

Early History and Background

In 1961, at the General Assembly, the original idea for a world trade conference was transformed. The developing countries saw such a conference as a means of directing attention to their problems of trade with the rest of the world. With this shift in emphasis, with the unanimous sentiment of the LDCs in favor of such a conference, the United States decided to support the Conference, and in August 1962, the Economic and Social Council resolved to convene the Conference.

The developing countries placed great hopes on this Conference: they viewed it as "the single most important event for them since the founding of the U.N." GATT is, in their view, an organization which works primarily to the benefit of the developed countries. UNCTAD, on the other hand, is designed to deal primarily with the problems of the developing countries, including the unsatisfactory distribution of world production and income. The developing countries see the world trading system currently as an obstacle to change, but potentially as an important means of achieving greater parity in production, in markets, and in income.

A basic problem of the less developed economies is that the maintenance of an adequate rate of growth depends on a rapid growth of imports. These in turn depend on foreign exchange availabilities, either from capital imports or from exports. At present, capital imports through aid and private foreign investments from non-Communist sources amounts to about \$11 billion a year, while total export earnings of the LDCs total about \$41.7 billion (OECD, 1967 Review). Thus export proceeds are the principal determinant of the import capacity of the developing countries. The central theme of UNCTAD is development through trade.

The MDCs versus the LDCs

The more developed countries (MDCs) established a pattern of commercial policy after the post-war reconstruction which reflects four main themes:^{2/}

1. Reduction of tariffs on manufactured products on a most-favored-nation basis through bargaining in the framework of GATT.

^{2/} See John Pincus, Trade, Aid, and Development, especially p. 58.