the UN Secretariat and IBRD to continue the study of commercial credits as a means of assisting exports from developing countries.

L/32 Add.1 is on tied aid. Its paragraph 4 "urges member governments of IBRD and IDA to continue to apply the principle of international competitive bidding." It is an entirely useless paragraph but, I am told, it has to be maintained "for political reasons." Paragraph 5 seeks the advice of IBRD on how the developing countries could gain access to capital markets. Paragraph 6 invites the Secretary-General of UNCTAD to keep Horowitz under review.

L/33 on compensatory finance.

L/34 on international monetary issues.

L/35 will be on the World Bank. Enrique's text has been modified, but we have not yet received the final draft.

L/36 on supplementary financing.

L/37 on the volume of aid.

Very sincerely yours,

Arthur Karasz

Arthur Karasz

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I/37 on the volume of aid.

RECEIVED
GENERAL SECRETARY
COMMUNICATIONS
1960 MAR 26 PM 1:17
Very sincerely yours,

Arthur Karsen

March 21/68

Report No. 89

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 89

March 21, 1968

Dear Dick:

The Fourth Committee of the Conference deals among others with matters relating to tourism.

As some members of the Committee misunderstood the role and the programme of the World Bank family in matters relating to tourism, I requested de Fontenay to clarify this matter with the Rapporteur of the Committee. This was done on Tuesday and I enclose ... a report to the files by de Fontenay dated March 19, and an earlier note, dated March 13, by Jalan.

With kind regards,

Yours sincerely,

Arthur Karasz

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

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Relations Department
Mr. Richard H. Denton

ALFRED KATZ

Yours sincerely,

With kind regards,

dated March 13, 1948.
*** a report to the files by the Conference dated March 13, and an earlier note,
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today. I requested the Conference to clarify this matter with the
the programme of the World Bank jointly in matters relating to
As some members of the Committee misunderstood the role and

with matters relating to today.

The World Committee of the Conference deals among others

Dear Dick:

Letter No. 88

March 17, 1948

c/o Varoka Hotel, New Delhi, India

Delhi - 223-2210

* VALUABLE DIRECTION BY THE (ICR) - BY THE
ECONOMIC OFFICE:

ICR - VALUABLE DIRECTION

INTERNATIONAL DEVELOPMENT ASSOCIATION

ICR - VALUABLE DIRECTION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



OFFICE MEMORANDUM

TO: Files

DATE: March 19, 1968.

FROM: Patrick de Fontenay *PF*SUBJECT: UNCTAD II : Draft Report of the Fourth Committee.

Chapter VI of the Report of the Fourth Committee deals with tourism. Paragraph 19 of the draft read: "the representatives of developing countries ... pointed out that international financial institutions such as the International Finance Corporation were not generally willing to provide project finance for the construction of hotels and other tourist amenities."

Since we had been unable to participate in the discussion on this item of the Committee's agenda, I prepared a statement, appended to this memo, describing the role of the World Bank Group, and of the IFC in particular, in the field of tourism stressing that we were willing, within the limit of our financial resources and the competition of other high priority projects, to provide financial assistance for the development of tourist facilities. I also indicated that as Mr. Woods himself had stated in the plenary meeting of the Conference, this was a relatively new field of activity for the World Bank Group.

After discussion with the Rapporteur of the Committee, Mr. Heyman (Sweden), it was agreed that it would not be admissible to make a formal statement after the Committee had finished its discussion of the topic, but that our statement would be circulated within the Drafting Group. I also talked to the delegate from Ceylon who was responsible for suggesting the sentence quoted above and we agreed on the following formulation: "the representatives of developing countries ... pointed out that international financial institutions such as the IFC should participate more actively in the provision of project finance for the construction of hotels and other tourist amenities". Any implication of reluctance on our part to finance projects to promote tourism has now been removed from the report.

cc: Mr. Karasz (2)
Mr. Sarma

March 16, 1968

DRAFT Statement to the Fourth Committee of UNCTAD II

In connection with Part II of Chapter 6 of the Committee Report, I would like to present, for the record, a few observations on the role of the World Bank Group in the field of tourism. I am sorry to be taking the floor at such a late stage in the work of the Committee, but the small size of our delegation has not permitted us to follow the progress of this work as closely as we would have wished.

Paragraph 19 of the second part of Chapter 6 of the Draft Report indicates that the representatives of developing countries "pointed out that international financial institutions such as the International Finance Corporation were not generally willing to provide project finance for the construction of hotels and other tourist amenities".

Mr. Chairman, I would like to state that within the limits of its financial resources and the possible competition of other high priority projects, the IFC is willing to provide financial assistance for the development of tourist facilities.

The IFC made its first commitment in this field in December 1966 when it joined with investors in the Federal Republic of Germany, the U.K. and the U.S.A. and its local investors in financing a 6.7 million dollar program to develop and expand the tourist industry in Kenya. The IFC investment, made in the form of share and loan capital, will assist a new company which is establishing a hotel of international class in Nairobi and participating in the development of tourist facilities in the national game reserve parks, Kenya's chief tourist attraction. The project, together with related investment envisaged under the Kenya Government's 1965-70 Development Plan, is intended to strengthen an industry which is Kenya's second largest earner of foreign exchange". In addition, all three organizations of the World Bank Group (IBRD, IDA, IFC) are prepared to have the funds made available to development finance companies re-lent for projects relating to tourism. Among development finance companies associated with the Bank Group, the most active in providing assistance to the development of tourism are in the Mediterranean region. While institutions such as the China Development Corporation (Taiwan) and the Industrial Finance Corporation of Thailand have financed individual hotel projects, the most deeply involved in tourism generally are the Banque Nationale pour le Developpement Economique (BNDE) in Morocco, the Societe Nationale d'Investissement (SNI) in Tunisia, and the National Investment Bank for Industrial Development (NIBID) in Greece.

As the President of the World Bank said in his address to the Plenary Meeting of this Conference "we have only scratched the surface of financing projects to promote tourism, even though the results of such financing may be of first importance for economic development in a number of countries."

Mr. Chairman, it is true that tourism is a relatively new field of activity for the World Bank Group: only last month has a new section been set up in our Projects Department to evaluate projects in this field, but I can assure you that there is no lack of goodwill on our part in making our contribution to this important activity.

OFFICE MEMORANDUM

TO: Mr. Arthur Karasz

DATE: March 13, 1968

FROM: Bimal Jalan *Bj*

SUBJECT: UNCTAD II :: FOURTH COMMITTEE

I have glanced through the chapters IV, V, and VI of the draft report of the Committee which are available in our files, as well as a number of resolutions introduced in the Committee. I do not know what draft resolutions have so far been adopted and in what form.

Chapters I to IV deal with shipping matters (I have not been able to find Chapters I to III in our files). Chapter V is on Port improvements. Chapter VI is in two parts - the first part is on Insurance and reinsurance and the second part on Tourism. On Tourism, paragraph 19 may be of interest:

"Representatives of developing countries emphasized the need for bilateral and multilateral financial and technical assistance for the provision of tourist infrastructure and other facilities in developing countries, for the training of personnel and for the framing of tourist development programmes and planning of resorts or other projects. They pointed out that international financial institutions such as the International Finance Corporation were not generally willing to provide project finance for the construction of hotels and other tourist amenities. The desirability of improved co-ordination in the provision of credits to developing countries for tourism was also mentioned."

There are ten draft resolutions. Seven of these are on shipping and one each on development of ports, insurance and tourism. The resolution on development of ports recommends, among other things, that "the developed countries, directly or through international and regional financial institutions, should provide an increasing flow of assistance, over and above the existing level of aid programmes, for the expeditious development and modernization of ports in the developing countries". The resolution on tourism, while welcoming

(continued .. 2)

the growing interest in the role of tourism in the economy of developing countries displayed by the regional economic commissions and the specialized agencies of the United Nations urges, among other things, "the recognition of tourism as a development industry for assistance by both international agencies and governments" and calls for "an increase in the flow of technical and financial assistance, including grants and credits on easy terms, for specialized tourist services, particularly the hotel industry, and for building the infrastructure vital for the development of tourism".

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: KARASZ
HOTEL ASHOKA
NEW DELHI

DATE: MARCH 21, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

RCH

TEXT: 26
Cable No.:

✓
REUR LETTER 82 AND DOCUMENT L/24, BANK HAS SUBMITTED TWO PROGRESS REPORTS
ON INVESTMENT INSURANCE STUDY TO U.N. SECRETARY GENERAL, COPIES TO
PREBISCH STOP SINCE DRAFT NOW UNDER ACTIVE DISCUSSION IN BANK BOARD, IN
ACCORDANCE WITH UNCTAD I REQUEST, IT WOULD BE INAPPROPRIATE AND AWKWARD
FOR DISCUSSION TO PROCEED SIMULTANEOUSLY IN ANOTHER BODY STOP IF PROPOSED
DRAFT RESOLUTION LIKELY TO BE ACTED UPON, SUGGEST YOU ENDEAVOR OBTAIN
DELETION ALL BUT FIRST AND LAST PARAGRAPHS, ~~PLUS~~ DELETION LAST NINE WORDS

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

SEBoskey:tsb

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Consolo

For Use by Archives Division

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(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *he*

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

OUTGOING WIRE

DATE MARCH 21, 1968

CLASS OF
SERVICE IT

TO: KARASZ
HOTEL ASHOKA

NEW DELHI

COUNTRY: INDIA

TEXT: 28
Cable No:

REUR LETTER 82 AND DOCUMENT L/21, BANK HAS SUBMITTED TWO PROGRESS REPORTS
ON INVESTMENT INSURANCE STUDY TO U.N. SECRETARY GENERAL, COPIES TO
PRESIDENT STOP SINCE DRAFT NOW UNDER ACTIVE DISCUSSION IN BANK BOARD, IN
ACCORDANCE WITH UNCTAD I REQUEST, IT WOULD BE INAPPROPRIATE AND AWKWARD
FOR DISCUSSION TO PROCEED SIMULTANEOUSLY IN ANOTHER BODY STOP IF PROPOSED
DRAFT RESOLUTION LIKELY TO BE ACTED UPON, SUGGEST YOU ENDEAVOR OBTAIN
DELETION ALL BUT FIRST AND LAST PARAGRAPHS, PLUS DELETION LAST NINE WORDS

DEMUH

MAR 21 12 01 PM 1968

GENERAL FILES
COMMUNICATIONS
DISPATCHED

MAR 21 11 53 AM 1968

GENERAL FILES
COMMUNICATIONS

NAME: Richard H. Demuth

DEPT: Development Services

SIGNATURE

Postkey: jsp

ORIGINAL (File Copy)

(IMPORTANT: See Secretariat Guide for preparing form)

Checked for Dispatch

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 20, 1968

1100

LOG NO.:

WU 3 / 20

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY:

MR. KNAPP

INFORMATION

COPY:

MR. DEMUTH

DECODED BY:

TEXT:

24 FOR KNAPP COPY DEMUTH

REURCAB 25[✓] A DRAFT RESOLUTION SUBMITTED BY DEVELOPING COUNTRIES

RECOMMENDS AMONG OTHERS THAT "IBRD SHOULD VIGOROUSLY PURSUE

NEGOTIATIONS WITH THE DEVELOPED COUNTRIES IN ORDER THAT IDA MAY

HAVE AT DISPOSAL ADDITIONAL FUNDS NEEDED TO EXPAND ITS ACTIVITIES

AS SOON AS POSSIBLE". DETAILS OF THIS DRAFT DEALT WITH IN MY

LETTERS 48[✓] AND 64[✓]. DRAFT STILL UNDER NEGOTIATION AND UNLIKELY

BE ACCEPTED IN PRESENT FORM. IN A COUNTER PROPOSAL DEVELOPED

COUNTRIES SIMPLY SUGGEST THAT GOVERNMENT SHOULD CONTINUE THEIR

SUPPORT OF THE WORK OF WORLD BANK REGARDS

KARASZ

*This was done
before we
reached agree-
ment on \$400m
package*

IR

GENERAL FILES
COMMUNICATIONS

MAR 20 9 06 AM 1968

RECEIVED BY: [illegible]
DATE: [illegible]
FROM: [illegible]
SUBJECT: [illegible]
[The following text is extremely faint and largely illegible, appearing to be a multi-paragraph memorandum or report.]

TO: [illegible]
FROM: [illegible]
DATE: [illegible]
SUBJECT: [illegible]

RECEIVED BY: [illegible]
DATE: [illegible]
FROM: [illegible]

Report No. 88

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 88

March 20, 1968

Dear Dick:

Committee One discusses subjects relating to diversification and financing of buffer stocks. In previous letters of mine, I have reported about a draft resolution prepared by the French delegation which prompted both Edgar Jones and myself to make a statement to the Committee clarifying the role of the Bank and Fund in our study on stabilization of the markets.

This question became a matter for political discussions led in particular by the French delegation in Committee One. In contact group meetings, the French and other delegations stated that by now the international organizations were ready to finance buffer stocks. This was, of course, a complete misunderstanding of the text of my statement. Therefore, I went to see the Chairman of the Committee and explained our position.

... Enclosed, please find memo to files, prepared by de Fontenay, which contains a description of all the events that have taken place in this matter. So far as we know, there is no agreement within the Committee on the issue of the pre-financing of buffer stocks and none on the draft resolution prepared by France.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

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

... P.S. Since writing the above, de Fontenay has submitted his memo dated March 21, which I also enclose.

OFFICE MEMORANDUM

TO: Files.  DATE: March 21, 1968.

FROM: Patrick de Fontenay

SUBJECT: UNCTAD II : Role of the Bank in the Commodity Field : ADDENDUM

In my memo to Files of March 20, 1968, I mentioned that the reference to the Bank Fund Study on stabilization of commodity prices, such as it appeared in the draft report of Committee I, had been modified at the request of the French delegate. The wording proposed was, however, unfortunate in the sense that it gave an interpretation of the Rio Resolution which was not necessarily warranted. The U.S. delegate in agreement with his French colleague, managed to have the paragraph revised so as to reproduce exactly the terms of the preamble of the Rio Resolution. As a result the whole paragraph 22 now reads:

"The Committee welcomed the study of the problems of stabilization of primary commodity prices at remunerative levels initiated by the Boards of Governors of the IBRD and IMF. The Committee generally welcomed the initiative taken by the Boards of Governors of the IMF, IBRD and the IDA to study the conditions in which these organizations could participate in the elaboration of mechanisms for the stabilization of primary commodity prices at remunerative levels and devote thereto the necessary resources."

OFFICE MEMORANDUM

TO: FILES

DATE: March 20, 1968.

FROM: Patrick de Fontenay *ff*SUBJECT: UNCTAD II : Role of the Bank in the Commodity Field
... ..

1. The developing countries and France have endeavoured since the beginning of the work of Committee I to involve the Bank more deeply in the commodity field, and more precisely in the pre-financing of buffer stocks. Under specific instructions from Mr. Debre, the Minister of Finance and Economic Affairs, who had stressed in his speech to the plenary the importance that France attached to the problem of stabilization of commodity prices, the French representative in the First Committee introduced early a resolution which reads as follows:

"The Conference

- (1) Calls the attention of IBRD and IMF to the importance it attaches to the study requested of them in the abovementioned resolution;
- (2) Expresses the hope that these agencies will be able to participate actively in the elaboration of suitable mechanisms involving balanced commitments on the part of the producing and of the consuming countries and devote the necessary resources thereto;
- (3) Emphasizes the importance of assistance from them, especially in helping to solve certain financing problems, such as buffer stocks, and providing long-term backing for the diversification efforts deemed necessary;
- (4) Requests IBRD and IMF to transmit the study to UNCTAD...

2. The French representative, Mr. Janton, stressed a number of times that paragraph 2 of his resolution, except for the word 'actively' simply repeated the exact terms of the Rio Resolution, although it actually reproduces the preamble of the resolution which explains what the sponsors had in mind, and not the operative part. Similarly, he insisted that paragraph 3 did not anticipate the results of the Bank Study although it does so in an implicit manner.

/Japan

3. When this resolution came up for discussion in the Contact Group of the First Committee, Australia, Canada, the U.K. and the U.S.A. said that paragraphs 2 and 3 were not acceptable to them on the grounds that it put pressure on the IBRD and the IMF and anticipated the results of the Study they were engaged in. This elicited a strong reaction on the part of the French delegate who said that words such as "express the hope" and "emphasize the importance" could in no way be interpreted as putting pressure on anybody.

4. When the report of the First Committee came up for discussion, paragraph 8 of Chapter II of the Report, as prepared by the Rapporteur, read as follows: "the Committee welcomed the Study of the problems of stabilization of primary commodities prices at remunerative levels initiated by the Boards of Governors of the IBRD and the IMF". The French delegate then managed to have it replaced by a new paragraph which reads: "the Committee generally welcomed the Study initiated by the Board of Governors of the IBRD and IMF of the conditions under which those institutions might participate in the stabilization of commodity prices at remunerative levels and devote to it the necessary resources." The Canadian representative tried unsuccessfully to have the exact terminology of the Rio Resolution reproduced in the text. The addition of "generally" was due to the intervention of the Cuban delegate who said that he did not welcome anything coming from the Bank or the Fund.

5. The question of the role of the Bank came up more precisely in the discussion of a text introduced by the Group of 77 on buffer stocks. The first two paragraphs of the section on financing read as follows: "(1) With regard to the pre-financing of buffer stock international financing organizations must be made capable of ensuring that sufficient resources will be available whenever the situation may so require. (2) In addition to having international financing organizations as the main source for the pre-financing of buffer stocks, the possibility of having voluntary contributions from developed countries should not be excluded." This was first discussed in the Contact Group and rejected by the Group B countries who proposed to replace these two paragraphs by the following one:

" (1) If pre-financing of buffer stocks is necessary, all possibilities should be considered, including private sources of capital, international financing organizations or voluntary contributions by governments under the form of loans or any other form. "

This amendment was rejected by the Group of 77.

6. Around this time, the Head of the Bank Delegation, Mr. Karasz, delivered a statement to the First Committee which said inter alia "I am in complete agreement with the statement made by the distinguished representative of the IMF that it is quite impossible to predict at this early stage what the conclusions of the Study by the Bank will be; this goes for the question put to us several times on the subject of the financing of buffer stocks, as well as for all the other elements of this very important problem."

7. When the text of the 77 came up again for discussion in the Drafting Group of the First Committee, and the developed countries presented the same objections, the spokesman for the developing countries, Mr. Ouattara of Ivory Coast, said that he could not understand why the developed countries objected to the international organizations being the main source for the pre-financing of buffer stocks since a consensus seemed to have emerged in the Committee that such should be their role and that the institutions themselves had given signs that they were now ready to move in that direction. His statement was strongly supported by the Chairman who said that the representatives of the IBRD and IMF had indicated in their statements to the Committee that they were now favourably disposed toward participating in the financing of buffer stocks.

8. In order to avoid further misunderstandings, Mr. Karasz went to see the Chairman, Mr. Gueye, to explain what our position exactly was. Mr. Gueye promised that he would tell the Bank's position to the Contact Group. I also spoke individually to various delegates to tell them that we did not want the impression to be created that we had in any way indicated a position either in favour or against our participation in buffer stock financing.

9. No agreement was reached in the Drafting Group on the paragraphs quoted above and an attempt to have the matter settled by the Heads of Delegations has so far failed. It is indeed reported that it was the issue of the pre-financing of buffer stocks which prevented an agreement on the text of the Group of 77 on buffer stocks.

cc: Mr. Karasz (2)
Mr. Sarma

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Letter No. 87

March 20, 1968

Dear Dick:

In this letter, I would like to try to describe the main substantive developments in the course of the last week.

There were not many of them; as you can imagine, the London gold rush was not exactly favourable for the taking of substantive decisions in the field of trade and aid.

Some very limited progress might have been made on the subject of Preferences. The West had agreed to a general system of Preferences before the Conference. However, they are not in a position to go much beyond that without further negotiations between themselves, and they are definitely not willing to meet the many demands of the developing countries.

On Commodities, Canada and the US put forward a draft resolution on the liberalization of trade, with an action programme including standstill on tariff or non-tariff barriers, refraining from the introduction of new fiscal charges, and on market-sharing.

There is also talk about a new US draft on pricing policy.

Unlike 1964, when Committee III on Financing was the most active and successful, this time no results have yet been achieved and the difficulties, probably also due to the events in the Western monetary markets, seem to be great.

As reported in previous letters, there are a certain number of draft resolutions submitted by the two groups but their consolidation is far from being achieved. They were given to "mini-contact groups",

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

ooo/ooo

the latest achievement of this Conference. One of the mini-contact groups, consisting of Jo Saxe (US), Koinzer (Germany) and Jayawardena (Ceylon), worked out a compromise formula on Supplementary Finance. The text is now being discussed by the other members of Group B on the one hand, and the 77 on the other. As of today, no progress has been made on the text. One of the articles of the draft of the mini-contact group talks about the Agency and states that "Supplementary Financing is to be administered by an Agency within the World Bank family." This is not a new idea, it appears in the original UNCTAD I resolution on Supplementary Financing and also in the report of UNCTAD II by the Intergovernmental Group. Nevertheless, I wanted to make our position clear, and at a luncheon party offered by Dr. Prebisch I drew the attention of both Prebisch and Jo Saxe to the fact that the Bank delegation does not have authority to discuss the Bank's role in the Agency. It will be up to the Board of the Bank to make a decision in the matter. Mr. Friedman who was present at the luncheon explained the same idea. Later, I had the opportunity of informing Koinzer also on the above.

Other matters in Committee Three are on terms and volume of aid but with very little hope for any substantive improvement as compared to the past. The recommendations of the LDC's concerning the reorganization of the Bank and the Fund (compensatory financing and new monetary system) have still to be discussed.

I am sorry I cannot give you a more optimistic report about this Conference, but this is how I see the situation to the best of my knowledge. It is a pity that so much time and so much effort had to be spent for so little achievement. I am doubtful whether we can still hope for a miracle in the course of the last six days.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

ALFRED KALMAN

1970

STANDARD BANK

With best regards,

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also on the whole.

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(Ceylon) marked out a comprehensive formula on intergovernmental finance.
groups, consisting of 10 states (12), Kottner (German) and representatives
the latest settlement of this conference. One of the inter-contract

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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c/o Ashoka Hotel, New Delhi, India



Letter No. 86

March 20, 1968

Dear Dick:

In my letters Nos. 48 and 64, I reported a draft resolution on the extension of the operations of the World Bank.

