CONCLUSIONS

The dominant conclusion that emerges from investigating all these aspects of international commodity trends and policies is that the South as a whole must look primarily to Northern prosperity as a source of export growth, and not to the UNCTAD policies. Should the effects of these policies be substantial, they are unlikely to be adopted; measures that are likely to be adopted are also likely to be unimportant as sources of increased capital or trade. Policies to increase or stabilize commodity earnings cannot proceed much faster than Northern willingness to act on the broader problem of LDC growth. This forecast offers scant encouragement to those who seek to promote Southern prosperity. But the issue here is prediction, not preference; and I find only faint grounds for Southern optimism about the course of international commodity policy in the decade ahead.

III. Trade in Manufactures

The predominant economic element in the South's desire to industrialize as a means of becoming prosperous stems from differences in the income elasticities of demand for manufactures and commodities. World output of manufactures grew at the rate of 4.2 percent annually from 1937 to 1957 and at 8 percent annually from 1958 to 1964. Output of commodities, including petroleum, grew less than half as fast. The world economy has changed, therefore, and the South seeks to change with it. Domestic industrialization normally affects world trade in two ways: It increases the demand for manufactured imports in the industrializing countries and it leads eventually to the development of manufactured exports by countries that formerly exported only commodities.[5]

At UNCTAD, the South produced a formula and a rationale for increased trade and aid, in which industrialization was perhaps the most important element. The formula consisted of six principal elements: (1) higher prices for commodities; (2) greater trade access in Northern markets; (3) payments by the North to developing countries whose export earnings are persistently below some reference level; (4) preferential treatment in Northern markets for southern manufactured products; (5) creation of preferential regional trading systems in the South; (6) creation of a permanent UNCTAD as the forum for LDC trade and aid demands. This chapter deals primarily with trade access and trade preferences for manufactured products.

Both the Secretary-General's report, Towards a New Trade Policy for Development, and the Final Act of UNCTAD stressed that industralization is the key to economic development and that increases in manufactured exports could act as the catalyst promoting that industrialization. In the words of the Final Act:

> The Conference recognizes the urgent need for the diversification and expansion of the export trade of developing in manufactures and semimanufactures as a means of accelerating their economic development and raising their standards of living. It considers that individual and joint action by developed and developing countries is necessary to enable the latter to obtain increased participation,

---

[5] A. Maizels, "Industrial Growth and World Trade," Cambridge University Press, 1963, ch. 1.