TARIFF PREFERENCES OR NON-DISCRIMINATION?*

A Decade of Development?

Although the 1960's have been proclaimed the Decade of Development by the United Nations, the first seven years of this decade have brought little progress to the underdeveloped world. Instead of reaching the announced and modest goal of ear-marking 1 percent of their gross national product for development assistance, the industrialized nations have been tapering off their foreign aid in relation to their rapidly rising GNP. In 1965 such aid amounted to less than 0.7 percent of their GNP.

Actually, even this unimpressive figure is inflated because it represents the *gross* flow rather than the *net* flow of foreign lending, the latter taking into account the amount for interest and amortization due on old debt. It has been calculated that if the gros flow of foreign aid continues at the present rate, and the present terms of aid are maintained, *net* lending to developing countries will fall to zero by 1975.[1] At this point, in other words, the industrial countries will be taking in as much in the form of interest and amortization on old debt as they are providing in the form of new lending.

The failure of the Decade of Development can be measured in terms of world trade as well as foreign aid. The share of the developing countries in world exports has dropped from 24 percent in 1957 to 19 percent in 1966, while the share of the industrialized countries has risen from about 66 to more than 69 percent.[2] It would seem that the rich nations are growing richer while the poor are getting poorer.

In light of this disappointing showing it is not surprising that the underprivileged "Third World" should have mobilized its political resources to mount a concerted offensive against the "privileged few"—primarily the United States and Europe. This diplomatic campaign came to a head in the first meeting of the United Nations Conference on Trade and Development (UNCTAD) in 1964 at Geneva. The second UNCTAD meeting, scheduled to convene in New Delhi in February 1968, is expected to resume and escalate the offensive.

The UNCTAD Offensive

What does the Third World want, and what measures do their governments propose? Disappointed by the poor showing of foreign aid and depressed by their declining share in world exports, the underdeveloped countries have concentrated their diplomatic efforts more on trade than aid. Under the common heading of increasing their export earnings, they have called for:

(1) Commodity agreements designed to stabilize (if not to raise) the prices of the primary commodities produced by them (especially coffee, cocoa, sugar, etc.);

(2) "compensatory financing", i.e. financial resources to compensate developing countries for fluctuations in foreign exchange receipts from the export of primary commodities;

(3) regional arrangements for economic integration designed to accelerate industrialization and stimulate trade between developing countries in a given part of the world;

(4) reduction of tarff and non-tariff barriers to their exports of manufactured and semi-manufactured goods; and finally

(5) preferential tariff treatment of these exports by the industrialized countries.

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[1] Sidney Dell, Director, New York Office, United National Conference on Trade and Development, April 1967.

[2] The remainder represents the exports of Communist countries, whose share of world trade rose from less than 10 to almost 12 percent. (United Nations statistics, April 14, 1967.)