The developed countries are unhappy with the draft and requested the German delegation to prepare a counter-proposal containing the following ideas:

The Conference:

- 1) Expresses appreciation of IBRD's work which has contributed so much to the work of economic development.
- 2) Notes that IBRD has always adjusted its activities to the needs of the less-developed world.
- 3) Encourages the governments to continue their support of the work of the World Bank family.
- 4) Recommends to Member governments to advise their representatives to consider the following questions in order to render the services of the IBRD group as efficient as possible:
 - (a) that the Bank should devote as large as possible a part of its resources for assistance to LDC's, but paying due regard to the need of maintaining sound banking standards;
 - (b) that the Bank should consider, to the extent compatible with its purpose and character as a Banking institution, to adjust the terms of its lending to the circumstances of the LDC's concerned.

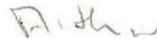
Mr. Richard H. Demuth
Director, Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

.../...

- 5) (c) that the Bank would continue, in appropriate cases, to extend loans for programmes not only for projects;
- (d) that the Bank should increase its operations in rural and urban developments, in education, agriculture and economic integration;
- (e) that the Bank should increase its joint operations with regional development banks;
- (f) that the Bank should extend its coordinating services with regard to particular countries (meaning consultative groups and consortia); and
- (g) that IDA should give particular attention to the least developed among the developing nations.

With best wishes,

Sincerely yours,



Arthur Karasz

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- (g) that IDA should give particular attention to the least developed among the developing nations.

With best wishes,

Sincerely yours,



Arthur Karsaz

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi, India

Letter No. 85

March 20, 1968

Dear Dick:

Very little happened in the Plenary last week. In reality, the only event I can report is the election of the newly independent state of Mauritius as a member of UNCTAD. Thus due to this important event the "77" will become something like 87.

The same Plenary heard exhortations from Udink (the Dutch Minister for Economic Development) as well as Father Riedmatten, the representative of the Holy See.

Their well intended exhortations have not yet had success. The Conference is deadlocked. As I shall report in more detail in a separate letter, all the really basic problems on Commodities and Preferences had to be referred to the "summit group" which, in the meantime, developed into another mammoth institution: at its meeting yesterday, there were well over 50 people attending. Such huge membership in each committee makes substantive discussions even more difficult, if not impossible.

There is constant talk about impending changes in the direction of UNCTAD: that Prebisch will resign this year and his successor will be designated by the General Assembly. A number of people think that K.B. Lall of India is a candidate for the job. He certainly has done his best, in the course of this Conference, to be kept in the limelight and there was often open friction between Prebisch and Lall on the one hand, and Stanovnik and Lall on the other. All three are unhappy because of the Brazilian attitude in this Conference: the latter continue to talk about the failure and would like to have the Conference suspended.

All these are just rumours. When one meets Prebisch, he certainly does not give the impression of a man preparing to retire.

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

.../...

Disagreement also exists in the camp of the developed countries. France goes it alone in most of the questions. (When in Group B negotiations on supplementary finance come up the French delegate stands up and leaves the room). Some smaller countries like the Scandinavians and the Netherlands would prefer to take liberal attitudes in a number of questions relating to aid and therefore disagree with the big donors, Germany, Italy, Japan and the U.S., and in most of the questions, also the U.K. Thus, within Group B, we can discern at least three different attitudes and this does not contribute towards making the inter-group negotiations more effective.

So far as the future programme of the Conference is concerned, the elections for membership of the Trade and Development Board will probably take place this week. (One of the new members of the Board will be the representative of Guatemala, Senor Enrique Lopez Herrarte). It is not yet certain whether the new TDB will hold its first meeting immediately after UNCTAD II, in Delhi or, later, in Geneva. There is also talk about another meeting of the 77 here in New Delhi of the Algiers Charter type. If this actually takes place, its purpose would be to work out a "Delhi Declaration" of the less developed world.

With best regards,

Sincerely yours,

A. K.

Arthur Karasz

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With best regards,

Sincerely yours,

— 4 —

Arthur Karsz

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi, India

Letter No. 84

March 20, 1968

Dear Dick:

Thank you for your letter No. 18, concerning the second interim report of the Conference.

I have discussed this matter with members of our delegation as well as with Edgar Jones, and there is agreement that the period of the Conference to be covered by such a second interim report would be too short, and the contents of the report would be rather poor because so little has happened. Therefore we would suggest, in agreement with Edgar Jones, that there be no second interim report for the period March 1 - 16.

You very rightly raise the question of the likely date we would be able to submit a final report to the Board. The answer is complicated by the fact that Sarma, de Fontenay and Jalan will leave Delhi for Washington, while Edgar Jones will go to Geneva and myself to Paris. Therefore, I do not see how we could prepare a joint report with the Fund without a considerable loss of time. I have suggested to members of the Bank delegation that we should prepare all the raw material covering the second month of the Conference while we are still here. If it were prepared today, this raw material would be rather poor, because practically every question is still in suspense. What I have in mind is a historic description of everything that has happened since March 1 in the few Plenary meetings, in the five committees and the three working groups. The important questions will have to be left in blank, and we shall complete the blanks if and when a decision is taken.

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

ooc/ooo

I would suggest that on the basis of this raw material, I prepare a draft of the final report to the Board as soon as possible after my return to Paris. I expect to leave Delhi on March 27, spend the weekend in Teheran (c/o Mr. A. Gasem Kheradjou, Managing Director, Industrial and Mining Development Bank of Iran, P. O. Box 1801, Teheran) and be back in Paris on Monday, April 1.

With kind regards,

Sincerely yours,

Arthur

Arthur Karasz

I would suggest that on the basis of this raw material, I prepare a draft of the final report to the Board as soon as possible after my return to Paris. I expect to leave Delhi on March 27, spend the weekend in Tehran (c/o Mr. A. Gassan Kheradjan, Managing Director, Industrial and Mining Development Bank of Iran, P. O. Box 1801, Tehran) and be back in Paris on Monday, April 1.

With kind regards,

Sincerely yours,

Arthur Karsaz

Arthur Karsaz

I do not
want the attachment
any longer. I have
seen it

where is ~~A. G. E. Emary~~

doc, which
Mr. Showie
had attached
to this?

Form No. 94
(1-62)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

DISTRIBUTION SLIP

TO-

Mr. El Emary



Room 541

FROM - OFFICE SERVICES DIVISION

MAR 18 1968

OFFICE MEMORANDUM

TO: Mr. A.G. El Emery

DATE: March 18, 1968

FROM: Arun Shourie *Alphonse*SUBJECT: Notes on the First Report on UNCTAD II

☒ El Emery
☒ Molyor
☒ Galika
☐ Larsen
☐ Div.
☐ Div.
☐ Div.
☐ Div.
☒ Co. Files
☐ Res. Files

1. The general context: While there have been successful negotiations over the Kennedy Round and international monetary reform since UNCTAD^I, there has been virtually no progress in areas affecting developing countries.

2. Four general impressions:

- (a) Everyone to himself; the statements of each delegation really run along class lines! The developing countries address demands to the developed and the Socialist countries; the developed countries repeat the standard arguments over each issue and the Socialist countries, instead of dealing directly with the demands of the developing countries, argue that the really significant problems lie in other areas - and sure enough these areas are ones in which the western developed countries should make some concessions to them (for a graphic example, see pp 14-15).
- (b) General statements seem to have taken up a very large proportion of the Conference's time. And by now we should realize that little is to be gained by debating issues as general as 'World Food Problems and the Transfer of Technology' or 'Trends and Problems in World Trade and Development'. For in this way, instead of getting down to meaningful negotiations, a large number of delegates are just busy reciting elementary textbook economics. The only purpose such general topics seem to serve is that they give some dignitaries an opportunity to make portmanteau speeches.
- (c) Working groups of 50-55 members are just too large to accomplish much in a few days. Can we not think of some other way of meeting the demands of balanced regional representation?
- (d) The psychological compulsion to make political gestures about Israel, South Africa ...

3. On each of the subjects well-worn and oft-repeated arguments were put forward by each side. The only new points that emerged on which some substantive action will be taken are:

- (i) The Shipping Resolution (Annex VI) is a positive achievement; it recommends that Governments urge liner conferences and equivalent organizations to recognize shipper's councils and cooperate in the establishment of consultative machinery;
- (ii) Perhaps an annual review by the UNCTAD Secretariat of progress in the field of commodity stabilization and other arrangements will be instituted (p.5)
- (iii) A timetable for future discussion on specific commodities is under consideration (p.5)

4. Since this Report the principal development has been that the '77' have agreed upon a draft resolution on preferences.

ROUTING SLIP

Date
March 22, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

1. Mr. Woods ✓ 3/22 ✓

2. ~~Mr. Cargill~~

~~3. Mr. Graves~~

Asia Dept - Division C

600

④ Amended ⑤ In Files

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

XX Information

Signature

Initial

Send On

Remarks

R.B. Steckhan *WBS*

From

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

March 18, 1968

Dear Rainer:

You have probably seen the correspondence between Mr. Woods and Mr. Morarji Desai about the amendments to the speech delivered at UNCTAD II on February 9.

Enclosed, please find copy of a letter I have received on this subject from Paul Coidan, Secretary of the Conference. He confirms that the summary records have been modified in accordance with the wish of Mr. Woods.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

Mr. Rainer Steckhan
Personal Assistant to the President
International Bank for
Reconstruction and Development
Washington, D.C.

RECEIVED UNCTAD

COMMUNICATIONS

RECEIVED

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE DIENA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

March 18, 1968

Dear Rainer:

You have probably seen the correspondence between Mr. Woods and Mr. Morarji Desai about the amendments to the speech delivered at UNCTAD II on February 9.

Enclosed, please find copy of a letter I have received on this subject from Paul Colson, Secretary of the Conference. He confirms that the summary records have been modified in accordance with the wish of Mr. Woods.

With best regards,

Sincerely yours,

W.L.R.

Arthur Karsaz

Mr. Rainer Steckhan
Personal Assistant to the President
International Bank for
Reconstruction and Development
Washington, D.C.

1968 MAR 22 PM 10:14

RECEIVED
COMMUNICATIONS
SECTION

**UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT**



**CONFÉRENCE DES NATIONS UNIES
SUR LE COMMERCE ET LE DÉVELOPPEMENT**

TELEGRAMS : UNCTAD, NEW DELHI
TELEPHONES : 30191 VIGYAN BHAVAN
30171 ANNEXE

VIGYAN BHAVAN
NEW DELHI-1

REF. NO. 1

13 March 1968

Dear Mr. Karass,

Dr. Prebish has asked me to acknowledge receipt of your letter of 6 March 1968 and to advise you that the paragraph 4 which relates to the statement made by Mr. G. Woods to the Plenary of UNCTAD II will be changed as requested by you.

The final text of the Summary records will read as follows :

"In India, the home of one-seventh of all the human race, in the 20 years of independence substantial advances had been made in alleviating illiteracy, hunger, illness and want, but the tasks that remain were staggering in their size and complexity. Those who believed as he did that India was engaged in a labor of deep meaning for all the developing countries must be gravely concerned by the uncertainties that clouded her national life. India was an exceptionally dramatic case because of its size and its location on the troubled Asian continent; but it was by no means the only country where growth needed to be much faster if hope was not to dwindle toward despondency".

With kind regards,

Paul Cofdan
Secretary of the Conference

Mr. Arthur Karass
Director
Head of IBRD Delegation to UNCTAD
New Delhi

A Corrigendum (TD/SR/51/Corr.1) will be issued.

TRANSLATION

CAISSE CENTRALE
DE
COOPERATION ECONOMIQUE

Paris, March 18, 1968

Mr. A.G. El Emary
Director
Africa Department
IBRD
Washington, D.C.

Dear Sir:

I wish to thank you for your kindness in sending me the text of the address given by Mr. George D. Woods at the Tenth Anniversary World Conference of the Society for International Development. I just read this text over again with deep interest and I totally agree with the concerns and the wishes expressed by Mr. Woods. I believe he is absolutely right in emphasizing the deficiencies and the errors in the task thus far accomplished, the extreme importance of the problem to be solved as well as the urgency of undertaking new efforts, bigger and better oriented than the efforts made heretofore. I also greatly appreciated the frankness and the firmness of the address which he delivered in New Delhi.

I thank you once again for the lunch and the working session, both quite pleasant and useful, which you organized during my trip to Washington. It appears that we could hope to reach satisfactory solutions for almost all the projects which the IBRD and the Caisse Centrale are studying jointly at present.

Sincerely yours,

(signed)

A. POSTEL-VINAY

CAISSE CENTRALE
DE
COOPÉRATION ÉCONOMIQUE

ÉTABLISSEMENT PUBLIC
DOTATION : 25 MILLIONS DE FRANCS

SIÈGE : 233, BOULEVARD SAINT-GERMAIN
PARIS VII^e

TÉL. : INValides 62-83 (7 lignes groupées)

Adresse Télégraphique : CAISCOP PARIS

Référence P.V./LB N° 46

PARIS, LE 18 mars 1968

Mr. A.G. EL EMARY
Directeur du Département Afrique
International Bank for
Reconstruction and Development
1818 H Street, N.W.,

WASHINGTON, D.C. 20433

AFRICA DEPT.]

MAR 21 1968

- ☒ El Emary
- ☒ T. Major
- ☒ B. Salika
- ☐ Larsen
- ☐ Div.
- ☐ Div.
- ☐ Div.
- ☐ Dir.
- ☒ Op. Files
- ☒ Res. Files
- ☐

Cher Monsieur,

Je vous remercie d'avoir eu l'amabilité de m'envoyer le texte de l'allocution prononcée par Mr. Georges WOODS à la Conférence Mondiale du 10ème anniversaire de la S.I.D. Je viens de relire ce texte avec un très vif intérêt et me sens tout à fait d'accord sur les inquiétudes et les vœux exprimés par le Président WOODS. Je pense qu'il a parfaitement raison d'insister sur les insuffisances et les erreurs de l'oeuvre accomplie, sur l'extrême importance du problème à résoudre, comme sur l'urgence de nouveaux efforts, plus considérables et bien mieux orientés que ceux qui ont été faits jusqu'à présent. J'avais également beaucoup apprécié la franchise et la fermeté de son discours de New-Delhi.

Je vous remercie encore du déjeuner et de la séance de travail - fort agréables et utiles - que vous avez bien voulu organiser à l'occasion de mon voyage à Washington. Il semble que nous puissions espérer parvenir à des solutions satisfaisantes pour presque tous les projets que la Banque Internationale et la Caisse Centrale étudient actuellement en commun.

Veillez agréer, cher Monsieur, l'assurance de mes sentiments les meilleurs.


A. POSTEL-VINAY

UNCODED
IDA - Repl.

OUTGOING WIRE

TO: INTBAFRAD
NEW DELHI

DATE: MARCH 18, 1968

CLASS OF
SERVICE: FR

RCH

COUNTRY: INDIA

TEXT: ✓
Cable No.: 25 FOR ARTHUR KARASZ HAVE HAD SOME INDICATIONS THAT DEVELOPING COUNTRIES
MAY SPONSOR UNCTAD RESOLUTION CALLING UPON INDUSTRIALIZED COUNTRIES TO
AUGMENT SECOND IDA REPLENISHMENT OF 400 MILLION DOLLARS A YEAR BY FURTHER
SUPPLEMENTARY CONTRIBUTIONS DURING NEXT THREE YEARS STOP HAVE YOU ANY
CONFIRMATION OF THIS

KNAPP

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME J. Burke Knapp, Vice President

DEPT. Office of the President

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JBKnapp:ism

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Woods
Demuth/Mrs. Boskey
Nurick

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: _____

acc. 3/20/68

SECRETARY (HIS COPY)

12KUEBB:gem

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED)

GENERAL FILES
COMMUNICATIONS

DEPT

Office of the President

NAME

1. Burke Kuebb, Vice President

MAR 18 4 34 PM 1968

MESSAGE AUTHORIZED BY

For use by Vicepres Division

DISPATCHED

GENERAL FILES
COMMUNICATIONS

RECEIVED BY: Boskey

MAR 18 5 15 PM 1968

STEVANICEZ AND COLE DISTRIBUTION

NOT TO BE REPRODUCED

KUVEB

COMPLETION OF THIS

SUBSTANTIAL CONTRIBUTIONS DURING NEXT THREE YEARS \$100 HAVE FOR THE
VOLUME SECOND IN REFINEMENT OF 100 MILLION DOLLARS A YEAR BY BANKERS
WILL BECOME DISCLOSED RESOLUTION COUNTERS FROM INDIVIDUALIZED COUNTRIES TO

COPY NO:
TEXT:

SR FOR VOLUME KUEBB HAVE HAD SOME INDICATIONS THAT DELEGATING COUNTRIES

COUNTRY:

INDIA

NEW DELHI
TO: INDIAN

RECEIVED
CLASS OF

DATE:

MARCH 18, 1968

OUTGOING WIRE

ASSOCIATION

INTERNATIONAL DEPARTMENT

RECORDS SECTION AND DEPARTMENT

INTERNATIONAL BANK FOR

CONNECTION

INTERNATIONAL PRIVATE

Mr. A.G. El Emary

March 18, 1968

Arun Shourie

Ashwin

Notes on the First Report on UNCTAD II

1. The general context: While there have been successful negotiations over the Kennedy Round and international monetary reform since UNCTAD, there has been virtually no progress in areas affecting developing countries.

2. Four general impressions:

- (a) Everyone to himself; the statements of each delegation really run along class lines! The developing countries address demands to the developed and the Socialist countries; the developed countries repeat the standard arguments over each issue and the Socialist countries, instead of dealing directly with the demands of the developing countries, argue that the really significant problems lie in other areas - and sure enough these areas are ones in which the western developed countries should make some concessions to them (for a graphic example, see pp 14-15).
- (b) General statements seem to have taken up a very large proportion of the Conference's time. And by now we should realize that little is to be gained by debating issues as general as 'World Food Problems and the Transfer of Technology' or 'Trends and Problems in World Trade and Development'. For in this way, instead of getting down to meaningful negotiations, a large number of delegates are just busy reciting elementary textbook economics. The only purpose such general topics seem to serve is that they give some dignitaries an opportunity to make portmanteau speeches.
- (c) Working groups of 50-55 members are just too large to accomplish much in a few days. Can we not think of some other way of meeting the demands of balanced regional representation?
- (d) The psychological compulsion to make political gestures about Israel, South Africa ...

3. On each of the subjects well-worn and oft-repeated arguments were put forward by each side. The only new points that emerged on which some substantive action will be taken are:

- (i) The Shipping Resolution (Annex VI) is a positive achievement; it recommends that Governments urge liner conferences and equivalent organizations to recognize shipper's councils and cooperate in the establishment of consultative machinery;
- (ii) Perhaps an annual review by the UNCTAD Secretariat of progress in the field of commodity stabilization and other arrangements will be instituted (p.5)
- (iii) A timetable for future discussion on specific commodities is under consideration (p.5)

4. Since this Report the principal development has been that the '77' have agreed upon a draft resolution on preferences.

AShourie:tj

Report No. 83

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



c/o Ashoka Hotel, New Delhi, India

Letter No. 83

March 16, 1968

Dear Dick:

Attached to my letter No. 77[✓] I sent you the text of the two competing draft resolutions on SFM submitted to Contact Group III by Group B and the Group of "77".

... I enclose the note prepared by Jalan on this meeting.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

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

1968 MAR 30 AM 8:20
COMMUNICATIONS
SECTION

RECEIVED
TELETYPE UNIT
COMMUNICATIONS
1968 MAR 20 AM 8:59

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

ALFRED KATZ

Sincerely yours,

With best regards,

*** I enclose the note prepared by Jean on this meeting.

by Group B and the Group of 111.
combining their resolutions on GEM submitted to Contact Group III
Attached to my letter No. 111 I sent you the text of the two

Dear Dick:

Letter No. 83

MARCH 12, 1968

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-2210

* ALEXANDER D. DENNY, BAKIS (194) - EKVISE
EUKOVAN OFFICE:

Office Address - INDIAN BAKIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Office Address - INDIAN BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

Handwritten signature and initials.

UNCTAD II : CONTACT GROUP OF THE THIRD COMMITTEE

March 14, 1968 (10.30 a.m.)

Towards the end of this morning's meeting, the Contact Group took up for consideration, the two competing draft resolutions presented by the Group of 77 and the majority of Group B countries on Supplementary Finance. The '77' paper was based on the joint statements of the developing countries to the intergovernmental group and asked for support in principle to the Bank Staff Scheme. The Group B paper asked for wider terms of reference for the intergovernmental group so that it could also discuss alternatives to the Bank Staff Scheme.

The U.K. introduced the Group B paper to the Contact Group. The main difference between the '77' paper and the Group 'B' paper was that the former would restrict considerably the scope of the work of the intergovernmental group; also, it was much more optimistic about the timetable. What was needed from the Conference was a resolution which would ensure that necessary work on Supplementary Financial Measures could go forward. To aim at a resolution which did much more than continuing the intergovernmental group with a broader mandate would not have the consensus that a resolution of such great importance should have.

Venezuela felt that it was a pity that the Group B paper put so much emphasis on the continuation of studies. The problem has already received sufficient study, and the Conference should aim at solutions on the basis of studies that have already been carried out. Venezuela felt that it would be appropriate to broaden the representation on the Group so that new ideas could be brought in. It, however, felt that to fix time limits and guidelines which were as broad as suggested by the Group B paper would create difficulties.

Ceylon introduced the draft resolution of the Group of '77'. It emphasized that as long as there was agreement that export shortfalls were an important cause of disruption, there was no point in diverting attention to other causes of disruption. Similarly, 5-year projections were possible and could be made with a reasonable degree of accuracy. The Group of 77 felt that the paper presented by Group B would be a backward step. There were, of course, some unresolved issues but these could be solved within the framework of an agreed outline. Very few people were wedded to every letter of the Bank Staff Scheme;

(continued .. 2)

but it is necessary to have an agreement on principles for work to be carried out in a satisfactory manner.

The U.S. said that the views expressed in these two papers were such as to permit reconciliation. While agreeing that undue delay in the implementation of a scheme for Supplementary Finance should be avoided, it wanted to emphasize the importance of ensuring that the scheme to be implemented was as efficient a scheme as could be devised.

Spain supported the Venezuelan suggestion to broaden the representation on the intergovernmental group and agreed that the terms of reference of the group should be widened.

B. N. Jalan

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 82

March 16, 1968

Dear Dick:

New draft resolutions pour into the contact groups of the Conference. The following drafts were discussed or introduced in ~~Committee~~ Three this morning:

contact group

1. Extension of the operations of the World Bank and its affiliates.

Many thanks for your cables 21 and 22. I did not have to speak at the contact group, but your cables contained very valuable information.

Enrique, as the author of the draft, introduced it to the meeting. The Group B countries dislike the document but decided to avoid detailed discussion on it in the contact group. There were just two short statements, one by the U.S. and another by the Swiss representative. Jo Saxe made the following preliminary observations:

- (a) the recommendation refers to a number of operations the Bank is doing already. He is wondering whether it is worthwhile to prepare a document on such transactions;
- (b) in general, the text contains too many subjects; it is difficult to digest.

The Swiss delegate emphasized that his country is not yet a member of the Bretton Woods institutions, therefore he should not be entitled to discuss matters related to them. The only reason for his interest is the fact that IBRD bonds have a special and privileged situation in Switzerland which it would be a pity to impair. He is wondering if a document such as this would not have exactly such an effect.

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

1968 MAR 50 AM 8:20

COMMUNICATIONS

.../...

Washington, D.C.

Recommendation and Delegation
International Bank for
Director, Delegation
Mr. Richard H. Demuth

COMMUNICATIONS

1968 MAR 20 AM 8:59

document such as this would not have exactly such an effect.
Switzerland which it would be a bit to imitate. He is wondering if a
the fact that IBRD would have a direct and beneficial situation in
to discuss matters related to them. The only reason for his interest is
of the Bretton Woods Institutions, therefore he should not be entitled
The Swiss delegate emphasized that his country is not yet a member

difficult to digest.

(p) In general, the text contains too many subjects. It is

more difficult to prepare a document on such transactions.
Bank is doing nicely. He is wondering whether it is

(a) the recommendation refers to a number of operations the

were the following preliminary observations:

whereas one by the U.S. and another by the Swiss representative. To take
discussion on it in the context of the Club. There were two other state-
The Club's committee decided the document not decided to avoid detailed
guidance as the author of the draft introduced it to the meeting.

at the context of the Club, not only carries contained very valuable information.
Many thanks for your services to the Club. I did not have to speak

difficulties.

1. Extension of the operations of the World Bank and the

in ~~conferences~~ *conference* ~~three~~ *three* this morning:

Conference. The following drafts were discussed or introduced
new draft resolutions back into the context of the

best track:

Letter No. 85

March 19, 1968

c/o Varok Hotel, New Delhi, India

Telephone - 223-3210

* VALIEN D. JENY, BAKIS (196) - BAKIS
BANK OF INDIA OFFICE:

CHIEF OFFICE - INDIA BAKIS

INTERNATIONAL DELEGATION ASSOCIATION

CHIEF OFFICE - INDIA BAKIS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Enrique answered the critical remarks. As far as I know, the Group B countries intend to discuss the draft in more detail in a restricted "exploratory" group. It will be a matter of negotiations whether it will survive or not.

2. Document L.19 (enclosed) was submitted by Israel on the Horowitz proposal.

3. L/20 and L/21 deal with the reform of the Compensatory Financing Facility of the IMF, and the new arrangements for Special Drawing Rights, respectively.

The Group B countries are negative on both proposals.

4. Private foreign investment is a much discussed matter. There are four documents submitted on this, and related subjects:

Misc.8
L/23
L/24
L/25

which I enclose.

Misc. 8 submitted by Group B countries contains general norms regarding private investment. It emphasizes the report to UNCTAD by Stikker (TD/35).

L/23 by some LDC's makes proposals relating to private investment and technology.

L/24 expresses the regret of the Conference that although the staff of the World Bank has prepared a detailed draft for articles of agreement for a multi-lateral investment insurance scheme, neither the draft nor a progress report have been submitted to UNCTAD. (The Group B countries, in their draft on private investment omitted to mention multilateral investment insurance; this is mainly due to the resistance of the German Federal Republic and, partly, the U.S.).

L/25 (by Greece, Spain and Turkey) tries to establish a target for aid volume by increasing the flow of public and private capital. So far as I know, the text was prepared with the assistance of Roberta Lusardi.

5. L/22 is a draft proposal submitted by some LDC's about the importance of the UN Capital Development Fund.

6. L/26 on the Synchronization of International and National Policies; submitted by some of the LDC's based on the ideas contained in Prebisch's opening statement "Towards a Global Strategy of Development".

Group B submitted a somewhat similar paper on the same subject under Misc.3/Rev.1.

Committee Three has two more days, the entire Conference nine more days to go. No-one knows how it will be possible to take care of this avalanche of paper in such a short time. The best solution might be to include all the acceptable ideas contained in the different draft resolutions into one and the same "Charter" or "Declaration of Delhi".

As mentioned above, new committees and groups have been formed to discuss and coordinate. Each contact group has designated one or more "exploratory" groups whose purpose is to discuss draft resolutions. Joe Saxe, for instance, discusses with Koinzer and Jayawardena (Ceylon) the future of supplementary finance. (It is impossible to predict whether a compromise ~~will be~~ can be reached on this subject, but I am told that very serious efforts are being made by both groups to find a common platform - this is just part of the poker game). Other similar groups discuss the problem of volume, target, etc.

In my letter No. 64, I reported about the creation of a "restricted" highest-level contact group. As you may remember, the idea had been that the group should consist of 12, or a maximum of 14 people. On the second day of its existence, there were 60 people sitting in that Committee under the Chairmanship of Dinesh Singh or Prebis'ch. This mastodont group still exists, but as it is unworkable a new "rescue group" has been created consisting of 8 to 10 people like K.B. Lall, Jolles, Viaud and Sidney Golt.

With kind regards,

Sincerely yours,

A. K.

Arthur Karasz

*) (this is not its official name)

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 16, 1968

1430

LOG NO.:

WU 22 / 18

TO:

INTBAFRAD

FROM:

ASHOKA HOTEL, NEW DELHI

ROUTING

ACTION COPY: MR. FRIEDMAN'S OFFICE

INFORMATION
COPY:

DECODED BY:

TEXT:

FOR MCGREGOR

ARRIVED ON SCHEDULE

FRIEDMAN

FAMILY NOTIFICATION HAS BEEN MADE

IR

FOR INFORMATION OF THE FBI, THE FOLLOWING INFORMATION IS BEING FURNISHED TO YOU BY THE FBI:

GENERAL FILES
COMMUNICATIONS

MAR 18 9 19 AM 1968

TO: DIRECTOR, FBI (100-441100)

FROM: SAC, NEW YORK (100-100000)

SUBJECT: [REDACTED]

RE: [REDACTED]

URGENT

TO: DIRECTOR, FBI (100-441100)

FROM: SAC, NEW YORK (100-100000)

RE: [REDACTED]

TO: DIRECTOR, FBI (100-441100)

FROM: SAC, NEW YORK (100-100000)

SUBJECT: [REDACTED]

RE: [REDACTED]

BT

RECORD IN:	100-441100
FILE IN:	100-441100
ACTION TO:	100-441100
DATE:	3/18/68

100-441100

OUTGOING WIRE

TO: KARASZ
ASHOKA HOTEL
NEW DELHI

DATE: MARCH 15, 1968

CLASS OF
SERVICE: FULL RATE

COUNTRY: INDIA

TEXT:
Cable No.: 24

REURCAB 21 DO NOT WANT YOU TO TAKE INITIATIVE BUT IF REQUEST PUSHED
BY REPRESENTATIVE GROUP UNCTAD MEMBERS YOU AUTHORIZED AGREE BANK
WILL PREPARE STUDIES MENTIONED YOUR CABLE. ASSUME REQUEST WOULD BE
FOR STAFF ANALYTICAL STUDIES AND NOT FOR OFFICIAL BANK PROPOSALS.
RE FIRST STUDY, UNITED NATIONS SECRETARIAT NOW EXAMINING PROBLEM IN
DEPTH AND BANK STAFF STUDY SHOULD BE IN COOPERATION WITH U.N.
FRIEDMAN FULLY INFORMED ABOUT DISCUSSIONS WITH U.N. THIS SUBJECT.
RE SECOND STUDY, ASSUME REQUEST WILL BE FOR STUDY OF TECHNIQUES OF
DEVELOPMENT LENDING GENERALLY AND NOT SPECIFICALLY OF WORLD BANK
LENDING

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHD:tf
ORIGINAL (File Copy)

(IMPORTANT: See back of yellow copy for guide in preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with Mr. Woods

cc: Mr. Consolo
Mr. Kamarck

For Use by Archives Division

Checked for Dispatch:

OUTGOING WIRE

MAR 15 1968

DATE

CLASS OF
SERVICE

FULL RATE

KARAKA
ASHOKA HOTEL
NEW DELHI

INDIA

COUNTRY:

REURCAN SA DO NOT WANT YOU TO TAKE INITIATIVE BUT IT MUST BE
BY RE-REPRESENTATIVE GROUP UNCTAD MEMBERS FOR AUTHORIZED AGENTS BANK
WILL PREPARE STUDIES MEMORANDUM YOUR CASE. ASSUME REQUEST WOULD BE
FOR STAFF & RESEARCH STUDIES AND NOT FOR OFFICIAL BANK PROPOSALS.
IN FIRST STUDY, UNCTAD HAVE AS OBJECTIVE TO EXAMINE PROBLEM IN
DEPTH AND BASIC STUDY SHOULD BE IN COOPERATION WITH U.N.
PROGRAM, EVEN THOUGH ABOUT DISCUSSION WITH U.N. THIS SUBJECT.
RE SECOND STUDY, ASSUME REQUEST WOULD BE FOR STUDY OF TRENDS OF
DEVELOPMENT TENDING GENERALLY AND NOT SPECIFICALLY OF WORLD BANK

LEWIS

DEWITT

Classified with Mr. Woods

Mr. Gossard
Mr. Keston

MAR 15 5 25 PM 1968

GENERAL FILES
COMMUNICATIONS

DISPATCHED

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 15, 1968 1145

LOG NO.:

WU 20/15

TO:

INTBAFRAD

FROM:

NEW DELHI, ASHOKA HOTEL

ROUTING

ACTION COPY: MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

21 FOR DEMUTH

YOUR CABLES 21 22 23 RECEIVED. SUBJECT YOUR 23 MY QUERY IN MY CABLE 19
WAS FOLLOWING: IBRD WILL PROBABLY BE REQUESTED PREPARE STUDIES ON
FOLLOWING TWO SUBJECTS FIRST CONTINUE STUDY OF COMMERCIAL CREDITS AS
A MEANS OF ASSISTING DEVELOPING COUNTRIES TO INCREASE THEIR EXPORTS (SEE
SPANISH PROPOSAL UNCTAD I) SECOND IBRD WILL BE REQUESTED PREPARE STUDY
ABOUT IMPROVEMENTS IN TECHNIQUES OF LENDING LIKE BISQUE CLAUSE: THUS
PURPOSE OF STUDY WOULD BE TO EXAMINE BISQUE AND OTHER TECHNIQUES WHICH
MAY MAKE IT POSSIBLE TO INCREASE THE FLEXIBILITY OF LENDING. WOULD YOU
AGREE PREPARE TWO SUCH STUDIES? PLEASE CABLE REGARDS

KARASZ

MT

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/68-11

DATED: March 15, 1968

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

UNCTAD II

5. Mr. Demuth reported that, at the New Delhi UNCTAD Conference, no agreement had so far been reached on any resolution except for one concerning a minor shipping matter. Agreement might be reached on a general statement of principles with respect to preferences by the developed countries for imports of manufactures from the developing countries, but a number of important issues remained unresolved and would have to be negotiated before any system of preferences became operative.

6. Almost all of the developing countries, together with the Scandinavian countries, Switzerland and the Netherlands, supported the scheme for Supplementary Financing Measures. The U.S., Germany and Australia had expressed serious reservations about various aspects of the scheme and the U.K., while expressing support in principle, had also indicated that it believed further consideration of the scheme was needed. France, Japan and New Zealand approved the scheme. It was likely that the UNCTAD Intergovernmental Group on Supplementary Financing would be asked to continue its study of the scheme and to take into account various suggested alternatives.

7. The Conference was structurally top heavy; there were five Committees and three Working Groups, each of which had a large "Contact Group" for informal negotiation between developed and developing countries.

8. There were reportedly three principal views among the "77" on how to deal with the stalemate which had developed. Some delegates thought that the Conference should be allowed to fail, and that the matter should be dramatized by taking it to the U.N. General Assembly. Others were said to want to force through a series of strong resolutions, irrespective of the attitude of the developed countries. A third group was said to be trying to work out a set of compromise resolutions which would receive support from both sides.

9. One proposed resolution related to the Bank. This had been drafted by the developing countries and generally reflected the portion of the "Algiers Charter" concerning the Bank. It proposed that a recommendation should be directed to members of the Bank to the effect that their representatives at the Annual Meeting of the Board of Governors should urge, inter alia: that the Bank should become a purely developmental institution; that it should seek prepayment of loans made to developed countries; that it should widen the scope of its lending to include governmental and mixed enterprises; that it should lend for urban development and health schemes; that it should guarantee securities issued by developing countries in markets of the developed countries; that it should make loans for longer terms and at lower rates of interest; and that IFC should be expanded.

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DATE AND TIME
OF CABLE:

MARCH 14, 1968

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TO:

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FROM:

NEW DELHI

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NOTE: CABLE NO. 21, SIGNED BY MR. DEMUTH, WAS
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FROM: The Secretary

March 14, 1968

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Attached for the information of the Executive Directors is a first report on the United Nations Conference on Trade and Development currently in session in New Delhi. The report has been prepared jointly by the representatives of the Bank and the International Monetary Fund who are attending the Conference and covers the period February 1-29. The report is also being distributed by the Fund to its Executive Directors.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

Interim Report on the Second Session of UNCTAD, New Delhi
February 1-29, 1968

Prepared by the Fund and Bank Representatives

March 5, 1968

1. Plenary

The Conference was inaugurated on February 1, 1968, by Mrs. Indira Gandhi, the Prime Minister of India, in the newly-built Assembly Hall of the Ashoka Hotel, New Delhi. Thereafter, the Conference moved its Headquarters to Vigyan Bhavan. It elected as its President the representative of the host country, Mr. Dinesh Singh, Minister of Commerce. The plenary sessions allowed ministers and other high officials of all the member countries, as well as leaders of international, intergovernmental and certain nongovernmental organizations, to state their policy views.

The Secretary-General of UNCTAD, Dr. Raul Prebisch, submitted his report to the Conference on February 2. His central theme was the need for the elaboration of a global strategy of development. The Secretary-General of the United Nations was unable to attend the inauguration of the Conference due to the events in North Korea. He spoke on February 9. In his address, he pointed out that the lack of progress since UNCTAD I was particularly difficult to accept in the light of the success which accompanied the negotiations connected with the Kennedy Round and international monetary reform. The reason for this failure was that the developed world continued to regard its economic relationship with the LDC's as a one-sided affair in which concessions are granted and not received, although it could be said that both in the field of trade and aid the developed countries benefited from their cooperation.

Mr. Woods addressed the Conference on that same day, February 9. The text of his speech was circulated to the Executive Directors of the Bank under cover of SecM 68-34 dated February 9, 1968. The representative of the International Monetary Fund spoke on February 13 (the text of his statement is attached as Appendix I). The Conference also heard statements by the United Nations Under-Secretary for Economic Affairs, the Director-General of FAO, the representatives of UNDP, OECD, EEC, the regional commissions of the United Nations, the regional development banks, and various intergovernmental organizations.

The ministers representing the developing countries elaborated on one or another point of the Algiers Charter under its three main headings: Commodity Problems and Policies, Exports of Manufactures, and Development Finance. They mostly stressed the importance of buffer stock financing, the introduction of generalized preferences and the need for more aid, in particular through multilateral institutions. They mostly supported supplementary finance. Some advocated that tied aid should be repaid with tied exports. The creation of several new funds was proposed:

a diversification fund "from existing Bank resources" (Yugoslavia), an interest-equalization fund (Israel), a research fund for primary commodities (India). Finally, the role of private investment was mentioned by some speakers.

Speakers on the ministerial level of the more important donor countries were Messrs. Debré (France), Schiller (Germany), Zagari (Italy), Siina (Japan), Lange (Sweden), Jolles (Switzerland), Crosland (United Kingdom) and Rostow (United States). In addition to general statements on problems of development and their countries' contributions to a solution of those problems in the fields of aid and trade, representatives of the developed countries dealt also with specific issues of particular interest to the Conference as follows:

(a) Commodities. This is one of the main items of the Conference. References to the joint Bank/Fund study commissioned at the Rio meetings were made by several ministers.

(b) Preferences. All donors concurred in the agreement reached within the OECD on the principle of preferential treatment of exports of manufactured and semimanufactured goods from developing countries, although it was pointed out that there were problems which remained to be settled, such as the future of existing preferences, product coverage, and exceptions and safeguard clauses.

(c) Financing. While the stagnation of the aid effort was a central theme of the representatives of the developing world, some donors, i.e. Germany and Sweden, and the Netherlands, promised some increase in their future contributions.

The great majority of the donors announced an intention to increase their contributions to IDA resources by sixty per cent. Most donors made reference to supplementary financial measures (SFM), generally in more or less constructive terms, while recognizing that there are still problems and that further discussions will be needed. France, Japan and the United States did not refer to SFM at all in Plenary. The references to aid matters by some, in particular by Sweden, Canada and the Netherlands, were encouraging. Several references were made to international monetary problems, including the introduction of Special Drawing Rights.

The statements by representatives of the socialist countries were on familiar lines. They mentioned the need for the elimination of restrictions on East-West trade and the admission to UNCTAD of Eastern Germany, North Korea, North Vietnam, and Mainland China. The U.S.S.R. pledged to continue its policy of extending credits to the developing countries. It was willing to conclude commodity stabilization agreements and to explore other forms of cooperation provided that the developing nations were ready to grant socialist countries conditions no less favorable than those granted to other countries.

Political problems arose in the course of the Plenary in connection with Cuba, Israel and South Africa.

2. End February position

It can be said that at the mid-way point of the Conference, no tangible progress has been recorded except for consultations on shipping. For the most part the proceedings of all Committees and Working Groups consisted of general statements by delegates of their government's views. These general statements did not carry the subject matter further than the position at the start of the Conference and proved very time consuming. The developing countries based their statements essentially on the proposals contained in the Algiers Charter. The developed countries generally did not appear to regard the Algiers Charter as being a sufficiently realistic starting point for negotiations. To accelerate reconciliation on a wide variety of issues so-called "Contact Groups" were set up. Even these Groups are fairly large owing to the need for balanced geographic representation. Apart from shipping, no progress has been made so far in any of these Contact Groups. Even the Contact Group of Committee II on preferences, the first to be set up, seems to have reached a stalemate. It is evident that the real work of the Conference still remains to be done.

3. Organization of the Conference

<u>President:</u>	Dinesh Singh, India, assisted by 27 Vice Presidents
<u>Rapporteur:</u>	Jose Antonio Encinas del Pando, Peru.
<u>Committee I</u>	(Commodity Problems and Policies): Chairman: Djin Monar Gueye, Senegal Vice-Chairman: Vladimir Rudolf, Czechoslovakia Rapporteur: Yeo Beng Poh, Malaysia
<u>Committee II</u>	(Expansion and Diversification of Exports of Manufactures and Semimanufactures of Developing Countries): Chairman: K.W. Ryan, Australia Vice-Chairman: Christopher Musoke, Uganda Rapporteur: Akhtar Mahmood, Pakistan
<u>Committee III</u>	(Growth, Development Finance, and Aid): Chairman: Jacob Everts, Netherlands Vice-Chairman: Lal Jayawardena, Ceylon Rapporteur: Jose Antonio Palacios, Guatemala

<u>Committee IV</u>	(Problems of Developing Countries in Regard to Invisibles Including Shipping):
Chairman:	Luiz Paulo Lindenberg Sette, Brazil
Vice-Chairman:	Krzysztof Dabrowski, Poland
Rapporteur:	O. Heyman, Sweden
<u>Committee V</u>	(Trends and Problems in World Trade and Development):
Chairman:	Janos Nyerges, Hungary
Vice-Chairman:	Erich Schmid, Austria
Rapporteur:	Mohamed Zaki Shafei, United Arab Republic
<u>Working Group I</u>	(World Food Problem and Transfer of Technology):
Chairman:	Domingo Santa Maria, Chile
Vice-Chairman:	Petre Tanasie, Rumania
Rapporteur:	Jens Kristensen, Denmark
<u>Working Group II</u>	(Trade Expansion and Economic Integration among Developing Countries and Special Measures for the Least Developed Countries):
Chairman:	M.H.A. Onitiri, Nigeria
Vice-Chairman:	R. Navaratnam, Malaysia
Rapporteur:	M.D. Laloux, Belgium
<u>Working Group III</u>	(Special Problems of the Land-Locked Countries):
Chairman:	Mohammad Ali Aghassi, Iran
Vice-Chairman:	Vladimir Pavera, Czechoslovakia
Rapporteur:	Albert Mohate, Lesetho

4. Committee I

Committee I was set up to consider the agenda item "Commodity Problems and Policies", with the following subitems: (a) General discussion on the main elements of commodity policy; (b) Basic principles and guidelines for pricing policy designed to achieve the highest possible receipts from export of primary commodities; operation and financing of buffer stocks; (c) Role and financing of diversification programs; problems arising from the development of synthetics and substitutes; (d) Program for liberalization and expansion of trade in commodities of interest to developed countries.

As of this date, the Committee has completed the discussion of items (a) to (c) of its agenda. It has also set up a 23 member Contact Group consisting of representatives from the developed, developing, and socialist countries, to start negotiations on possible points of agreement.

In the general discussion, suggestions by the Secretariat concerning the general supervisory role of UNCTAD in all commodity matters drew comments from some developed member countries. While recognizing that UNCTAD was a proper forum for discussion of all commodity matters, they stressed the very useful role played by the FAO study groups and by the Commodity Councils and questioned the need for UNCTAD to exert control over informal commodity agreements such as those reached by the FAO study groups on jute and hard fibres. Such informal agreements had their own advantages over more formal approaches and could be extended to other products. There was, however, general agreement that an annual review of progress in the field of commodity stabilization and other arrangements should take place in, and be organized by, UNCTAD. A Secretariat proposal to establish a set of principles and guidelines for commodity agreements was opposed by developed countries and was not considered a priority subject by developing countries.

Almost all speakers expressed regret that the Cocoa Agreement had failed to materialize and requested a prompt resumption of consultations with a view to reconvening the Cocoa Conference at the earliest possible date. A timetable for future discussion on specific commodities is under consideration and the developing countries have included cocoa, sugar, oilseeds, oils and fats, natural rubber, hard fibres and jute in their draft action program.

Discussion on pricing policy centered around the four points made in the Algiers Charter, that "the main objectives of pricing policy should be: (i) elimination of excessive price fluctuations; (ii) the highest possible earnings from the exports of primary products; (iii) maintenance and increase of the purchasing power of the products exported by developing countries in relation to their imports; and (iv) that developed countries undertake to assist in achieving more stable and higher prices for unprocessed and processed commodities from developing countries by applying adequate domestic taxation policies." While developed countries had no objection in principle to the first two objectives, some of them questioned the validity of the third objective, warning against the stabilization of prices at levels which would discourage consumption or encourage the production of synthetics and substitutes. On the fourth principle, a small number of developed countries stated that they were in favor of steps to liberalize commodity trade but in general their comments were inconclusive.

On buffer stock operations and financing, developing countries recognized that buffer stocks were only one among various techniques of market stabilization. When such a technique was appropriate, international financial institutions should participate in the prefinancing of

buffer stocks. This point was repeated by each speaker from the Group of "77" with some variants, such as a suggestion that buffer stocks should be financed by grants from the IBRD and the IMF, or that the IMF should provide regular financing, as well as prefinancing, for buffer stocks. A small number of speakers suggested that consideration be given to modifying the statutes of international financial institutions in order to enable them to provide finance directly to buffer stocks agencies. The Chairman of the International Tin Council stated that it would be more effective and more economical to finance buffer stocks through a central international agency.

The great majority of developed countries avoided reference to the specific role that the Fund could play in the prefinancing of buffer stocks but mentioned the relevance of this matter for the Bank/Fund study. Three representatives took the view that the Conference should withhold judgment on this question until the results of the IBRD/Fund commodity study agreed to at Rio last September became available. The U.S.S.R. expressed doubts about the regulatory function of buffer stocks; in its view buffer stocks were only of limited use, and stress should be laid on long-term bilateral trade agreements giving assurance of access to markets for a known volume of production at defined prices.

Most developing countries emphasized that the managers of buffer stocks should be allowed to intervene, both in the spot and forward markets. While three developed countries were sympathetic to this view, one was opposed, and one considered that the need for such an intervention should be decided on a case-by-case basis.

The idea of a central fund to be created for the financing of existing and future buffer stocks was opposed by several developed countries. The creation of a central fund is not included in the Algiers Charter, but several speakers from developing countries advocated the need for such a scheme though not in a coordinated manner. Mention was made of an international bank for buffer stock financing, an international commodity fund to support and stabilize prices and to finance diversification, and an international stabilization fund whose resources would be provided by producers, consumers, and international financial institutions.

After concluding consideration of buffer stock operations and financing and of pricing policy, Committee I started discussion on the problems arising from the competition of synthetics and substitutes. The developing countries repeated the arguments set forth in the Algiers Charter and expounded in the Secretariat document (TD/8/Supp.1). The developed countries took the view that these problems were largely owing to technological progress and that nothing could or should be done to stop or to slow down that progress which, to some extent, was also beneficial to developing countries. The solution was to be found in increased productivity, trade promotion and research for new uses of raw materials and in the diversification of production. A proposal by India to create a special fund under the auspices of the UNCTAD, to expand research in the development of new uses for natural products, received wide support from developing countries.

The Committee devoted one meeting to the consideration of the report of the third session of the Study Group on Oilseeds, Oils and Fats, held at FAO headquarters in Rome, from February 12-13, 1968. The report mentions compensatory arrangements financed by levies or by budgetary funds as a possible technique of market stabilization for this group of products. The discussion was short and dealt only with procedural matters. The six delegates from developing countries who spoke proposed that UNCTAD should set up an ad hoc UNCTAD body to deal with oilseeds, oils and fats without prejudice to the work to be pursued by the FAO study group itself. However, this matter is not yet settled.

With respect to diversification, the developing countries generally followed the suggestion made by the UNCTAD Secretariat that high priority be given by existing sources of development finance, including the IBRD, to supporting the diversification plans of those countries faced with acute diversification problems. They also favored the establishment of specific diversification funds within the framework of an international commodity agreement, as in the case of coffee, and of a central diversification fund. All the developed countries rejected the suggestion of diversification funds, although they supported the principle of including such funds in specific commodity arrangements, as in the case of coffee.

The socialist countries generally supported the Algiers Charter, but expressed their preference for long-term bilateral agreements as a solution to commodity problems. They also emphasized trade liberalization and better access to the markets of the developed market-economy countries for exports of all primary producers.

Numerous references were made to the Bank/Fund study commissioned at the 1967 Annual Meetings. Both developing and developed countries expressed the hope that it would contribute to a solution of present commodity problems. France and a number of developing countries asked that the study be transmitted to UNCTAD. In response to invitations from Committees I and III, the Bank and Fund representatives outlined the position regarding the studies on commodity price stabilization following the Rio resolution, with an indication that the staffs were aiming to have reports prepared in time for consideration by the Boards of Governors at the next Annual Meeting. (The statements are attached as Appendices II and III.)

A resolution introduced by France has not yet been considered either in Committee or in the Contact Group. It deals with the Bank/Fund study and with consultations to be initiated with a view to fostering the framing of international arrangements on specific commodities. The text of this draft resolution is reproduced in Appendix IV.

5. Committee II

Committee II is in charge of agenda items relating to the exports of manufactures and semimanufactures of developing countries to developed countries. The Committee's agenda consists of three topics: (a) Preferential or free entry of exports of manufactures and semimanufactures of developing countries to developed countries; (b) A program for the

liberalization and expansion of trade in manufactures and semimanufactures of interest to developing countries, and (c) Measures for the promotion, expansion and diversification of exports of manufactures and semimanufactures. The Committee has completed examination of the first of these items. Discussion was based on two documents, the Algiers Charter (Part II, Section B) and the Report of the Special Group of OECD on Trade with the Developing Countries. The first document lists the demands of the LDC's. The second sets out the position of the developed countries in regard to the general principle of a system of temporary nondiscriminatory, nonreciprocal, degressive general preferences for the export of manufactures and semimanufactures from developing countries. The following are the main points emerging from the discussion:

i. Product coverage

The developing countries criticized the OECD report for not including processed and semiprocessed agricultural products in the initial list of products to be covered by the scheme. They drew attention to the fact that such products accounted for 20 per cent of the exports of manufactures and semimanufactures from the developing countries, and that such products were especially important if the least advanced developing countries were to benefit from the system. The developed countries stated that the phrase "other products on a case-by-case basis" in the OECD report was not intended to preclude the inclusion of processed and semiprocessed agricultural products in a scheme of preferences. The main problem was that they had not had sufficient time to consider the question of agricultural products in detail.

ii. Duration of the preferential scheme

In their report, the OECD countries had stressed that the scheme was to be temporary and degressive, and suggested a duration of ten years, subject to review toward the end of the period to decide whether the scheme should be continued, modified or abolished. In the Algiers Charter, the Group of "77" had suggested an initial period of twenty years. The developing countries, supported by several developed countries, urged that the scheme should last as long as was necessary to achieve its objectives and, in particular, to facilitate investment in and export from the developing countries.

iii. Extent of preferential duty reductions, safeguards and adjustment measures

There was general agreement that a system of preferences would have to include a safeguard mechanism. Differences of opinion, however, arose as to how and under what conditions the safeguards could be invoked.

The developing countries expressed concern that the list of exceptions in the scheme might become too long. They suggested that protection by means of safeguard measures was preferable to ab initio protection through a system of exceptions. They also considered that duty-free entry was more desirable than reduced duty treatment.

The developed countries said that it had not been possible for them to choose between tariff quotas and escape clause action. They agreed that the list of exceptions should be kept as short as possible and added that for a number of reasons, escape clause action was bound to be invoked sparingly in the system of preferences.

iv. Special provisions for the least advanced developing countries

The Committee appeared unanimous in feeling that special measures should be introduced to enable the least advanced developing countries to secure a fair share of the benefits accruing from a system of general preferences.

The developing countries emphasized again that unless processed and semiprocessed agricultural products were included in the system, the least advanced countries would not derive immediate advantages. They also said that, to the extent possible, the escape clause should not be applied to less competitive exports of the least developed countries. Finally, they proposed that the developed countries and international financial institutions provide technical and financial assistance to the least advanced countries to encourage their export industries.

The developed countries said that, in a case-by-case examination of processed and semiprocessed primary products, the special interest of the least developed countries could be taken into account. Further, in regard to the duration of the system of preferences, the developed countries should maintain a flexible attitude, and decisions concerning escape clause action should be taken with due regard to the situation in those countries. Some developed countries, however, stressed the need to define the term "the least advanced countries," before any decision could be made on the special measures to be taken in their favor.

v. Existing and reverse preferential arrangements

A majority of the Committee agreed that the general preference system should ensure at least equivalent advantages for the developing countries which, at present, enjoyed preferences in certain developed countries. It was nevertheless recognized that at the present stage of the discussion it was impossible to say exactly how far the general system would be capable of providing such advantages.

Most developed, developing, and socialist countries favored the abolition of reverse preferences granted in the markets of some developing countries to some developed countries, while France, supported by some African countries, thought that they were of secondary importance and should be settled among the developed countries themselves.

vi. Other elements in the general system of preferences

Because of the shortage of time, and pressure to arrive at some agreement in the "Contact Group" on the basic issues which were discussed earlier, the Committee decided to consider as a unit the remaining elements involved in a general scheme of preferences. The exchange

of views on these topics (i.e. institutional arrangements, rules of origin, donor and beneficiary countries, action by countries with centrally planned economies and by developing countries, and implementation) was very general and there was little debate. There was general agreement that UNCTAD should supervise and review the operation of the general system of preferences, that the rules of origin should be subject to international understanding, and that all developed and developing countries should participate in the system.

6. Committee III

The following agenda items were taken up for discussion in the order indicated: (a) Increasing the flow of international public and private capital; (b) Improving the mobilization of internal resources; and (c) Improving the terms and conditions of aid, and alleviating the problems of external indebtedness.

The representatives of the U.S.S.R. and the other socialist countries (except Yugoslavia) repeated their familiar views that a distinction should be made between socialist and capitalist countries in considering the scale of their development assistance. Their own assistance was to specific projects, and repayments were in kind, i.e. out of the output resulting from the investments.

The representatives of the developing countries generally based their statements on the Algiers Charter. Some of them traced the background of the aid target of one per cent and argued that this background established that the denominator referred to gross national product and not net national income; in their view a separate target for official aid flows was called for. It was not only the volume of aid but its character that was important, i.e. whether assistance was in the form of grants or long-term concessional loans, on the one hand or short-term high interest loans, on the other.

The representative of Yugoslavia, in particular, emphasized the need to consider the real net transfers of resources to developing countries in view of the substantial amounts of amortization payments and reverse capital flows, as well as interest and profit remittances, from the less-developed countries.

Several spokesmen of developing countries recognized that the development of their economies was primarily their own responsibility; about three quarters or even more of the resources required for investment were raised domestically. At the same time, the development process would be facilitated by the transfer of resources from the richer countries. Currently, in their view, the inadequacy of external resources was a serious constraint on their development efforts.

A number of developing countries were facing a severe debt problem. The proportion of debt service to gross capital flows was high. Commercial credits, on rather onerous terms, as well as the tying of aid, were

compounding their difficulties. The developing countries unanimously urged the softening of aid terms, the regulation of suppliers' credits, the untying of aid, and the channeling of aid to a greater extent through multilateral institutions.

India referred to Marshall Plan aid terms to the countries of Europe, in particular to a special feature in the loans to the United Kingdom--the so-called "Bisque" clause, i.e. waiver of interest payments whenever the debtor country faced balance of payment difficulties. In India's view such a provision would be most relevant to development finance today.

The representatives of developed countries recognized the role that external capital could play in the development process and the need for enlarging aid volume and harmonizing aid terms. Several spokesmen referred to the resolutions of the United Nations and of the DAC on these matters, generally endorsed them, and outlined the efforts of their respective countries to move in these directions. In the course of the discussions, the Nordic countries, Canada and the Netherlands were generally more forthcoming and also more forward-looking than the other donor countries. Some regretted that the proposed IDA replenishment was not on a still larger scale. The Netherlands had no difficulty with the aid targets proposed in the Algiers Charter, including a separate target for official aid. France referred to a real crisis in the volume of assistance, and was of the view that the aid target was serving a useful purpose.

Several representatives of donor countries said that they could not accept gross national product as the denominator for the aid target. They attached particular importance to the role of private investment. The United States urged that studies be undertaken in depth on the rights and obligations of investors in recipient countries, as well as on the consequences of direct private foreign investment.

A number of representatives of donor countries emphasized the importance of domestic resource mobilization. Such domestic effort, as well as the effective use of external resources, would help to improve the climate (political will) for aid in developed countries. As for debt problems, they could only be dealt with on a country by country basis; it was even more important to prevent critical situations from arising. The responsibility rested with credit givers as well as with recipients. While they generally agreed that untying of aid was desirable, in the prevailing conditions it might result in a reduction of aid volume. The balance of payments difficulties of some donor countries had also to be taken into account.

There was not much comment on commercial credits per se. The United Kingdom representative, however, said that this field required further investigation and suggested that an intergovernmental group might be set up for this purpose.

Several references were made to the World Bank Group by the representatives of developing countries in terms of the proposals in the Algiers

Charter. These questions were dealt with by the representative of the World Bank in a statement to the Committee on February 23 (see Appendix V).

The proposal made by Mr. Woods for a "grand assize" was accorded considerable support in the Committee.

7. Committee IV

Committee IV, on Invisibles and Shipping, held 24 meetings, completed discussion of, and adopted, two resolutions on shipping matters, and began discussion on insurance and tourism.

In the Algiers Charter, developing countries requested that specific action be taken by UNCTAD, in collaboration with UNDP and the regional economic commissions, to establish national and regional consultation machinery between shippers and shipowners or their liner conferences. Such consultation machinery would permit shippers in developing countries to discuss matters of prime interest to them, such as freight rates, liner conference practices, and adequacy of shipping services. Developed countries, especially the large maritime nations, while agreeing on the need to provide for such consultations, questioned whether they should be placed under government control; some delegates stated that the West European consultation machinery on shipping could serve as a useful guide for the organization of such machinery. A resolution was tabled by developing countries inviting governments of the developed countries to take necessary steps to establish appropriate consultation machinery. A compromise solution was found on the basis of a draft resolution submitted by the Chairman of the Committee, which was adopted unanimously by the Committee (see Appendix VI). It recommends: "That the Governments of member States of UNCTAD should urge liner conferences ... to recognize shippers' councils ... and cooperate in the establishment and effective functioning of appropriate consultation machinery."

On the question of the level and structure of freight rates and conference practices, developing countries complained that the services of the present liner conferences were detrimental to their interests, that freight rates were not related to transportation costs, and that the decisions of liner conferences on freight rate increases were kept secret. The Secretariat was asked to undertake detailed studies on the fixing of freight rates and liner conferences' practices. A draft resolution on that matter was submitted by the Group of "77". It calls for a reduction in freight rates, a better spread of information, the right of shipping lines of developing countries to participate in the deliberations and decisions of conferences, technical assistance and further studies. This resolution is still being discussed in the Contact Group of the Committee.

The question of the establishment and expansion of merchant marines in developing countries also gave rise to divergent opinions. The improvement of shipping services, an equal voice in liner conferences, and contributions toward regional economic integration, were given as examples of the benefits that developing countries expected to derive from the expansion of their merchant marines. Developed countries expressed doubts

as to whether the establishment of national merchant marines would be the best way of solving the alleged difficulties faced by the developing countries in the field of shipping. They emphasized that this matter had to be considered on a country by country basis after completion of full feasibility studies.

International shipping legislation occupied six meetings of the Committee. Developing countries recalled the provision included in the Algiers Charter that, "UNCTAD II should include international shipping legislation in the work program of the Committee on Shipping." They argued that despite the multiplicity of international or intergovernmental or private organizations dealing with maritime law, and the variety of legal instruments in force, there remained large gaps in the existing legislation on matters of direct interest to developing countries, such as charter parties, bills of lading, marine insurance, and navigation in territorial waters. There was also a need for a uniform interpretation of existing conventions. The socialist countries felt also that UNCTAD should play a coordinating role in the field of shipping legislation and of maritime law.

Developed countries expressed a preference for relying on existing legal practices and institutional machinery, which had proved quite adequate for the formulation and adoption of new legal instruments as and when needed. Furthermore, the United Nations Commission on International Trade Law (UNCITRAL) had just been created by the General Assembly to work on over-all harmonization and unification of the law of international trade including shipping. The Secretariat endorsed this view. However, the possibility of a standing committee on international legislation on shipping is under consideration.

The last part of the Committee's work on shipping was devoted to a progress report on studies by the Secretariat on port development and improvement. The Secretariat indicated studies were focussed on the optimum utilization of ports. Developed countries and socialist countries stated their readiness to continue to cooperate in those studies and to give technical assistance and training in the field of port operation and cargo movement. Representatives of some developing countries suggested setting up a special fund for port development and modernization, and urged existing international institutions (IBRD, IDA and regional development banks) to take a greater interest in this matter.

During the last week under review, Committee IV began consideration of insurance and tourism. Secretariat papers were circulated dealing with the division of responsibility among the United Nations Secretariat units concerned with insurance questions, and the activities of the Department of Economic and Social Affairs in the field of tourism. Discussion is still going on in the Committee.

8. Committee V

Committee V, which was set up to consider agenda items under "Trends and Problems in World Trade and Development", has held 12 meetings and has

discussed two agenda items: steps to achieve a greater measure of agreement on principles governing international trade relations and trade policies conducive to development; and trade relations among countries having different economic and social systems, including problems of East-West trade, paying attention particularly to the trade interests of developing countries and taking into account work in this field by other United Nations organs, including the regional economic commissions.

In regard to the first of these items, developing countries voiced disappointment that the General and Special Principles adopted at UNCTAD I had remained largely unimplemented, although some progress had been made in the partial application of the principles of nonreciprocity in the Kennedy Round, and changes had occurred in the attitude of some developed countries with respect to the question of preferential treatment of manufactures and semimanufactures exported by developing countries. They urged that the Conference examine ways to implement the Principles adopted at UNCTAD I and to expand them.

Developed countries, on the other hand, took the position that the Principles adopted at the first Conference contained certain limitations not only as to their content and coverage, but also as to their acceptability to governments, particularly those to which some of them were addressed. They commented that the Conference should consider drafting a new set of principles with a view to achieving the broadest possible measure of agreement. Doubt was also expressed by some developed countries as to whether the expansion of trade and economic growth of developing countries depended on the adoption of a set of general principles.

On the question of East-West trade, the discussion was largely an exchange of views between the developing and the socialist countries. It was noted that, despite a rapid expansion in recent years, the volume of trade between these two groups remained small, and that only a few developing countries realized the benefit of the increased trading opportunities with the socialist countries. Developing countries expressed the view that the conclusion of bilateral trading arrangements with the socialist countries had helped to maintain a reasonable degree of stability in the volume and prices of the export of primary commodities. It was felt that the expansion of trade between the developing and socialist countries would be facilitated further if certain new measures were adopted by the latter. Some of the measures mentioned were the following:

1. The margin in the socialist countries between the import and sales prices of goods from the developing countries should be reduced to stimulate the consumption of these products;
2. The socialist countries should offer preferential access and preferential tariff treatment to imports from developing countries which are no less favorable than those offered by developed market economy countries;
3. Greater flexibility should be introduced in the multilateral transfer of bilateral balances;

4. The socialist countries should endeavor to increase imports of primary products from developing countries whenever these commodities are available at competitive prices;
5. In their economic plans, the socialist countries should systematically reserve a certain share of their markets for imports of manufactured and semimanufactured goods from developing countries;
6. The socialist countries should provide capital to finance private and public projects in developing countries and accept repayment in the form of commodities which are produced by these projects;
7. Socialist countries should refrain from reexporting goods imported from developing countries without the consent of the latter.

Several socialist countries remarked that their economies were becoming more foreign-trade oriented and if their imports of capital goods from developed countries increased, this would help enlarge their markets for imports from developing countries. In their view, more important issues in the East-West trade relations were multilateralization of trade and payments between industrially advanced socialist and developed market economy countries; application of the most-favored-nation clause in East-West trade relations; abolition of quantitative restrictions and other discriminatory practices by developed market economy countries and developing countries applicable to imports from the socialist countries; and joint ventures by socialist and developed market economy countries in developing countries.

9. Working Group I

Working Group I (55 members) was established during the second week of the Conference to consider two agenda items: world food problems and the transfer of technology. Starting on February 26 it held four meetings under the Chairmanship of Mr. Domingo Santa Maria (Chile). Mr. Ojala, Director of the Commodities Division of FAO, made an introductory statement highlighting the main features of the world food situation.

The points discussed so far include: (i) domestic measures to be taken by developing countries to increase food production, including pricing policies and the production of farm inputs; (ii) aid to foster agricultural production, including fertilizers, pesticides and farm machinery; (iii) food aid; and (iv) protectionist agricultural policies of some developed members and their adverse effect on exports from developing countries.

Discussion is going on and four more meetings are to be devoted to this subject.

10. Working Group II

Working Group II, consisting of 55 members, was established on February 14 to consider two agenda items: trade expansion and economic

integration among developing countries, measures to be taken by developing and developed countries--including regional, subregional and inter-regional arrangements, special measures to be taken in favor of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development. The Group held eight meetings during the last two weeks of February and heard statements from several national delegations and regional organizations on the two major topics under the first of these items, i.e., review of progress made and problems encountered in regard to trade expansion and integration among the developing countries, and international support action in the fields of commercial, financial and technical assistance.

Representatives of regional organizations, in describing briefly the history and accomplishments of their respective organizations, drew attention to some of the more common difficulties encountered in regional integration: a lack of adequate infrastructure; high tariff barriers against trade between countries in the region; fear of unemployment resulting from trade liberalization; existing preferential ties between some of the developing and some developed countries; inadequacy of reserves to take care of potential balance of payments difficulties arising from regional trade liberalization; and lack of external sources of funds to finance regional investment programs.

Developing countries emphasized that trade expansion and economic integration among developing countries could make a useful contribution to their economic growth and urged that developed countries provide financial support and technical assistance to individual developing countries or regional groups encountering difficulties in the process of integration. Reference was also made to the useful role which regional payments arrangements could play in the promotion of regional trade and to the financial contribution and technical assistance which the IMF could provide.

Developed countries expressed the view that trade expansion on a regional basis should not adversely affect the export opportunities of third countries (which were most likely to be developing countries). On the question of regional payments arrangements, some developed countries commented that, although such arrangements might assist the flow of regional trade, there were equally important problems deserving of attention, e.g., improvement of infrastructure and coordination of investment programs on a regional basis. All developed countries, however, expressed their willingness to support a resolution drafted in the Working Group, inviting them to assist developing countries in their regional integration efforts. During the meeting on February 29, the observers from the IMF and the IBRD delivered statements on this subject.

11. Working Group III

Working Group III, consisting of 34 members, held two meetings to consider special problems of the land-locked countries. General statements were made by several developing countries concerning the special transportation problems faced by the land-locked countries and the need for concerted international action to alleviate them.

12. Organization

The accommodation and transportation arrangements of the Government of India have worked out very smoothly. The organization of the Conference had been studied thoroughly in advance and for the first two weeks there were no difficulties. The five Committees were provided with full servicing, i.e., interpretation and summary records; the Working Groups were provided with interpretation only. As the number of Committee meetings rose sharply, additional teams of precis writers and interpreters had to be introduced to cope with the increased workload. But the main problems were with other meetings, including those of the geographical groups and Contact Groups, which rose from six in the first week to 79 in the fourth week. By the end of February, there were about 100 separate bodies functioning and, in the words of a Conference paper, the Conference had "assumed proportions larger than the General Assembly itself." Emergency measures were proposed to prevent the Conference from stultification through further proliferation of bodies and their meetings.

Address by Mr. Edgar Jones, Director, International Monetary
Fund Office in Geneva and Head of Fund Delegation to the Second
Session of the United Nations Conference on Trade and Development, New Delhi

February 13, 1968

Mr. Chairman:

The Managing Director of the International Monetary Fund greatly regrets that he is unable to be here at the Conference. Mr. Schweitzer's regret is, however, tempered by the knowledge that his duties in Washington, especially in regard to international monetary issues, are very closely related to the objectives for which this Conference was convened and more particularly to agenda item 12.

The first UNCTAD session held in Geneva four years ago stimulated wide interest in the prospects of overcoming the persistent problems confronting so many nations in their efforts to expand their trade and to attain a satisfactory rate of growth. By now UNCTAD is well established as a forum for the discussion of these problems and of possible ways of resolving them. The discussions which have taken place since the first conference, and which the Fund has followed closely, have helped clarify the problems and identify issues but progress meanwhile in improving the economic situation of developing countries has been disappointing. The impediments to progress are well known, population pressures on scarce resources, inflationary trends, continuing balance of payments difficulties and their accompanying constraints, underemployment of labor and underutilization of other resources and these need not be elaborated. International efforts to overcome them have not been as vigorous or as sustained as had been earlier hoped. It is evident that there is a need for an appreciable increase in the annual transfer of real resources to the developing countries. This need in large measure will have to be met through official grants and loans that will help such member countries strengthen their balance of payments situations on an enduring basis. This fact is made abundantly clear in numerous UNCTAD documents and is borne out by the Fund's own intimate experience of the economic problems of its member countries which are in the developing stage.

There is a need for an intensified and concerted international approach toward the removal of the remaining obstacles to the expansion of trade and development. In this connection the report of the Secretary-General of the UNCTAD to this Conference is a timely and important document. The role of the Fund in global efforts to create conditions conducive to the expansion of trade and development is well known to developing country members represented at this Conference. Our operations and policies cover both the special problems of each of the 107 member countries and more general problems including that of improving the structure

and stability of the international monetary system. In connection with the latter, the plan to set up international machinery for creating a supplement to existing reserve assets as the need arises is bound to facilitate whatever program of action is decided upon by this Conference. I shall refer later to this scheme.

Since the establishment of UNCTAD, the Fund has cooperated with the Secretariat, with the Trade and Development Board, and with the Board's four committees and specialized bodies. A short time ago a mission, composed of representatives of the countries which attended the meeting in Algiers, visited Washington. Our talks with them gave the Fund further insight into some of the problems and attitudes of the developing countries. In March 1967, when discussions on international liquidity were in an active but not yet final stage, the Fund's Executive Directors exchanged views with Dr. Prebisch and some members of the Expert Group on International Monetary Issues. The Fund looks forward to continuing such close collaboration with UNCTAD on those subjects in which the Fund has a direct interest and responsibility.

Mr. Chairman, the Fund is providing the Conference with copies of its Annual Report for 1967 to supplement the basic documentation. Delegates may be interested in more up-to-date information on the Fund's operations. In 1967, the twenty-second year of the Fund's existence, drawings made on the Fund amounted to \$835 million. Owing to substantial repayments net drawings outstanding declined from the peak of \$5.1 billion reached in mid-January 1967 to \$4.5 billion at the end of the year. Twenty-nine of the Fund's members, mostly developing countries, obtained the Fund's financial assistance in 1967. Some of those drawings were made under the Fund's facility for the compensation of export fluctuations. Since that facility was revised in September 1966 eleven countries--Burma, Ceylon, Colombia, the Dominican Republic, Ghana, Haiti, Iceland, India, Iraq, New Zealand and Syria--have benefited from it; by the end of 1967 drawings under the facility totaled \$220 million.

During 1967 the amount available to members under stand-by arrangements with the Fund increased from \$365 million in 1966 to \$1.8 billion, of which the major part represented an arrangement entered into by the United Kingdom to support the new par value for the pound sterling. After the sterling devaluation last November, fifteen other members adjusted their exchange rates after consultation with the Fund. It is a source of great satisfaction to us that the adjustments in exchange rates following the devaluation of sterling were limited in number and were conducted in an orderly manner in accordance with the relevant provisions of the Fund's Articles of Agreement, helping thus to minimize disruptions in international trade and payments.

The Fund also continued its annual round of consultations with individual members in 1967 and provided technical assistance on a variety of problems in fields related to the work of the Fund. These include advice

on the preparation and the carrying out of monetary, exchange and fiscal policies, the drafting of central banking legislation, the organization of central banks, and the development of financial statistics. As stated in our Annual Report for 1967, and I quote:

"The widening and consolidation of the Fund's facilities for providing technical assistance has reflected the growing needs of its member countries, particularly of its newer members who joined the Fund after becoming independent. For many of these countries, the difficulties of achieving rapid economic growth, the need to utilize the more advanced techniques of financial and economic control, and the general shortage of skilled and experienced economic administrators pose problems akin to those arising from the rather more widely publicized technological gap in science and industry. In endeavoring to meet the requests of its members, the Fund is providing a service which, though narrowly specialized, is crucial for the achievement of the broader aim of economic development."

Through its close relations with its member countries, the Fund has become well aware of the domestic consequences of fluctuations in the foreign exchange proceeds from exports of primary products, and we have always attached great importance to the search for means of mitigating the adverse effects of these fluctuations on development efforts.

The Fund's compensatory financing facility was conceived for that purpose, and was revised in September 1966 to take account, among other considerations, of statements made in UNCTAD Resolution A.IV.17. Copies of the relevant report have been made available to the Conference. Policy on compensatory drawings, as on other aspects of its operations, is kept under continuing review. The Fund, of course, is aware of the points made in this connection in the Charter of Algiers. With less than eighteen months of operation of the new facility it is felt, however, that more experience is needed before contemplating any further changes in its operation.

The Fund staff has participated in all the UNCTAD Group meetings on proposals for supplementary financial measures and is willing to continue to cooperate in any further discussions on this subject.

At the Fund's recent Annual Meeting in Rio de Janeiro, the Board of Governors adopted a resolution requesting the staff, in consultation with the staff of the IBRD, to study the problem of the stabilization of prices for primary products, its possible solutions, and their economic feasibility. The necessary staff work is under way and it is hoped to present a report to the Board of Governors at the 1968 Annual Meeting.

In the Fund's discussions with member countries a growing number of cases has been witnessed where a rising external debt service burden has disrupted the balance of payments. This debt burden has checked needed capital inflows, and severely impaired or halted economic growth. In some cases where the debt service has reached critical levels, the Fund has been requested to advise the member concerned on ways of easing the problems and, in response to requests from creditor and debtor countries has actively assisted the debtor and its creditors in negotiations designed to alleviate the immediate burden.

The problems posed by efforts to manage external debt on an orderly basis demand responsible action by borrowing countries, but they also involve the acceptance of responsibilities by the capital exporting countries; it is important that borrowers are not pressed by unrealistic short-term conditions of repayment or encouraged to incur excessive short-run obligations. Also it is important that the developed countries do not apply measures in dealing with their balance of payments problems which seriously impede the capital outflows so necessary for the sustained growth of the developing countries.

The relationship between foreign exchange policies and economic growth was discussed in Chapter 4 of the Fund's 1967 Annual Report. There it is stated that: "The Fund believes that policies aimed at achieving an enduring stability of the exchange rate at a realistic level--that is a rate that provides adequate incentives for exports while facilitating the maintenance of a liberal payments system--are essential to sound economic growth." Of course, implementation of the policies mentioned will often not be sufficient to sustain a desired rate of growth; there are many difficulties that cannot be directly resolved by fiscal or monetary policies alone. These difficulties relate to such matters as project implementation, upgrading the quality and increasing the quantity of domestic output, and gaining wider access to foreign markets for traditional exports and new export products. Nonetheless, without a realistic exchange rate supported by appropriate domestic policies, the attainment of a satisfactory rate of economic growth will prove to be most difficult.

At the Annual Meeting of the Fund's Board of Governors in Rio de Janeiro, the Board approved the Outline for a Facility Based on Special Drawing Rights in the Fund. In the many discussions and studies preceding this action, the views of UNCTAD and the Group of Experts on International Monetary Issues were fully considered and those views helped influence the presentation of such questions as the universality of the scheme and the choice of quotas in the Fund as the basis for the allocation of drawing rights.

It is now accepted that the special drawing rights will be available to all Fund members on a nondiscriminatory basis. They will be allocated among members according to Fund quotas. Participants will be

able to use their new rights freely, without policy conditions of any kind, but will be expected to do so only if they have a balance of payments need. All members will be fully represented in the making of the decisions as to the creation or the cancellation of special drawing rights.

Work is proceeding on the necessary amendments to the Fund's Articles of Agreement and when those are approved by the Board of Governors and subsequently ratified by three fifths of the Fund's member countries having four fifths of the total voting power, a mechanism will exist that may be activated as needed to counter any global insufficiency of reserves.

As in the past we shall follow closely the proceedings of the Conference for there are many items on the agenda of direct interest to the Fund. We stand ready to participate and cooperate on all discussions where the Fund can be of assistance. We in the Fund offer our best wishes for a successful session.

Statement by Arthur Karasz, Head of the Delegation of the
International Bank for Reconstruction and Development, to
Committee I at the Second Session of the UN Conference
on Trade and Development, New Delhi

March 1, 1968

Mr. Chairman:

I would like to be allowed to discuss two interdependent subjects in this statement; in the first part of this statement, which will be very short, I would like to clarify some elements of the problem of diversification as related to the commodity problem in general; in the second part, I would like to inform the Committee about the present status of the study being prepared in the Bank on the basis of the so-called Rio Resolution.

We have listened with great interest to the discussion in this Committee of the commodity problem. So far, the Bank's approach to its solution has been through assisting the diversification of the economies of the developing countries. Indeed, diversification is of paramount importance for all countries having a dependence on primary commodities, and we agree with the view that it is needed even in countries which have a high per capita income but derived from the export of a single commodity. But diversification is a complex and long-term problem. It seems to me not to be appropriate at this stage to go into the discussion of the economics of the process. I think, however, it will be useful that I state also in this Committee that the Bank in its existence of over twenty years has contributed to diversification by using most of the amount of over \$10 billion it has lent for improving the economic infrastructure of its members.

The Bank is particularly well placed in view of its wide field of action and its cooperation with institutions like FAO to watch for the necessary harmonization of diversification programmes to which the secretariat has rightly called attention, that is to avoid diversification away from surplus product into the production of another surplus commodity. The Bank is also cooperating with the ICO, and some other international institutions, to study possibilities of further cooperation on this subject.

Now to turn to my second subject. As the Committee very well knows, the Bank is presently engaged in a major review of the entire problem of commodities: on the basis of the Rio Resolution of last September, whose text has been circulated in Committee III as Document TD/II/C.3/L.4, the Bank and Fund staff have started work, a very intensive work indeed, on

the question put to them in Rio: we were requested to examine the possibilities of Bank Group assistance to commodity stabilization schemes should adequate resources be available.

The work is now in progress and the intention is to complete it, if possible, early enough to permit its consideration by the Governors of the Bank at the Annual Meeting to take place next October. I am in complete agreement with the statement made by the distinguished representative of IMF that it is quite impossible to predict, at this early stage, what the conclusions of the study by the Bank will be; this also goes for the question put to us several times on the subject of the financing of buffer stocks, as well as for all the other elements of this very important problem.

Mr. Chairman, we have been requested by several speakers to transmit the study to UNCTAD. We appreciate the interest expressed in this Committee for our forthcoming study and I am authorized to inform you that it will be submitted to UNCTAD after its consideration by the Board of Governors of the Bank.

Statement delivered by Fund Representative in Committee I
and Committee III at the Second Session of the UN
Conference on Trade and Development, New Delhi

March 1, 1968

Mr. Chairman:

In our last annual meeting held at Rio de Janeiro in September 1967, our Board of Governors adopted a resolution asking the Fund staff to study in consultation with the IBRD staff, the problem of the stabilization of prices for primary products, its possible solutions and their economic feasibility. I assume that delegates are familiar with the resolution.

The work is now in progress. According to arrangements worked out between the staff of the Fund and the Bank, the study will be divided into two parts. The first part will be prepared jointly by the staff of the two institutions. It will be based on a discussion and evaluation of various possible solutions to the problems of commodity prices that have been suggested so far. The second part will discuss the possible role that the Fund could play in the solution of these problems. The latter will be prepared by the Fund staff in close consultation with the Bank staff.

The study once completed will be submitted to the Executive Directors who after examination will transmit it, with such comments or recommendations as they may have, to the Board of Governors for consideration and appropriate decision. The staff has been instructed to proceed on the working assumption that it would be highly desirable to finish the report at an early enough date to permit consideration by the Governors at the 1968 Annual Meeting to be held in October although the resolution does not make it obligatory to have a study ready by then. It states "if possible at its next Annual Meeting."

It will be readily appreciated by this Committee with its knowledge of procedures in the UN family, that the Fund study cannot be made available to any other UN organization for consideration before the Executive Board has opportunity to discuss the study and to make whatever recommendations it deems necessary to the Board of Governors; nor can it be considered by other bodies until the Board of Governors has had opportunity to consider the views of the Executive Board. Apart from the procedural question the timetable is too short to produce any progress reports.

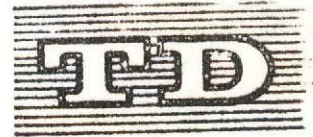
In the Commodity meeting of 1st May I made a statement to the effect that the Fund would wish to take into account relevant aspects of the financing problems involved in possible international commodity arrangements. This consideration has since been overtaken by the mandate of the Board of Governors of last September to produce a study on the stabilization of prices of primary products. For this reason the Fund staff is not in a position to undertake a separate study of financing of buffer stocks for

submission to the Executive Board; nor could the Board consider this question before considering the basic study now being prepared. It is not possible to anticipate at this early stage, Mr. Chairman, what will be the outcome of the study by the Fund.

On the nature of the study I quote from Mr. Schweitzer's concluding remarks at the Rio meeting of last September:

"In our study we shall, as requested in the Resolution, consult with the Bank. We also expect to benefit from the fact that a great deal of important work in this area has been done, and is currently going on, in other international bodies, such as UNCTAD and FAO.

"In approaching the subject of price stabilization for primary products, one cannot be unaware of the discrepancy between the attention paid to this problem over the last 20 years and the paucity of workable solutions that have emerged. In recalling this fact, I do not want to create the impression ~~that~~ I am underrating the value of new and intensified study in this field by the staffs of the Bank and the Fund; but I do think that Governors should be reminded that there is no easy road toward fully satisfactory solutions of the problems related to the instability of commodity prices."



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United Nations Conference on Trade and Development

First Committee
Agenda item 10(b)

MAIN ELEMENTS OF COMMODITY POLICY INCLUDING INTERNATIONAL COMMODITY AGREEMENTS AND OTHER TECHNIQUES OF COMMODITY MARKET STABILIZATION

STABILIZATION OF COMMODITY PRICES

Draft resolution submitted by the delegation of France

The Second United Nations Conference on Trade and Development,

Reaffirming the importance and urgency of so adjusting commodity trade as to make available to the developing countries the external resources of which they stand in grave need,

Recalling the recommendation adopted at its 1964 session concerning "international commodity arrangements, removal of obstacles and expansion of trade" (Annex A.II.1 of the Final Act of the First Conference),

Gravely concerned by the inadequacy of the practical steps taken to improve international commodity trade conditions, and particularly by the fact that since UNCTAD's first session no new agreement has been concluded on commodities of interest to the developing countries,

Noting the resolution on commodity price stabilization adopted by the Board of Governors of the IBRD and of the IMF at its Rio de Janeiro session in September 1967,

Having taken cognizance of the provisions of the Charter of Algiers (TD/38) concerning "commodity policy",

A

(1) Calls the attention of IBRD and IMF to the importance it attaches to the study requested of them in the above-mentioned resolution;

(2) Expresses the hope that these agencies will be able to participate actively in the elaboration of suitable mechanisms involving balanced commitments on the part of the producing and of the consuming countries and devote the necessary resources thereto;

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(3) Emphasizes the importance of assistance from them, especially in helping to solve certain financing problems, such as buffer stocks, and providing long-term backing for the diversification efforts deemed necessary;

(4) Requests IBRD and IMF to transmit the study to UNCTAD, the body responsible for the framing and implementation of an international policy on commodities.

B

(1) Invites the Secretary-General of UNCTAD to make representations to the Governments members of the 1967 United Nations Cocoa Conference with a view to the solution of outstanding problems, and requests the Chairman of the Executive Committee of that Conference to convene it as soon as possible, and at all events before the end of May 1968;

(2) Notes the convening by the Secretary-General of UNCTAD of a conference on sugar;

(3) Invites the Secretary-General of UNCTAD to initiate without delay, in co-operation with the competent international agencies and organizations, the consultations required for the framing of international arrangements on commodities to be decided upon after discussion in the Committee, bearing in mind those mentioned in the Charter of Algiers/ and to report to the Trade and Development Board on the subject at its September 1968 session;

(4) Invites the Secretary-General of UNCTAD also to report, similarly and at the same meeting of the Board, on the measures which might be envisaged for the following commodities of interest to the developing countries; commodities to be decided upon after discussion in the Committee, bearing in mind those mentioned in the Charter of Algiers, and also phosphates and tropical timbers/.

Statement by Arthur Karasz, Head of the Delegation of the
International Bank for Reconstruction and Development, to
Committee III at the Second Session of the UN Conference
on Trade and Development, New Delhi

February 23, 1968

In the course of the last two weeks, a number of questions have been raised in Committee III relating to matters which are of interest to the World Bank.

The distinguished representative for Yugoslavia mentioned the decision by the World Bank concerning the allocation in fiscal 1967 of \$10 million for the purposes of IDA. He raised the question whether it would not be wiser for the World Bank to maintain the transfer from the Bank earnings to IDA of higher amounts as took place in the fiscal years 1964, 1965, and 1966.

This matter was already discussed at the last meeting in Geneva of the Trade and Development Board where I explained the Bank's position, as reproduced in document TD/B/SC.7/L.4.

In the following I shall just repeat some of the background information contained in that document on the sources which provide the funds for the Bank's lending operations. There are two such chief sources:

- (1) one is the paid-in capital of the Bank, paid in by its members;
- (2) the bulk of the amounts the Bank uses is money borrowed on the market, most of it through the sale of obligations. In short, the Bank lends mainly borrowed money.

This is the principle, and it would be quite simple were not practice a little more complicated than that. If Bank lending depended only on its ability to borrow, the Bank would have no difficulty in raising money, because the Bank's creditworthiness is considered everywhere as first class.

However, Bank borrowing does not only depend on its creditworthiness; essentially it depends on the state of the capital market. Further, the Bank is only allowed to go to a market if the government agrees to it.

The Bank must plan ahead the way its lending operations will be carried out in future years. In simple terms this means that the amounts committed by the Bank must be at disposal in liquid form at the moment they are needed because the borrower is not helped with mere promises, he needs money to pay for his project.

In recent years, part of the Bank's net income was transferred each year in favor of IDA. The policy statement on this subject contained, however, the provision that future transfers would only be made out of the year's net income not needed for allocation to reserves, or otherwise required to be retained in the Bank's business and which could therefore be prudently distributed as dividends.

This does not seem to be the case now. Although, I repeat, the situation of the Bank as a potential debtor has remained as good as ever, for considerations which lie outside the Bank, the member governments do not find it always easy to authorize the issues of new bonds on their markets. I do not mean by this that in recent times the Bank has not received any authorization from the governments to issue new bonds: on the contrary, in the course of the last year or so we have been authorized to make new and very important issues on the New York market, others in Canada as well as in several Western European countries. We are also hopeful that new issues would soon be authorized on both sides of the Atlantic Ocean. This would be very useful and allow us to be more certain that we can raise the needed funds on time in order to meet the disbursement commitments and maturing public debt of the Bank.

As the Bank's undisbursed commitments--as at the end of the fiscal year 1967--were almost \$2.4 billion, the President of the Bank estimates that to meet disbursement commitments and maturing public debt of the Bank at the least \$400-\$500 million new funds would be needed, I emphasize the words "new funds", yearly, for the next two years. This is a big amount of money and under present tight money market conditions it might become difficult to raise all of it against bonds. That is why the Executive Directors decided to recommend to the Governors, to allocate current income of the Bank with the exception of \$10 million to the Supplemental Reserve of the Bank, thereby reducing correspondingly the need for bond issues.

I am authorized to add that this action taken by the Board does not establish a precedent for the future. If and when the access to money markets becomes again easier, we are hopeful that our Board can recommend transfer of more important amounts to IDA out of the then current income of the Bank.

As for the replenishment of IDA, Mr. Chairman, I am authorized to report to the Committee that active negotiations are continuing on this subject. We have every reason to expect that agreement will be reached and transmitted by the Executive Directors of the Bank to the Board of Governors within the next month of March providing for a replenishment on the basis of a 60 per cent increase and with completely untied funds.

Several representatives have suggested that the World Bank become a development bank for developing nations exclusively. In fact, that is virtually so. Over the years, the major part of World Bank loans have been made to developing countries, lately there have been few loans only

to developed countries and the proportion of loans to the developed countries has declined. Therefore, for all practical purposes, it can be stated that the Bank is at present almost exclusively a lending agency for developing nations.

The idea has also been submitted that certain loans which had been granted be prepaid by the borrower and that amount be used for IDA purposes. The Bank cannot require prepayments unless such a condition is contained in the loan agreement. It is also evident that amounts resulting from any prepayment of a Bank loan could not be used by another institution, in this case by IDA.

Another potentially important subject is the furthering of private investment in the developing countries. As the Committee knows, the Bank's activity in this field can be divided into two parts:

- (1) The Convention on the Settlement of Investment Disputes between states and nationals of other states came into force in October 1966. This Convention set up the International Centre for the Settlement of Investment Disputes, ratified already by a number of states, which machinery provides facilities for the settlement of investment disputes by voluntary recourse to conciliation or arbitration, or both.
- (2) Another proposal for facilitating private foreign investment is the draft of Articles of Agreement of an International Investment Insurance Agency. Following the work done first by the OECD, and in response to a request by UNCTAD I (Recommendation A IV 12), the staff of the World Bank have prepared a draft scheme with a view to providing essentially the same protection to private foreign investors against noncommercial risks that is presently available under certain individual national programs. The World Bank staff's draft scheme has been submitted to the member governments through the Executive Directors of the Bank who are considering the scheme.

Several speakers as well as the Algiers Charter mention the World Bank family's attitude toward public industrial enterprise. In this respect the following can be stated. The World Bank and IDA operations have been directed in the main to infrastructure investments in developing countries: these are largely through the public sector. Not so for the International Finance Corporation which is instructed by its Charter to invest only in enterprises that are predominantly private in character; the World Bank lending to manufacturing enterprises, for an amount of about one billion dollars, has also gone to private companies. To quote from a statement by Mr. George Woods, President of the World Bank, to ECOSOC on March 26, 1965: "We have been reluctant to finance State-owned industrial enterprises primarily because of the great difficulty of assuring that they would be managed on a business-like basis, free of political pressures." Mr. Woods continues, however: "We are quite aware, nevertheless, that in some of our member countries, and

especially in the newer ones, a shortage of private savings and of industrial entrepreneurship harshly limits what purely private capital can accomplish. We are therefore embarking upon a re-examination of our policies as applied to such cases to see whether there are ways other than through completely private ownership, in which effective management of industrial ventures can be assured." Mr. Woods mentioned similar ideas in his recent address to the Plenary Meeting of our Conference. Thus, the Bank is willing to consider the financing of government-owned manufacturing enterprises provided the project is well prepared, economically justified and soundly managed. An instance of this is the recent loan by the Bank in January 1967 of \$30 million, in association with the European Investment Bank, for a potash project in the Congo (Brazzaville). The loan was made to the Compagnie des Potasses du Congo, a Congolese company established in 1964 by the Congolese Government and a French syndicate largely consisting of French government agencies.

The need for coordination activities, and in this respect the Bank's activity in the creation of consortia and consultative groups, has been mentioned by several speakers. As is well known, in addition to the India and Pakistan consortia, the World Bank has organized consultative groups for several developing countries. The Bank also participates in similar meetings held under the auspices of other organizations. The role of the Bank in the aid coordinating effort is to collect and furnish necessary data and to provide a realistic assessment of a country's prospects and performance. By its very nature this is a rather difficult and delicate work, but the advantages of such coordinated aid over uncoordinated bilateral aid are being increasingly recognized. For the present, the Bank intends mainly to improve the working of existing coordinating groups, while continuing to explore possibilities for setting up additional groups.



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29 February 1968

ORIGINAL: ENGLISH

United Nations Conference on Trade and Development

Second session

FOURTH COMMITTEE

Agenda item 13(d)

CONSULTATION MACHINERY IN SHIPPING

Establishment of Consultation Machinery in the field of shipping

Draft resolution submitted by the Chairman

The Conference:

Recalling the "Common Measure of Understanding on Shipping Questions" (Annex A.IV.22 of the Final Act of the first session of UNCTAD) in which it was agreed that effective machinery should be established for consultation between the liner conference and the shippers' organizations serving each country;

Endorsing the resolution adopted by the Committee on Shipping at its 25th meeting on 24 February 1967 (TD/B/116/Rev.1 Annex 1(a)) and endorsed by the Trade and Development Board at its fifth session (A/6714, part one, para.135) inviting the governments of the developing countries to encourage the establishment of consultation machinery in accordance with the special needs and requirements of individual countries and also inviting the governments of countries with experience in such consultation to co-operate with the governments of the developing countries in the establishment of shippers' councils or equivalent bodies and consultation machinery and further drawing the attention of the governments of the developing countries to the possibility of obtaining technical assistance and guidance regarding the establishment of shippers' councils and consultation machinery from the United Nations;

Noticing that the progress made in this direction has not been appreciable;

Recognizing that consultation between shippers and shipowners is essential, in their mutual interest;

Considering the necessity of tariffs and other relevant notices being made available freely to all concerned in order to enable meaningful consultation;

Appreciating the secretariat's exhaustive report on Consultation Machinery in Shipping (TD/B/C.4/20/Rev.1, TD/13);

Bearing in mind the role that the Regional Economic Commissions can play in the field of shipping and their close and continuing awareness of the conditions and problems related thereto in their respective regions (TD/66/Supp.1).

Recommends,

1. that the Governments of member states of UNCTAD should urge liner conferences and equivalent organizations, directly or through the ship-owners members of them;
 - (i) to recognize shippers' councils or equivalent bodies and co-operate in the establishment and effective functioning of appropriate consultation machinery according to the special needs and requirements of each country or group of countries;
 - (ii) to make suitable arrangements for authoritative representation in the countries or groups of countries having consultation machinery and hold prompt and regular consultations;
 - (iii) to make provisions in their constitution or working arrangements to the effect that they would discuss with Shippers' Councils or equivalent bodies, questions pertaining to freight rates, conference practices, adequacy of shipping services, and other matters of common interest within the consultation machinery of the country or group of countries concerned;
 - (iv) to make their tariffs and other relevant notices on request available freely to all interested parties, as well as to the UNCTAD secretariat insofar as such information is required in relation to studies contained in the UNCTAD work programme;
2. that the secretariat of the UNCTAD provide, within available resources and consistent with the resolution of the Committee on Shipping dated 24 February 1967 (paras. 6 and 7) and within the framework of UNDP and the United Nations regular programme of technical assistance and in co-operation with the regional economic commissions, substantive support and guidance with respect to member countries' requests for technical assistance towards the establishment and effective administrative and technical operation of consultation machinery and shippers' councils; and also, where appropriate, advise governments;
3. that the Governments of member states of UNCTAD should whenever they consider it necessary inform the UNCTAD secretariat and the appropriate regional economic commission of their experiences in the establishment and functioning of the aforesaid consultation machinery and request the circulation of this information by the UNCTAD secretariat to all member states of UNCTAD.

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Cable Address - INDEVAS PARIS

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Telephone - 553-2510



S

Letter No. 81

March 14, 1968

Dear Shirley:

Many thanks for your letter No. 15 of March 5!

You are perfectly right, your letter No. 1, concerning Mr. Eross, did indeed arrive. This was at the very beginning and maybe at that time we were still a little disorganized. If you had seen the state of our office building when we arrived, you would not be astonished that not everything was perfection itself.

In any case, I thank you very much for both your letters. *Please* ~~and~~ do not draw any inferences uncomplimentary to us.

This Conference is nearing its conclusion, but we still do not know what sort of end it will have.

Best wishes

Yours sincerely,

Arthur

Arthur Karasz

Mrs. Shirley Boskey
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1968 MAR 20 11 0:30

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Headquarters:
Washington, D.C., U.S.A.



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Yours sincerely,

Arthur Karasz

Mrs. Shirley Boskey
Development Services Department
International Bank for
Reconstruction and Development
Washington, D.C.

1968 MAR 20 AM 9:36

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Report No. 80

Mr. Woods : 3/14

To see, please.

RBS 3/14

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hote, New Delhi, India

Letter No. 80

March 14, 1968

Dear Dick:

... Please find enclosed, somewhat belatedly, a summary prepared by Fontenay on main points in the opening statements by heads of delegations at the end of the plenary meeting of UNCTAD II (February 23, 1968).

I am sending you this paper mainly as a record for the files.

With best wishes,

Sincerely yours,

A. Karasz

Arthur Karasz

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

1968 MAR 20 PM 3:32

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COMMUNICATIONS

1968 MAR 20 AM 9:36

Washington D.C.

Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. Richard H. Dwyer

Arthur Kales

1968

Sincerely yours,

With best wishes

I am sending you this letter mainly as a record for the files.

(Permanently 53, 1968)*

delegations at the end of the biennial meeting of UNCTAD II
Conference on main points in the opening statements by heads of
... Please find enclosed, somewhat separately, a summary prepared by

Dear Dick:

Letter No. 80

March 11, 1968

C/O Apsara Hotel, New Delhi, India

Telephone - 223-2210

* VALUE DEPENDS ON THE - SERVICE
ENJOYMENT OFFICE:

CHE VITI - INDELR BANK

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHE VITI - INDELR BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

Handwritten signature

OFFICE MEMORANDUM

TO: Files.  DATE: March 13, 1968

FROM: Patrick de Fontenay.

SUBJECT: Main points in opening statements made by heads of delegations at plenary meeting of UNCTAD II :

The last opening statements by heads of delegations at the plenary meeting of UNCTAD II, were delivered on February 23, 1968. The following are the main points in those statements not already covered in my memos of February 8, and February 14, 1968.

- i) Denmark, Luxemburg and South Africa were the last donor countries to speak. Denmark supported the Supplementary Financial Measures and indicated that it was taking steps to bring the level of its development assistance to 1% of its national income by 1972. South Africa asked to receive special treatment as one of the least developed of the developed countries.
- ii) Madagascar, Peru, Somalia and Venezuela asked for an increase in IDA resources. Kenya asked for an increase in both World Bank and IDA capital resources. Jamaica said that the issue of IDA replenishment was urgent. It also asked that a portion of IDA funds be set aside for projects which by their very nature required soft untied aid, regardless of the specific developing countries involved. Jamaica also gave its support to the proposed multilateral investment insurance scheme. Tanzania expressed its disappointment that certain developed countries had declined to replenish IDA to the level expected while others insisted on tying their own contributions to particular purchases. It still hoped, however, that those countries would enable the World Bank Group to raise from their money markets the additional funds needed to meet the development needs of the LDC's.
- iii) The following developing countries expressed their support for the Supplementary Financial Measures: Peru, Syria, Venezuela and Vietnam.
- iv) Some criticism of the policies and procedures of the World Bank Group was voiced by a few French-speaking African countries and by Algeria. Chad said that it

(continued .. 2)

supported the Algiers Charter, especially its provisions concerning the IBRD. In its view, the LDC's had little hope of obtaining any financial assistance from the Bank for infrastructure projects. Congo (Brazzaville) said that the developed countries and international financial institutions should not require any contribution from the LDC's for the projects they financed. Mali said that the IMF and the World Bank were established at a time when people had not yet become aware of the specific problems of under-development. The Charter of Algiers had already recorded the wish of the LDC's that the World Bank may one day become a Development Bank for the Third World. But meanwhile, it was to be hoped that the Bank would without further delay review and alter its methods of intervention in developing countries and that it would also proceed to make a thorough overhaul of its organization and mode of operation so as to address itself better to the specific conditions of the LDC's. Niger and Upper Volta supported the Rio Resolution. In this connexion, Niger said that it hoped that the IMF and the IBRD would "burst the narrow bonds of the traditional compensatory and supplementary financing procedures". Somalia said that international financial institutions should give more aid to the smaller and relatively less developed countries and to their public sector as well as to their private sector. Togo mentioned that although after the first UNCTAD the World Bank Group had not applied the criterion of fair geographical distribution to their loans, it was nevertheless gratifying to note that the principle of fair distribution could be more or less counted upon. It also complained that financial agency technicians sometimes lost sight of the idea of economic and social profitability and forgot that it was not possible to apply to developing countries the same profitability standards as to the industrial countries. Finally, Algeria said that "international aid, even when granted on the most favourable terms, was rendered through a series of 'filters' greatly reducing its efficacy. Also, such aid was for the most part directed at infrastructure rather than at productive investment. The obstacles encountered when seeking financial aid had proved that the donor countries or organizations were prompted by ulterior motives aimed at consolidating a new system that must sap the natural resources of the country concerned - an insidious variant of an earlier system of exploitation that had been founded on force".

cc: Mr. Karasz (2)
Mr. Sarma

Headquarters:
Washington, D.C., U. S. A.



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Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 79

March 14, 1968

Dear Dick:

In my letter No. 53, I asked the question whether there should be a second interim report on this Conference. In the affirmative I suggested tentatively that the second report should include the first two weeks of the month of March, that is, treat the end of the work done in the Committees and the conversations in the contact groups.

We have the feeling here that such a report would not contain enough substantive material. The period to be covered is too short, and the conclusions of the Committees will not yet be known on March 16 or 17.

At the first UNCTAD Conference it was logical to make a second interim report because the Conference lasted three months. This time the entire Conference will, hopefully, be of seven weeks' duration and not more. Therefore, I would suggest that we do not make a second interim report but cover the entire Conference in one report to be prepared after our return from New Delhi.

If you do not agree with this suggestion and would prefer to have a second interim report, I would be grateful for your cable.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

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

1000WVU 50 MAR 20 1968

COMMUNICATIONS SECTION
MAR 20 1968

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. Richard H. Smith

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1968 MAR 20 AM 9:36

Arthur Karsen

Dear Sir:

Sincerely, Arthur Karsen

With best regards,

I have a second interim report. I would be grateful for your reply.
If you do not agree with this suggestion and would prefer to

prepare a report only from New Delhi.
Interim report not cover the entire conference in one report to be
and not more. Therefore, I would suggest that we do not make a second
the entire conference will, probably, be of seven weeks, duration
interim report because the conference lasted three months. This time
At the first DISCOP conference it was decided to make a second

March 10 or 11.
and the conclusions of the Committee will not yet be known on
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contact groups.
the work done in the Committee and the conversations in the
first two weeks of the month of March, that is, that the end of
I suggested tentatively that the second report should include the
be a second interim report on this conference. In the alternative
In my letter No. 23, I asked the question whether there should

Best Dick:

Letter No. 23

March 11, 1968

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-2210

* VALUE DEDUCT BANK (10%) - EXCHANGE
BANK OF INDIA OFFICE:

CITE ADDRESS - INDIA BANK

INTERNATIONAL DEVELOPMENT ASSOCIATION

CITE ADDRESS - INTERNATIONAL BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C., U.S.A.
Headquarters

March 14

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Y

Attachment retained in Mr. Consolo's
Office

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - INTBAFRAD

C/o Ashoka Hotel, New Delhi, India

Letter No. 78

March 14, 1968

Dear Dick:

I refer to my letter No. 71 on Prebisch's statement to the Plenary.

Sarma is of the opinion that I misrepresented his report, which was enclosed with that letter.

This was certainly not my intention and I would like to emphasize that Sarma has made good reports all to the best of his knowledge and giving an accurate picture of happenings in the meetings. It might, perhaps, have been a better idea to have sent you in a separate letter the information (last paragraph of page one) which I had collected from other delegates who were in the Plenary hall when Prebisch made his statement.

In any case, I would not like to create a misunderstanding! There have been enough already without this incident, not by the fault of Sarma. Therefore, I would like to ask you to eliminate the fourth paragraph of my letter, No. 71, and treat it as independent information.

In the meantime, we have received the text of the statement by Prebisch, which I enclose (TD/79). Pages 3 to 5 deal especially with the subject of Supplementary Finance.

With kind regards,

Sincerely yours,

(signed)

Arthur Karasz

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

Headquarters:
Washington, D.C., U. S. A.



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Telephone - 553-2510



*Attachments left by
Console*

SEB

c/o Ashoka Hotel, New Delhi, India

Letter No. 77

March 13, 1968

Dear Dick:

...

Enclosed please find two sets of draft resolutions submitted to Committee Three by:

- (a) Group B (developed countries)
- (b) The "77"

Neither of the texts has been accepted but I am sending them just to show you how far apart the two groups are from each other. Unless there is a miracle, it is difficult to imagine that they can reach a negotiated agreement.

One set of papers is on terms of aid. Group B preferred to keep the text rather general. It is mainly based upon the agreed statement of the Committee on Invisibles of UNCTAD. Paragraphs 7 and 11 deal with studies IBRD might be invited to undertake. It is on this subject that I sent you my Cable No. 19.

The text prepared on this same subject by the "77" deals with the target in one paper and terms in the other. Both papers repeat mainly the ideas contained in the Charter of Algiers.

Paragraph 2 worries me too.

In the paper on terms (paragraph 3) it is said that "By 1975 all development lending both multilateral and bilateral should be on terms of IDA." The text disturbs me a little because it looks like an instruction to the World Bank. However, it can also be considered as a wish of UNCTAD, which might be examined by our Board.

Another set of documents relates to Supplementary Finance. Again, the two texts are diametrically opposed. It is a mystery to all of us how these extremely complicated questions can be taken care of in such a short time.

This must be in connection with #2.

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

.../...

At the beginning of this letter, I mentioned that only a miracle could help us. This reminds me of the story about Culbertson who, according to the story, went to heaven. Some important personalities suggested that the Almighty might wish to have a game of Bridge with him. Culbertson agreed but with the following question: "Shall we play for money or not, because if it is for money then, please, no miracles". I am afraid this is the attitude of the developed countries in this Conference.

With best regards,

Sincerely yours,



Arthur Karasz

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. Arthur Karasz.

DATE: March 12, 1968

FROM: Bimal Jalan *Bf*SUBJECT: UNCTAD II : WORKING GROUP I.

I attended the 11th meeting of Working Group I this morning. As you know, this Group has been formed in order to give consideration to two items on the UNCTAD Agenda, namely, 1) The World Food Problem - its relationship to international trade, export earnings and economic development of developing countries; 2) Transfer of technology, including know-how and patents. Today's meeting was given to approving the report of the Rapporteur on the first item, i.e. the World Food Problem. The group has not yet begun consideration of the second item, and only two more meetings are planned.

I enclose a copy of the draft Report of the Working Group on World Food Problem as well as a copy of the draft recommendations of the Working Group I, to the Conference. The report and the draft recommendations are not yet fully approved since there are a number of points which are still open for further consideration.

In the draft Report there does not seem to be very much that is of particular interest to us; nor is there very much which can be considered to advance the discussion of this problem much further than what is fairly well known. The importance of food, agriculture, agro-allied industries was highlighted. There seems to have been more or less general agreement on the importance of food aid in alleviating the food problem of deficit countries as also on the fact that food aid can only be a temporary measure and that the long-term solution lies in the expansion of food production in the deficit countries. The need for ensuring that the food aid does not have adverse affects on food production in the recipient countries was emphasized by many countries. Some food-exporting developing countries suggested that cash contributions in multilateral food aid programs should be substantially increased so that food could be imported from food surplus developing rather than developed countries. Some of them also protested against agricultural protectionism in the developing market-economy countries.

(continued .. 2)

The draft recommendations are similarly in very general terms. They call for suitable measures by the developing countries, the developed countries and the international organizations in order to increase food production and improve the conditions for distribution and marketing. There is one point in these recommendations (this has not yet been approved by the Working Group) which may be of interest. This is the draft recommendation (8) which states that "the international financial institutions should include in the project for agricultural development financed by them a supply of agricultural requisites as an essential and sizeable element".

Headquarters:
Washington, D.C., U. S. A.



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c/o Ashoka Hotel, New Delhi, India

Letter No. 76

March 13, 1968

*Enclosure kept
by Consol's office*

Dear Dick:

...

I enclose copy of Jalan's report on the 11th meeting of
Working Group I "The World Food Problem".

With kind regards,

Sincerely yours,

D. H. - 1

Arthur Karasz

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

SEP 13 1968
*I haven't read the
document attached
to Jalan's report.
I'll check it
for you.*

The logo of the International Development Association (IDA), featuring a globe with latitude and longitude lines, and the text "INTERNATIONAL DEVELOPMENT ASSOCIATION" and "IDA" around it.

ALFRED KESLER

2575-1

WORKING GROUP I: THE MATHS BOSS REPORTS

I enclose copy of Japan's report on the JFFP meeting of

Letter No. 20

My dear friend

Telephone - 223-5210

C⁹H₈VT₂OH - IDEALIS BYKIS

СРП УТРА - ИЛБВЕВД БУКЕ

March 13

Headquarters:
Washington, D.C., U. S. A.

SEB



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Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 75

March 13, 1968

Dear Dick:

...

Further to my letter No. 67, ✓ please find enclosed reports by Sarma on discussions which took place in Committee Three on March 8, 11 and 12.

With best regards,

Sincerely yours,

Dick -

Arthur Karasz

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

ALFRED KASS

with post legals

By 2:30 pm on discussion which took place in Committee three on

TABLE NO. 22

8902 IB, 1938

C/O VARNOKS HOTEL, NEW DELHI, INDIA

Telephone - 223-5210

† VALENTIN D. IENIN, BUREAU CHIEF — EKVINC
ENVOYED TO OFFICE:

СРЕДСТВО - ИНДЕКС ЛУКИ

INTERNATIONAL DELEGATION ASSOCIATION

ГРЪНЪТЪТЪ - ИЛЪВЪТЪТЪ БЪКЪТЪ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. 20540
Headquarters

UNCTAD II : COMMITTEE III

MARCH 8, 1968.

The discussion on Compensatory Financing Facility of the Fund continued. Syria, India, the U.K., Columbia and Argentina made statements. The U.K. noted that the facility was obviously evolving and was being increasingly used; careful study was needed of the relationship between this facility and proposed Supplementary Finance. The other countries argued ~~for~~ further liberalization of the facility, in particular for changing the statistical formula for extending the second 25 per cent assistance in the same manner as the first 25 per cent. India welcomed the extension of the facility after the First UNCTAD, but felt that further liberalization was clearly indicated; while the CFF drawings were separated from ordinary drawings, for purposes of interest charges, they were considered together and ~~se~~cumulatively.

Mr. Dell made an introductory statement on International Monetary Issues.

N.A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr de Fontenay

UNCTAD II : COMMITTEE III

MARCH 11/12, 1968.

International Monetary Issues were taken up for consideration. General statements were made by a number of countries, by the developed and developing countries, and by the socialist countries on expected lines.

The USSR underscored the importance of gold in the international monetary mechanism and argued for normalization of the price of gold. In their view, the proposed SDR's were directed to the maintenance of the Dollar and the Pound Sterling as reserves currencies and would generally be of benefit to the developed market economy countries.

Japan was always of the view that the LDC's should participate in discussions and decisions relating to international monetary reform; however, SDR's could not be used for long-term financing needs, their role was stabilization of the international monetary system.

The U.S.A. felt that SDR's would meet the growing long-term need for reserves of the world as a whole; their early ratification was of the highest priority. While they might be expected to facilitate the flow of development finance, their specific use directly for development finance would divert attention from their fundamental purpose and involve risks.

The U.K. extended full support to SDR's; in their view SDR's would enhance the confidence of countries in the international monetary mechanism.

France, speaking also on behalf of the Community, stated that international liquidity and development finance should be kept distinct. Among the spokesmen for developing countries, India, Malaysia and Syria forcefully argued for a link between SDR's and development finance. They referred to the recommendations of the Expert Group appointed by the UNCTAD on this matter. Alongside of the creation of SDR's, voluntary contributions in similar amount could be made by Part I countries of IDA. This provided a means of implementing

(continued .. 2)

the one per cent aid target. The developing countries wholeheartedly welcomed the proposals by SDR's, and acknowledged that the maintenance of adequate international liquidity and the resolving of the balance-of-payments difficulties of donor countries would facilitate the flow of development finance. At the same time, it was important that in reviewing Fund procedures as part of the SDR's formulation, it was important not to effect any changes that would render the working of the Fund more restricted especially in considering the requirements of developing countries. It was also felt by the spokesman for developing countries that the UNCTAD has had some impact on the thinking as well as policy discussions relating to international liquidity matters, in particular the continued acceptance of universality of participation was mentioned in this connexion.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr. de Fontenay

Headquarters:
Washington, D.C., U. S. A.

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Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 74

March 13, 1968

Dear Dick:

... I enclose the third progress report on the work of Committee II (Preferences) prepared by de Fontenay. This is the report I was talking about in my letter No. 59. ✓

As you can see, the "77" finally produced an agreed draft text on preferences. The position of the developing nations is still miles apart from that of the developed countries. The main issue in the way of an agreement is that of product coverage (inclusion of agricultural products into the scheme).

So far as reverse preferences are concerned, the resolution of the "77" calls for the gradual phasing out of existing reverse preferences over a five-year transitional period. In short, some hard bargaining will still have to take place. Nevertheless, the field of preferences is still relatively the most promising among the difficult subjects of this Conference.

With best regards,

Sincerely yours,

A. Karasz

Arthur Karasz

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



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 583-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 71

March 13, 1968

Dear Dick:

I enclose the third progress report on the work of Committee II (Preferences) prepared by de Fontenay. This is the report I was talking about in my letter No. 59.

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So far as reverse preferences are concerned, the resolution of the "77" calls for the gradual phasing out of existing reverse preferences over a five-year transitional period. In short, some hard bargaining will still have to take place. Nevertheless, the field of preferences is still relatively the most promising among the difficult subjects of this Conference.

With best regards,

Sincerely yours,

Arthur Karasz

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

OFFICE MEMORANDUM

TO: FILES

DATE: March 12, 1968.

FROM: Patrick de Fontenay *lf*SUBJECT: UNCTAD II : Third Progress Report on the Work of
..... Committee II

1) The Second Committee has continued its discussion of a program for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to the developing countries, while the "Contact Group" of the Committee which was to initiate negotiations on the main item of business before the Committee, namely, a general system of preferences for the exports of manufactures and semi-manufactures of developing countries, has not met for the past ten days because of the inability of the Group of 77 to arrive at a joint resolution.

2) On March 11, 1968, however, the 77 tabled a joint draft resolution on "basic principles and procedures covering an agreement on the general system of preferences". These principles are essentially the same as spelt out in the Algiers Charter, but ~~is~~ the language more precise, and so are the timetable and the commitments to be accepted by the developed countries.

3) The resolution calls for a Special Negotiating Committee to be established to work out the details of "a general non-discriminatory and non-reciprocal system for preferences providing for unrestricted duty-free entry of all manufactures and semi-manufactures, including processed and semi-processed agricultural and other primary products in favour of all developing countries to increase their export earnings and to accelerate the rates of their economic growth". The first meeting of the Committee is to be held on May 14, 1968 so as to bring the preference system into force by January 1, 1970. On existing preferences, the resolution says that the new system should ensure at least equivalent advantages to developing countries to enable them to give up the preferences they now enjoy in some of the developed countries. With regard to reverse preferences the resolution does not demand their immediate abolition; during a 5-year transitional period the reverse preferences which certain advanced nations now enjoy for their products in the markets of some developing countries "should be brought in line through bilateral consultations or other

appropriate procedures as the case may be with the new system of preferences under which only the products of all developing countries shall enjoy preferences in the markets of all developed countries".

4) Except for the initial date by which the preference system is to come into force, the document does not take into account any of the reservations made by the developed countries to the demands of the LDC's and as such it is unacceptable to the former. On many points the commitments to be accepted by the developed countries are too detailed and too binding to be acceptable. The main issue in the way of an agreement, however, is that of product coverage. The developing countries have insisted that processed and semi-processed agricultural products should be included in the scheme. The developed countries, however, refuse to commit themselves to anything more than a case-by-case study of those processed and semi-processed agricultural products which could come under the general preferences scheme. (At a meeting on March 7, 1968, between Dr. Prebisch and the Group of 77, Dr. Prebisch said that any scheme of general preferences should be applicable to processed and semi-processed agricultural products, otherwise, a majority of developing countries would not benefit from this scheme).

5. It is less clear to what extent the question of reverse preferences stands in the way of an agreement. Although this is generally looked on as a conflict between France and the U.S., the French position in favour of retaining selective preferences is shared only by a small number of countries, the French speaking African countries and a few, but by no means all, of the Commonwealth countries. The U.S., however, insists that reverse preferences should be done away with before a general preferences scheme comes into existence. This is a more extreme position than that of most countries who oppose reverse preferences but do not think that they should be a major obstacle to the elaboration of a preferential scheme. As already indicated the resolution of the 77 calls for the gradual phasing out of existing reverse preferences over a five-year transitional period. This may be acceptable to the U.S.

6. Some hard bargaining will obviously have to take place on the text of the 77, and although it is unacceptable to the developed countries in its present form, the general feeling is that a compromise will be reached before the end of the Conference.

Report No. 73

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE

Telephone - 553-2510



*Attachment in
the Consulate's office*

c/o Ashoka Hotel, New Delhi, India

Letter No. 73

March 13, 1968

Dear Dick:

There was a small storm in Working Group II yesterday (Trade Expansion and Economic Integration among Developing Countries and Special Measures for the least Developed Countries). The Nigerian delegate gave a new connotation to the letters UNCTAD as "Under No Circumstances Take Any Decision". He attacked the "conspiracy of silence" by Group B (developed countries) and Group D (Communist bloc).

The Soviet representative answered immediately in a long speech and used the good old Soviet argument that the responsibility for the present conditions in the developing countries rested with the Colonial Imperialists.

... People are starting to become somewhat bored by this argument. One of the very few contributions of the Soviet bloc to the Conference is a draft resolution by Bulgaria, Hungary and the USSR (TD/II/C.3/L.13) requesting UNCTAD to study ways and means for curbing the outflow of financial resources from the developing countries - a rather negative approach to the problem.

People have observed also the great interest of Soviet Russia, as also on previous occasions, towards the price of gold. Like South Africa, on similar occasions, the USSR representative gave one of his few statements in Committee Three about the necessity to increase the price of gold.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

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



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTERBANK PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ENNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

March 13, 1968

Letter No. 73

Dear Dick:

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With best regards,

Sincerely yours,

Arthur Karasz

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

Report No. 72

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^E) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



Letter No. 72

March 13, 1968

Dear Dick:

The "highest-level" contact group was constituted yesterday. Its members are:

President of the Conference (India)
Prebisch (of course)

and the following nations:

Developed countries:

France
Japan
UK
US, and
Ambassador Boeysen (Norway) as Chairman of Group B

"77"

Brazil
Ivory Coast
Pakistan
Philippines
Communist bloc (two or three members to be designated)

This group will probably meet daily in the President's office and act as the highest-level contact group for the Conference.

It is interesting to note that ^{as of now} West Germany is not in the group.

Sincerely yours,

Arthur Karasz
Arthur Karasz

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

Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Projects Department
Mr. Richard H. Denton

ALFRED KALLES

Sincerely yours,

It is interesting to note that West Germany is not in the Group
as the highest-level contact Group for the Conference.
This Group will probably meet daily in the President's office and

Committee of (two or three members to be designated)
BUTTERFIELD
BARTON
LLOYD COOK
BENTON

ALL

Representative of (German) as Chairman of Group B
US and
UK
Japan
France

Delegated committees:

and the following nations:

Director (of course)
President of the Conference (Indis)

members are:

The highest-level contact Group was constituted yesterday. Its
best work:

Letter No. 15

March 13, 1948

c/o Warlock Hotel, New Delhi, India

Telephone - 223-2210

* ALFRED KALLES, (Indis) - FRANCE
EUROPEAN OFFICE:

CHIEF ALFRED - INDIAN BUREAU

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF ALFRED - INDIAN BUREAU

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Report No. 71

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India



(See in copy letter #78)
Letter No. 71

March 13, 1968

Dear Dick:

... Prebisch finally addressed the Plenary yesterday, March 12. This was the statement we had been expecting since March 5. I enclose Sarma's memo on the main points of his speech.

It was not an optimistic speech. He started by pointing out that there might be a danger of failure of the entire Conference. He singled out a few areas where efforts should be made to arrive at agreements between the developed and developing nations. They are in the field of Commodities, Preferences, Financing Assistance and Supplementary Finance. He would like the Conference to concentrate on these issues as the first step towards formulating a global strategy of development.

Prebisch represents the interest of the LDC's because this is his main job. His criticism therefore is mainly directed towards the developed nations. Whether this method of his really serves the interests of the LDC's is not entirely proven.

As mentioned in Sarma's memo, speaking about Supplementary Finance, he pointed out that the Bank scheme is a good beginning but, as he has done on previous occasions, he also mentioned some points with which he does not agree entirely. One of them is the automaticity of the scheme, another is related to national sovereignty (policy package). For the sake of completeness, I might add that some delegates with whom I discussed Prebisch's statement have the feeling that he is now more interested in the Conference accepting a principle of Supplementary Financing in general even if it is not within the Bank scheme. According to their notes, he said the following on this subject: "I hope strongly that an agreement will be reached on the main guidelines of Supplementary Finance. This need not necessarily be based on the proposals of the Bank staff."

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

.../...

(One might ask oneself, of course, what is it he agrees with?)

The texts of Prebisch's statements are always edited before publication; therefore, I would like to ask you to consider this only a temporary record until we receive the official text.

In any case, Prebisch is in a sombre mood and he has every reason for that.

With best regards,

Sincerely yours,

Arthur Karasz

Arthur Karasz

UNCTAD II : Plenary Meeting

March 12, 1968.

The Ministry for External Affairs for Denmark, Mr. Hartling, addressed the Conference. He emphasized the importance which his Government attached to Supplementary Financing, commodity arrangements and preferences. He suggested that the spring session in 1969 of the Trade and Development Board should devote its whole attention to these three items. In his view, it might be appropriate to hold that session of the Board at ministerial level. As for Supplementary Finance, a decision was now both desirable and possible.

The Secretary-General, Dr. Prebisch, made a forthright and forceful statement to the Conference, expressing great concern at the way the Conference was proceeding. In his view, the Conference was on the verge of failure, and the prospect was sombre. Such failure could and should be avoided.

Dr. Prebisch dealt with each of the main issues before the Conference:

i) Access to markets: The proposal of the developing countries was a modest and pragmatic one, for a share of the increment in consumption in the industrial countries; as yet there was not positive response from the industrial countries.

ii) Preferences: The Secretary-General paid a tribute to the document of the OECD countries. However, unless further improvements were made, the benefits would be limited to a small number of the more advanced among the developing nations.

iii) Transfer of financial resources: The aid target of 1% GNP had not been accepted and he did not detect progress in this area.

iv) Supplementary Financial Measures: The need for Supplementary Financing had been recognized for years by experts. The First UNCTAD came up with constructive proposals, largely at the initiative of U.K. and Sweden. A scheme had been prepared by the World Bank Staff and fruitful discussions had taken place on the subject within the intergovernmental group.

(continued .. 3)

He was really distressed at what was now happening, especially when issues were raised about alternative possibilities, or whether an export shortfall was really detrimental to development programs. All those who have had anything to do with the economic and financial problems of developing countries knew that export shortfalls were disruptive of development programs. There was no incompatibility between commodity arrangements and Supplementary Finance. Dr. Prebisch dealt at some length with this question. Nor was it necessary to await the conclusions of the Bank-Fund Studies in terms of the Rio Resolution before taking a decision on Supplementary Finance. He expressed the hope that an agreement on the main elements of Supplementary Finance would be reached here at this Conference. It was not necessary to agree on every detail of the Bank Staff Scheme. He himself had earlier expressed the view the Bank Staff Scheme seemed automatic. Nor was it necessary to bring in the policy package, when it was recognized that lending institutions have always adopted some such understanding.

Dr. Prebisch hoped that in the next few days the socialist countries would come forward with quantitative targets for their trade with LDC's, not only with respect to primary commodities but also manufactured items.

A global strategy of development should be the basis for the next development decade. Such strategy would not be possible without convergent measures by developed and developing countries. In this context, Dr. Prebisch once again enjoined on the LDC's what he called 'the discipline of development'.

N. A. Sarma

N. A. Sarma

cc: Mr. Karasz (2)
Mr de Fontenay

Report No. 70

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



Attachment in the London office

c/o Ashoka Hotel, New Delhi, India

Letter No. 70

March 13, 1968

Dear Dick:

This week is being used for the discussion of draft resolutions prepared by the four groups of the Conference. The whole Conference building can be likened to an anthep. There are groups everywhere discussing, replacing, eliminating drafts and counter-drafts on all imaginable subjects.

... The land-locked countries have produced a draft on their special problems (TD/II/WG.III/L.5). Paragraph 4 invites the international financial institutions:

- (a) to extend to the land-locked developing countries soft terms and interest-free loans with a view to assisting them in overcoming the consequences of their higher transportation costs;
- (b) to consider the possibility of establishing a special fund designed to subsidize higher transport costs.

We are not mentioned by name ^{but} ~~and~~ I assume that we are included among the "financial institutions".

With kind regards,

Sincerely yours,

A. Karasz

Arthur Karasz

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

Washington, D.C.

Reconstruction and Development
International Bank for
Director, Development Services Department
Mr. Richard H. Demery

1981.12.15 11:25:57

Alfred Karsan

D. H. K.

Sincerely yours,

With kind regards,

among the "financial institutions".

We are not mentioned by name ~~and~~ I assume that we are included

designated to supervise further transport costs.

(p) to consider the possibility of establishing a special fund

transportation costs?

them in overcoming the consequences of their further
terms and interest-free loans with a view to assisting

(a) to extend to the long-locked developing countries and

financial institutions:

problems (LD/II/MC.III/1.2)*. Paraphrasing it implies the international
the long-locked countries have produced a draft on their special

transportation projects.

discussing, rejecting, eliminating drafts and counter-drafts on all
originating can be taken to an extreme. There are groups everywhere
prepared by the joint groups of the Conference. The whole Conference

This week is being used for the discussion of draft resolutions

Dear Dick:

Letter No. 30

March 13, 1988

c/o Varoka Hotel, New Delhi, India

Delhi - 222-2210

* УВЕЛИЧЕ ДИВИУ БУКИ (198) - БУКИ
БУКОВНИ ОФИС:

СРБ ВУКИ - ИНДИА БУКИ

INTERNATIONAL DEVELOPMENT ASSOCIATION

СРБ ВУКИ - ИНДИА БУКИ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: KARASZ
ASHOKA HOTEL
NEW DELHI

DATE: MARCH 13, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

TEXT:
Cable No.: 23

REUR CABLE 19 SEE NO OBJECTION REFERENCES IN TERMS YOUR CABLE STOP HOWEVER RE
BISQUE CLAUSE BELIEVE BANK WOULD BE RELUCTANT TO INSERT IN LOAN CONTRACTS ANY
CLAUSE PROVIDING AUTOMATIC WAIVER OF SERVICE PAYMENTS IN VIEW ITS OWN OBLIGATIONS
TO BONDHOLDERS STOP MOREOVER MEMBERS HAVE RIGHT APPLY FOR RELAXATION CONDITIONS
OF PAYMENT UNDER ARTICLE IV SECTION 4(c) BANK'S ARTICLES AND BANK MAY REPEAT
MAY MODIFY TERMS OF PAYMENT BUT ONLY IF SATISFIED RELAXATION IN INTEREST OF
PARTICULAR MEMBER AND OF OPERATIONS OF BANK AND OF MEMBERS AS A WHOLE STOP
IN VIEW CRITERIA ~~ARTICLES~~ IN ARTICLES FOR RELAXATION OF TERMS BELIEVE EXECUTIVE
DIRECTORS NOT LIKELY TO AGREE TO WAIVER PROVISION WITHOUT REFERENCE TO THOSE
CRITERIA

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHD:tsb

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cc: Mr. Consolo

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SIGNATURE

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COMMUNICATIONS

DEPT. DEPARTMENTAL RELATIONS

NAME: [Signature] DEPT.

MAR 13 6 07 PM 1968

cc: Mr. Conroy

Presented in appearance with Mr. Blocher

MESSAGE AUTHORIZED BY

STEVENS AND CO. DISTRIBUTION

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DEMOGRAPH

CHIEFEST

DIRECTOR: NOT PERMIT TO VOUCH TO ADVISE ISOLATION WITHOUT REFERENCE TO THOSE
IN AREA CHIEFEST UNKNOWN IN VOUCHES FOR RECOVERY OF LEADS BETWEEN EXECUTIVE
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OF BUREAU UNDER VOUCHER IN SECTION 7(c) BANK'S VOUCHES AND BANK NOT REFUSE
TO BONDHOLDERS GLOB WORKERS MEMBERS HAVE HIGHLY VOUCH FOR RECOVERY CONDITIONS
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BUT CHARGE BETWEEN BANK WOULD BE RECOVERED TO INTEREST IN FORM COMPLETION VIA
FROM CABLE TO SEE NO OBJECTION REFERENCES IN LEADS LONG CABLE GLOB HOWEVER BE

Cable No: 53

TEXT

COPIES: INDIV

ARM DEPT

ARMORY NOLE

TO: KUBERS

REMARKS

CLASS OF

TE

DATE

MARCH 13, 1968

OUTGOING MIKE

ASSOCIATION

RECONSTRUCTION AND DEVELOPMENT

CONSTRUCTION

INTERNATIONAL DEVELOPMENT

INTERNATIONAL BANK FOR

INTERNATIONAL FINANCE

1-2

FORM NO. 23

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: KARASZ
~~HOTEL~~ ASHOKA HOTEL
NEW DELHI

DATE: MARCH 13, 1968

CLASS OF LT
SERVICE:

COUNTRY: INDIA

TEXT: 22 ~~XX~~ 22
Cable No.: ~~22~~ ^{XX} 22

^{CABLE}
REUR 20, AS INDICATED MY 21, PREFER IF POSSIBLE YOU AVOID BEING DRAWN INTO
DISCUSSION INDIVIDUAL PROPOSALS, AT LEAST IN OFFICIAL DEBATE STOP RECOGNIZE
HOWEVER THAT IN CONTACT GROUP MAY NOT BE POSSIBLE TO AVOID SUCH DISCUSSIONS
STOP AS TO PROPOSED ADDITION DRAFT RESOLUTION QUOTED YOUR 20, IF RECOMMENDATION
DIRECTED TO BANK GROUP, INCLUDING IDA, BELIEVE NO PROBLEM BECAUSE POLICY ALREADY
BEING FOLLOWED STOP IF RECOMMENDATION DIRECTED EXCLUSIVELY TO BANK, IT SHOULD BE
NOTED THAT LEAST DEVELOPED COUNTRIES HAVE LIMITED CREDITWORTHINESS FOR BANK
(stop)
FINANCING. WHERE LOANS ARE MADE TO SUCH COUNTRIES, AMORTIZATION PERIOD USUALLY
RELATIVELY LONG STOP AS FOR PROPOSAL SPECIALLY LOW INTEREST RATE, OUTCOME OF
RECENT INTEREST RATE DISCUSSION IN BOARD WAS AGREEMENT/SINGLE RATE WITH LEAST
DEVELOPED COUNTRIES TAKEN CARE THROUGH IDA OR BLEND STOP CANNOT OBJECT TO
PROPOSAL TO RECOMMEND TO GOVERNORS, BUT CONTACT GROUP SHOULD BE AWARE THAT
INTEREST POLICY ADOPTED AFTER LONG DISCUSSION AND CHANGE UNLIKELY UNLESS NEW
AND PERSUASIVE REASONS PUT FORWARD

DEMUTH

acc. March 15/68

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)
SEB/RHD:tsb

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cc: Mr. Consolo

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

OUTGOING WIRE

TO:

KARAS

HEBER ASHOKA WETI

NEW DELHI

COUNTRY:

INDIA

TEXT:

22 22 22 22 22 22

Cable No.:

DATE: MARCH 13, 1968

CLASS OF
SERVICE

IT

AND PERSUASIVE REASONS PUT FORWARD
INTEREST POLICY ADOPTED AFTER LONG DISCUSSION AND CHANGE UNLIKELY UNLESS NEW
PROPOSAL TO RECOMMEND TO GOVERNORS, BUT CONTACT GROUP SHOULD BE AWARE THAT
DEVELOPED COUNTRIES TAKEN CARE THROUGH IMA OR BILIND STOP CANNOT OBJECT TO
RECENT INTEREST RATE DISCUSSION IN BOARD WAS AGREEMENT SINGLE RATE WITH LEAST
ON
RELATIVELY LONG STOP AS FOR PROPOSAL SPECIALLY LOW INTEREST RATE, OUTCOME OF
FINANCING, WHERE LOANS ARE MADE TO SUCH COUNTRIES, AMORTIZATION PERIOD USUALLY
NOTED THAT LEAST DEVELOPED COUNTRIES HAVE LIMITED CREDITWORTHINESS FOR BANK
BEING FOLLOWED STOP IF RECOMMENDATION DIRECTED EXCLUSIVELY TO BANK, IT SHOULD BE
DIRECTED TO BANK GROUP, INCLUDING IMA, BELIEVE NO PROBLEM BECAUSE POLICY ALREADY
STOP AS TO PROPOSED ADDITION DRAFT RESOLUTION QUOTED YOUR 20, IF RECOMMENDATION
HOWEVER THAT IN CONTACT GROUP MAY NOT BE POSSIBLE TO AVOID SUCH DISCUSSIONS
DISCUSSION INDIVIDUAL PROPOSALS, AT LEAST IN OFFICIAL DEBATE STOP RECOGNIZE
RRUR 20, AS INDICATED MY 21, PREFER IF POSSIBLE YOU AVOID BEING DRAWN INTO

DEMITT

NOT TO BE TRANSMITTED

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cc: Mr. Console

For Use by Archives Division

SEE RHD: fap

ORIGINAL (File Copy)

(IMPORTANT) See Secretariat Guide for preparation of proposals

MAR 13 1968

INCOMING CABLE

DATE AND TIME
OF CABLE: MARCH 13, 1968 1700

LOG NO.: WU 15/13

TO: INTBAFRAD

FROM: NEW DELHI

ROUTING	
ACTION COPY:	MR. DEMUTH
INFORMATION COPY:	
DECODED BY:	

TEXT: 20 FOR DEMUTH

GROUP OF 77 SUBMITTED DRAFT RESOLUTION ON "EXTENSION OF OPERATIONS OF IBRD".
TEXT IS SAME AS ENCLOSURE MY LETTER 64 WITH FOLLOWING ADDITION: LAST
PARAGRAPH "UNCTAD RECOMMENDS TO BOARD OF GOVERNORS IBRD THAT TERMS AND
CONDITIONS OF DEVELOPMENT LOANS INCLUDING INTEREST RATES COMMITMENT CHARGES
AND REPAYMENT CHARGES SHOULD BE ADAPTED TO PARTICULAR NEEDS OF LEAST
DEVELOPED COUNTRIES". SHALL PROBABLY BE ASKED DISCUSS ENTIRE TEXT IN
CONTACT GROUP. HAVE YOU ANY COMMENT? PLEASE CABLE REGARDS

KARASZ

AB

COMMUNICATIONS
GENERAL LINES
MAR 13 15 38 PM 1968

ack March 13/68

MAR 13 12 28 PM 1968
GENERAL

GENERAL FILES
COMMUNICATIONS

INTERNATIONAL DEVELOPMENT
ASSOCIATIONINTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENTINTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: KARASZ
ASHOKA HOTEL
NEW DELHI

DATE: MARCH 13, 1968

CLASS OF
SERVICE: LT

COUNTRY: INDIA

RCH

TEXT:

Cable No.: 21

LETTER

REUR 64, SINCE DRAFT RESOLUTION ADDRESSED NOT TO BANK BUT TO GOVERNMENTS, CALLING FOR GOVERNMENTAL ACTION AT ANNUAL MEETING, BELIEVE IT UNNECESSARY AND UNWISE FOR BANK AS INSTITUTION TO REACT TO INDIVIDUAL PROPOSALS AT THIS STAGE. ANY PROPOSALS ADVANCED BY MEMBER GOVERNMENTS AT ANNUAL MEETING PURSUANT TO UNCTAD RESOLUTION OR OTHERWISE WILL OF COURSE RECEIVE CAREFUL CONSIDERATION. IF PRESSED FOR REACTION TO DRAFT RESOLUTION, YOU SHOULD IF POSSIBLE CONFINE REMARKS TO THE FOREGOING. FOR YOUR INFORMATION, FOLLOWING IS STAFF REACTION TO THREE PARAS YOU MENTIONED (a) BANK IS ALREADY ASSISTING DEVELOPING COUNTRIES ONLY, NO LONGER LENDING TO IDA PART ONE COUNTRIES; (b) BANK WOULD HAVE NO LEVERAGE TO INSIST ON PREPAYMENT DEVELOPED COUNTRY DEBT BUT IS IN CONTINUOUS NEGOTIATION WITH PART ONE COUNTRIES WILLING TO PREPAY AND HAS IN FACT RECEIVED SUBSTANTIAL PREPAYMENTS; (c) ANNEX A IV 12 E 10 OF UNCTAD I ASKED BANK TO STUDY PROBLEM OF GUARANTEES FOR DEVELOPING COUNTRIES SECURITIES, AND WE EXPECT

Cont'd. on next page.

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME

DEPT.

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

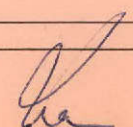
acc. March 15/68

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:



OUTGOING WIRE

TO:

DATE:

CLASS OF
SERVICE:

COUNTRY:

TEXT:

Cable No.:

- 2 -

TO CONSIDER THIS IN CONNECTION WITH INVESTMENT GUARANTEE SCHEME. WHEREVER
GUARANTEE APPEARS MORE APPROPRIATE MEANS OF FINANCING THAN DIRECT LENDING,
NO OBJECTION IN PRINCIPLE SEEN. OF OTHER PROPOSALS IN DRAFT RESOLUTION,
VIRTUALLY ALL ACCEPTED POLICY OR UNDER CONSIDERATION

DEMUTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY

NAME Richard H. Demuth

DEPT. Development Services

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

SEB:RHD:tf

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with Mr. Woods and
Mr. Friedman

cc: Mr. Consolo

For Use by Archives Division

Checked for Dispatch:

ORIGINAL (RIP COPY)

REF: IND: 41

DISPATCHED

GENERAL FILES
COMMUNICATIONS

RECEIVED BY THE DIRECTOR

GENERAL FILES
COMMUNICATIONS

SIGNATURE

DEPT

Development Relations

NAME

Donald H. Smith

MAR 13 6 00 PM 1968

RECEIVED BY THE DIRECTOR
MAR 13 6 00 PM 1968

MESSAGE AUTHORIZED BY

RECEIVED BY THE DIRECTOR

NOT TO BE DECLASSIFIED

DEVELOP

ALTERNATE VIT VESSELLED PORTAL OF UNDER CONSIDERATION
NO OBJECTION IN PRINCIPLE SEEN OF OTHER PROPOSALS IN DRAFT NEGOTIATION
CONVINCED BELIEVES MORE APPROPRIATE MEANS OF FINANCING LEAD DIRECT FUNDING
TO CONSIDER THIS IN CONNECTION WITH INVESTMENT CONVICTION SCHEME. WHEREAS

- 5 -

DATE

TIME

LOCATION

SERVICE
CLASS OF

TO

DATE

OUTGOING MIKE

ASSOCIATION

RECONSTRUCTION AND DEVELOPMENT

CONSTRUCTION

INTERNATIONAL DEVELOPMENT

INTERNATIONAL BANK FOR

INTERNATIONAL FINANCE

(1-1)

KARASZ
ASHOKA HOTEL
NEW DELHI

UNCOR'D
Mr. Deane
Thanks
MARCH 13, 1968
3/13

LT

INDIA

21

REUR 64, ✓ SINCE DRAFT RESOLUTION ADDRESSED NOT TO BANK BUT TO GOVERNMENTS, CALLING FOR GOVERNMENTAL ACTION AT ANNUAL MEETING, BELIEVE IT UNNECESSARY AND UNWISE FOR BANK AS INSTITUTION TO REACT TO INDIVIDUAL PROPOSALS AT THIS STAGE. ANY PROPOSALS ADVANCED BY MEMBER GOVERNMENTS AT ANNUAL MEETING PURSUANT TO UNCTAD RESOLUTION OR OTHERWISE WILL OF COURSE RECEIVE CAREFUL CONSIDERATION. IF PRESSED FOR REACTION TO DRAFT RESOLUTION, YOU SHOULD IF POSSIBLE CONFINE REMARKS TO THE FOREGOING. FOR YOUR INFORMATION, FOLLOWING IS STAFF REACTION TO THREE PARAS YOU MENTIONED (a) BANK IS ALREADY ASSISTING DEVELOPING COUNTRIES ONLY, NO LONGER LENDING TO IDA PART ONE COUNTRIES; (b) BANK WOULD HAVE NO LEVERAGE TO INSIST ON PREPAYMENT DEVELOPED COUNTRY DEBT BUT IS IN CONTINUOUS NEGOTIATION WITH PART ONE COUNTRIES WILLING TO PREPAY AND HAS IN FACT RECEIVED SUBSTANTIAL PREPAYMENTS; (c) ANNEX A IV 12 E 10 OF UNCTAD I ASKED BANK TO STUDY PROBLEM OF GUARANTEES FOR DEVELOPING COUNTRIES SECURITIES, AND WE EXPECT

Cont'd. on next page.

- 2 -

TO CONSIDER THIS IN CONNECTION WITH INVESTMENT GUARANTEE SCHEME. WHENEVER
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VIRTUALLY ALL ACCEPTED POLICY ON URGENT CONSIDERATION

DEMUTH

Richard H. Demuth
Development Services

Cleared with Mr. Woods and
Mr. Friedman

cc: Mr. Console

SEB:MD:tf

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 12, 1968

1822

LOG NO.:

WU 7 / 13

TO:

INTBAFRAD

FROM:

NEW DELHI

ROUTING

ACTION COPY: MR. DEMUTH

INFORMATION
COPY:

DECODED BY:

TEXT:

19 FOR DEMUTH

CONTACT GROUP COMMITTEE THREE STARTED MEETINGS TO DISCUSS DRAFT RESOLUTIONS
SUBMITTED BY GROUPS. DEVELOPED COUNTRIES DRAFT ON TERMS OF AID CONTAINS
FOLLOWING TWO REFERENCES TO IBRD:

FIRST IBRD SHOULD CONTINUE STUDY COMMERCIAL CREDITS AS MEANS OF ASSISTING
DEVELOPING COUNTRIES TO INCREASE THEIR EXPORTS AND THE FINANCING OF
TRADE BETWEEN THEM,

SECOND CONFERENCE SHOULD INVITE IBRD TO EXAMINE IMPROVEMENTS IN TECHNIQUES
OF LENDING.

THEY MEAN BISQUE CLAUSE MENTIONED MY LETTER 41. BOTH THESE PROPOSALS ARE ONLY
DRAFT BY DEVELOPED GROUP NOT YET ACCEPTED BY 77. SUGGEST WE ACCEPT BOTH
PROPOSALS. PLEASE CABLE REGARDS

KARASZ

IR

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510



SEB
Just for files
H.H.

c/o Ashoka Hotel, New Delhi, India

Letter No. 69

March 12, 1968

Dear Dick:

... Thank you for your Cable No. 19. At yesterday's meeting, I informed Committee Three about recent developments in IDA as per text enclosed. The Committee took note with great pleasure.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

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

Washington, D.C.
Reconstruction and Development
International Bank for
Director's Development Relations Department
Mr. Howard H. Deming

Arthur Karsa

Sincerely yours,

With best regards,

text enclosed. The Committee took note with great pleasure.

Informed Committee three about recent developments in IDA as per

Thank you for your cable of 10* 13* of yesterday's meeting. I
Dear Dick:

Letter No. 28

March 15, 1968

c/o Ashok Hotel, New Delhi, India

Telephone - 223-2210

* VALERIE D. DENY, BUREAU (196) - EXCHANGE
HUBOBEVI OFFICE:

CHE VILLAGE - INDELAG BUREAU

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHE VILLAGE - INDELAG BUREAU

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Washington, D.C. U.S.A.
Headquarters:

2EP
Jury for
Roe

Statement by Arthur KARASZ, Head of the Delegation of the
International Bank for Reconstruction and Development, to
Committee Three at the Second Session of the UN Conference
on Trade and Development

I have just received information from Washington saying that the World Bank's Executive Directors have approved for submission to the Governors the Bank's report calling for new IDA resources aggregating \$1,200 million for three years. This amount comprises a little over \$1,170 million of contributions to replenishment by all 18 so-called Part I countries, that is developed countries contributing to the scheme. In addition, there are \$12 million resulting from the loan to IDA, on IDA terms, received from Switzerland and supplementary contributions of over \$17 million offered by the following countries: Canada, Denmark, Finland, the Netherlands and Sweden. The entire amount of the new resources is untied and available for commitment by the end of June 1970.

Balance-of-payment safeguards were extended in special arrangements with the United States, but these safeguards do not affect IDA's use of funds to finance procurement in accordance with its normal procedures.

For parliamentary reasons, the pledge of part of the amount of \$1.2 billion is not yet definitive. At least 12 countries pledging not less than \$950 million will have to notify IDA of their governments' agreement to contribute. The target date for effectiveness is the end of June 1968. Due to the fact that IDA had no resources in the course of the last months, there is a sizeable backlog in credits in the pipeline. Pending effectiveness, (that is government approval, parliamentary procedures, etc.), these credits in the pipeline will be processed normally through the Board of the Bank; they will be signed as soon as the replenishment will become effective.

March 12, 1968

Mr. Harry H. Bell
Director, Research Division
United Nations Conference on
Trade and Development
Vigyan Bhavan
New Delhi 1, India

Dear Harry:

This is to acknowledge your letter of 25 February 1968 and the receipt of 15 mimeographed copies of UNCTAD Conference document TD/69 issued 15 February 1968, "The effects of the Kennedy Round on the exports of processed goods from developing areas" by Bela Balassa.

I am glad that we were able to be of some help in this connection.

All best wishes,

Sincerely yours,

A. M. Kamarck (signed)

Andrew M. Kamarck
Director
Economics Department

AMK:ne

Letter No. 18

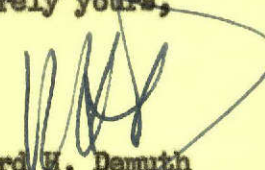
March 12, 1968

Dear Arthur:

I am replying to your letter No. 53, in which you raise the question of a second interim report, to cover the period from the end of the first report through March 16, the deadline for the work of the UNCTAD committees.

Two considerations would affect my view: first, whether developments from March 16 warrant another interim report, and second, how soon after the Conference concludes we are likely to be able to submit a final report to the Board reflecting the Final Act and relevant documentation. If you and Edgar Jones consider that there is some information which can usefully be transmitted to the Board, particularly if the final report will necessarily come some little time after the end of the Conference, I should appreciate your preparing a second interim report on the basis you suggest. I have discussed this with Familton of the Fund, who agrees that the matter should be left to a joint Karasz/Jones judgment.

Sincerely yours,


Richard W. Demuth
Director
Development Services Department

Mr. Arthur Karasz
c/o Resident Representative
IBRD
P.O. Box 416
New Delhi, India

 JEBoskey:tsb

cc: Mr. Console w. copy of incoming letter

ack March 20/68
ltr. No. 84

Headquarters:
Washington, D.C., U. S. A.

UNCTAD
MAR 14 REC'D



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS



EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

March 11, 1968

Dear Mr. Woods:

Thank you for your letter dated February 26, enclosing copy of your correspondence with Morarji Desai, Deputy Prime Minister of India.

I have informed Dr. Prebisch concerning the changes in the text of your statement to UNCTAD II, and requested him to have the official records amended accordingly.

With best personal regards,

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Arthur Karasz".

Arthur Karasz

Mr. George D. Woods
President
International Bank for
Reconstruction and Development
Washington, D.C.

RECEIVED 14 PM 3:22

Washington, D.C.
Reconstruction and Development
International Bank for
President
Mr. George D. Woods

Alfred Karsen
Alfred Karsen
Sincerely yours,

With best personal regards,

official records amended accordingly.
text of your statement to UNCTAD II, and requested him to have the
I have informed Mr. Berthoin concerning the changes in the
of India.
of your correspondence with Mr. Rajaji, Deputy Prime Minister
Thank you for your letter dated February 20, enclosing copy
Dear Mr. Woods:

March 11, 1953

C/O Ashoka Hotel, New Delhi, India

Telephone - 223-3210
* ALVINE D. BAKER (195) - BAKER
RUSSIAN OFFICE:

INTERNATIONAL DELEGATION ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



MAR 14 1953

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION

Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:

4, AVENUE D'ÉNA, PARIS (16th) - FRANCE

Telephone - 553-2510

c/o Ashoka Hotel, New Delhi, India

Letter No. 68

March 11, 1968

Dear Dick:

Sarma and Jalan have prepared a memo for Irving Friedman on the deliberations of Committee Three regarding Supplementary Financial Measures.

...

It is an interesting document and I enclose a copy for the Files.

With best regards,

Sincerely yours,

Arthur

Arthur Karasz

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

SEP
These should
be given to
circulate
perhaps to
the entire
SS m.
W.H.



Washington, D.C.

Reconstruction and Development
International Bank for
Director's Development Services Department
Mr. Richard H. Denton

Arthur Karsa

Dear Sir,

Sincerely yours,

With best regards,

Yours,

It is an interesting document and I enclose a copy for the
Financial Measures.

on the deliberations of Committee Three regarding supplementary

Salva and Jean have prepared a memo for Irving Friedman

Dear Dick:

Letter No. 88

March 11, 1968

c/o Ashoka Hotel, New Delhi, India

Telephone - 223-3210

4. VALUABLE DIRECTION, BANKS (1968) - EKVANCE
EUKOBYAN OFFICE:

CHIEF OFFICE - INDEVALS BANKS

INTERNATIONAL DEVELOPMENT ASSOCIATION

CHIEF OFFICE - INTERNATIONAL BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



New Delhi.

Mr. Irving S. Friedman

March 8, 1968.

N. A. Sarma and Bimal Jalan

UNCTAD II : Committee discussions on Supplementary Finance
.....

There were four meetings of the Third Committee on Supplementary Financial Measures from March 1, 1968 to March 6, 1968. A few more meetings were planned, but the Chairman, Mr. Everts (of the Netherlands) thought that discussion and negotiations between various groups could be more effectively pursued in the so-called "contact groups", and that the debate in the Committee should be confined to general statements by the representatives of various delegations. A record of the daily Minutes of these discussions is enclosed.

Statements were made by a number of developed and developing countries - among them Ceylon, Argentina (on behalf of all Latin American countries), India, Nigeria, Uganda, the United States, the United Kingdom, France, Germany, Sweden (on behalf of the Nordic countries), the Netherlands and Japan. Earlier Mr. Mermolja, the Chairman of the Intergovernmental Group had made a statement introducing the Report of the Group to the Committee, identifying the area of agreement and disagreement, and hoping that it would be possible to implement the scheme in the not too distant future.

The developing countries (with the exception of Cuba and Cameroon) gave their strong endorsement in principle to a scheme for Supplementary Financial Measures along the lines of the joint statement of the developing countries made at the intergovernmental group. The general line taken by the developing countries was not unexpected; though the strong and unequivocal support given by India, and by Argentina on behalf of the Latin American countries, would have come as a surprise to some.

The developed countries also took familiar positions - the United States, Germany, France, Australia, New Zealand, Japan and Belgium could not agree to the idea of an endorsement in principle of the Bank Staff Scheme; among these France, Australia, New Zealand, Belgium, and perhaps also Japan, were against the principle of Supplementary Finance itself and their reservations against the Bank Staff Scheme

(continued .. 2)

could as easily have been directed against the basic premises of the UNCTAD Resolution A.IV.18. France and Australia clearly stated this. The United States' statement was somewhat surprising for the vehemence with which it was expressed. While reiterating a number of times their acceptance of the principle of the Resolution A.IV.18 and their appreciation of the work of the Bank Staff, the United States, more or less, ruled out the Bank Staff Scheme as a feasible solution to the problem, and suggested that the intergovernmental group be re-convened to consider certain other alternatives. Sweden (speaking also on behalf of Denmark, Finland and Norway), the Netherlands and Switzerland, on the other hand, gave their support to the principles of the Bank Staff Scheme. Canada was also favourably inclined, though it sought answers to some unresolved questions before it could commit itself to the scheme as formulated at present. The United Kingdom, not unexpectedly, succeeded in leaving everybody guessing - "as one of the original sponsors it was for the scheme; but ..., if, however".

Amidst these disagreements and varying views, there was nonetheless one point on which there seemed to be - for want of a better phrase - a "general consensus". This was that a scheme for Supplementary Finance would come into existence by 1970. The developing countries and other supporters of the Bank Staff Scheme wanted this particular scheme to be "The Scheme" which would be implemented then (with some modifications, may be). The dissenters wanted an alternative (with some features of the Bank Staff Scheme, may be). For some among the latter group, the search for an alternative scheme was, of course, a useful device by which the proposal for Supplementary Finance could be kept at bay gracefully - and indefinitely.

There also seemed to be general agreement that the intergovernmental group should be re-convened. Germany suggested that its membership should be increased in order to give wider representation. The difference between various groups of countries was on what the terms of reference of this Group should be. Those who supported the Bank Staff Scheme felt that the Group should be re-convened to resolve the few issues which yet remained to be further discussed, and draft a set of Articles and Rules on the basis of which final negotiations could take place. They, therefore, wanted the present Conference to endorse the Bank Staff Scheme in principle, provide broad guidelines to the intergovernmental group as a basis for its discussion, and indicate a definite date by which the Scheme should come into operation. Those who could not agree with the essential elements of the Bank Staff Scheme wanted the Conference not to take any action on this scheme, but re-convene the Group to consider afresh all the aspects of the Scheme as well as other possible alternatives.

(continued .. 3)

The possibility of an Agency, other than the IDA, administering the Scheme was not mentioned. It was assumed that, if the Scheme came into existence, the IDA will be the Agency. However, among the supporters of the Scheme the prevailing view seemed to be that the actual negotiations on the Scheme would be carried out within the framework of the UNCTAD by the Trade and Development Board. The Board of Governors of the IDA would be requested to approve and adopt the Scheme, once the Draft Articles of Agreement governing the operation of the Scheme were agreed to among member governments of the UNCTAD.

In the Committee discussions, a lot was made by some developed countries, particularly the United Kingdom, of the relationship between commodity stabilization measures and supplementary finance. Numerous references were made to the Study on Commodity Stabilization now being undertaken by the Fund and the Bank in response to the Rio Resolution. They wanted to have an indication of the scope and content of this Study as well as the date by which this would be ready since, in their view, this would clearly affect the outcome of discussions on Supplementary Finance. The developing countries and some others, while no less eager or interested in the Bank-Fund Study, emphasized that there was no conflict between measures to stabilize commodity prices and Supplementary Finance - in fact they would reinforce each other, and that action on supplementary finance should not be postponed any longer. It was surprising that the U.S. and the U.K. which are not particularly noted for their championship of commodity stabilization measures should have evinced such great interest in these measures in the context of Supplementary Finance.

Invited by the Chairman, Mr. Sarma, on behalf of the Bank Staff, and Mr. Jones for the Fund Staff, made brief statements on the Bank-Fund Commodity Studies to the effect that at this time it was not possible to indicate precisely when these would be completed. Nor was it possible at this time to give an idea of the scope of this Study beyond what was suggested in the Rio Resolution. The Board of Governors had requested the Staff to complete this Study, if possible, by the time of the next Annual Meeting.

Later in the Committee discussion, in response to a request by Ceylon from the floor, and at the suggestion of the Chairman, Mr. Sarma made statements on the relative importance of export shortfalls and other causes of disruption, and on the relationship between commodity stabilization measures and Supplementary Financial Measures. He stated that in the view of the Bank Staff, there was no conflict between Supplementary Finance and Commodity Stabilization.

(continued .. 4)

Now that the Committee discussions are over, the discussion on Supplementary Finance, as on other issues, will be carried on in the Contact Groups which are likely to conclude their work by March 15. It is not yet clear what, if anything, will emerge; though from corridor conversation, one gathers that the mood of cautious hope among the developing countries has now given way to frustration and even anger. So far the developed countries have not been willing to make concessions on any issue - there is now a stalemate in most Committees. The hope for something fruitful to emerge out of this Conference now lies, not in Committees, but in the political dialogue between the developed and the developing, which is likely to take place during the last ten days of the Conference.

cc: Mr. Karasz (2)
Mr. de Fontenay

March 11, 1968

Dear Mr. Farbstein:

I am grateful to you for your note dated March 4 *✓ Re. Files* enclosing a copy of the Congressional Record of Monday, February 26, 1968, in which you kindly inserted my address before the United Nations Conference on Trade and Development. I was glad to read that you put particular emphasis on the "grand assize" suggestion and the new opportunities for economic development being opened up as a consequence of modern technologies in the fields of agriculture, food production and population control.

These new opportunities will require sizeable amounts of development finance and I am happy to report that our industrialized member countries have pledged a total of \$1.2 billion under a plan to replenish the resources of the International Development Association (IDA). The United States is a major contributor to this second replenishment of IDA and I am hopeful that the legislatures of our member countries will soon approve the second replenishment.

With renewed thanks and kind regards,

Sincerely,

(Signed) George D. Woods

George D. Woods

The Honorable
Leonard Farbstein
House of Representatives
Washington, D.C. 20515