CHAPTER V
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UN DIPLOMACY OF TRADE AND DEVELOPMENT

In this chapter we will analyze the efforts of the LDC’s in general and India in particular, towards bringing the authority of the UN to bear on the problems of their international trade. The loftiness of feelings with which the LDC’s viewed the United Nations Conference on Trade and Development that met at Geneva for nearly three months in 1964, found expression in the concluding paragraph of the Report submitted by Prebisch to the Conference. The Conference, he said, was "an act of faith - an act of faith in the possibility of persuading...and in the possibility of provoking constructive reactions". The almost cynical attitude of the industrialized countries on the other hand was reflected in their description of the prospective conference as little more than a talking shop.

1. The terms underdeveloped countries, developing countries, less privileged countries and less developed countries (LDC’s) are used as synonyms. At the UNCTAD, the term LDC’s was extensively used.


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India, while reviewing the Conference as an historic event, cautioned against inflated hopes about the immediate gains the single conference could be expected to make available to the LDC's. The leader of the Indian Delegation made it clear, in his opening statement to the Conference, that the problem of international trade and economic development were complex and not easy of immediate solution. The task, in his opinion, would in fact require a series of such conferences and continuous UN activity in the field. While he appreciated the necessity of a sense of realism among the LDC's, he warned those who tended to classify the Conference as "mere talk" against damaging the cause of peace and progress of the world. 4

I

Dissatisfaction with GATT

Almost since the inception of the UN, international trade problems of the LDC's have been a subject of continual discussion and analysis, though much less of action, in international bodies like FAO, GATT, ECOSOC and ICCICA (Interim Coordinating Committee for International

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Commodity Arrangements). Way back in 1947-48 the abortive UN Conference on Trade and Employment which was held at Havana, had also debated these issues at length. Reference has already been made to India’s efforts towards including in ITO Charter, an independent chapter on economic development of the LDC’s. However, since ITO could not come into existence thanks to the refusal of the UK and US Governments to submit the ITO Charter to their legislatures for ratification, India with several other LDC’s elected to join GATT which was considered to be a temporary arrangement pending the final establishment of ITO at some future date. India signed the protocol of Provisional Application on June 8, 1948.

The membership of GATT rose from its original twenty-three to fifty-six by October 1963. In addition to these there were seventeen other countries maintaining either provisional or de facto relationship with GATT. Thus in all seventy-three countries were associated with GATT out

5. Chapter II.


7. The Preparatory Committee of the UN Trade and Employment Conference thought that the objectives of the Conference would be speedily realized if concrete action was taken by the major trading nations to enter into reciprocal negotiations directed to substantial reductions of tariffs and to the elimination of preferences on a mutually advantageous basis. GATT which was brought into being for this purpose, was envisaged to be finally merged into ITO.
of which forty-eight countries belonged to the LDC category.\(^3\)

Thus, when the question of convening a UN Conference on Trade and Development came before ECOSOC at its thirty-third session, there was already existing an important international body in the field of trade, namely, GATT. And, therefore, one of the two controversial issues in regard to the proposed Conference was evidently the future of GATT: whether the Conference would create a new international/institutional machinery which would replace GATT, or would it only supplement GATT? The second issue arose out of the timing of the Conference.

But before we move to the discussion of these issues, it is essential to state briefly the nature of GATT and its bearing on international trade problems of the LDC's. This will enable us to understand the demand of the LDC's for the Conference.

1) **Nature of GATT**

GATT is a multilateral treaty embodying reciprocal rights and obligations of its signatories designed to achieve higher standards of living, full employment and expansion of production as well as exchange of goods. These objectives can be realized, in the opinion of GATT, by adopting the following three main commercial policy principles:

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\(^3\) UNCTAD Doc. E/CONF.46/P/6.
(1) Member countries should grant one another treatment as favourable as they grant any other country (the Most Favoured Nation Principle) subject to the right to form free trade areas or customs unions.

(2) Protection to the domestic industries, if offered, should be exclusively through the customs tariffs and not through non-tariff measures such as quantitative restrictions. The general level of tariffs should be progressively reduced through negotiations.

(3) Contracting parties should use the procedure of consultation directly with other contracting parties or with GATT, in cases of dispute and avoid damage to one another's trading interests.

(ii) Position of the LDC's under original provision of GATT

Though the LDC's were subjected to the general rule of the GATT prohibiting quantitative restrictions, several exceptions were made to this provision. The major exception (Article XII) that permitted the application of non-discrimination quantitative restrictions for balance-of-payments reasons, applied to all the parties including the LDC's. In addition to this a special provision (Article XVIII) was made for the LDC's under which temporary and qualified release from tariff bindings and from the prohibition against applying quotas in favour of economic development were granted. This provision was applicable only under definite conditions, e.g., the measure would no more be
restrictive in the short run than any other practicable and reasonable measure permitted under the GATT, and would not harm the exports of primary commodities of other GATT members. All the members of the GATT were permitted to operate state monopolies of foreign trade - overall or partial - but the rules provided that imports or exports by state enterprises should be made solely in accordance with commercial considerations such as price, quality, availability, marketability etc. Finally, the GATT rules acknowledged (Article XVI) the practice of subsidies but laid down that a party maintaining a subsidy which increased exports or decreased imports should notify the GATT of the extent, nature and estimated effect of the subsidization and of the circumstances making it necessary. In the event a subsidy caused serious prejudice to the trade of any other party, the country granting the subsidy should upon request consult the affected party.

(iii) The 1954-55 Revision of the GATT and the LDC's

During the first seven years of the existence of GATT, the disappointment of the LDC's grew with its functioning. Therefore, at its Eighth Session GATT decided to review at its next session (1954-55) the provisions of the General Agreement. At this Review session the LDC's pointed out that the operation of the GATT provisions had in many respects hampered their commercial and development
prospects. The procedures, for instance, for permitting quantitative restrictions for development were excessively dilatory and cumbersome. Each time a country decided to adopt measures of import control designed to facilitate economic development, it had to appear before the GATT in order to explain the proposed measures and seek prior approval. Moreover, the approval, if granted, might be subject to a number of limitations. Further, the concept of 'infant industry' as embodied in the GATT rules was too narrow since it did not take into consideration economic structures as an aggregate, but considered individual industrial units as such. Equally serious was the question of commodity exports which had not been included in the GATT.

In regard to the implementation of the GATT provisions most industrial countries were less than fair to the interests of the LDC's. The former were still applying quantitative restrictions for balance-of-payments reasons even though the special post-war conditions under which the GATT permitted such restrictions had largely disappeared. They were also imposing undue restrictions on the agricultural exports of the LDC's. 9

In spite of such large-scale criticism by the LDC's of the existing provisions of GATT, only secondary changes were made in the General Agreement.\textsuperscript{10} The Report published by GATT itself acknowledged the fact that "essentially the review resulted in a reaffirmation of the cardinal rules of the Agreement".\textsuperscript{11}

(iv) Haberler Report and Committee III: Action for LDC Exports

GATT, however, had soon to respond to the continued criticism of its working by the LDC's. The response came in the form of appointment in 1957 of a panel of four experts, headed by Gottfried Haberler, to assess the basic trends in the field of international commodity trade with special reference to the failure of the trade of the LDC's to develop rapidly, excessive short-term fluctuations in prices of primary products and widespread resort to agricultural protection in the developed countries.

On submission of the Haberler Committee Report,\textsuperscript{12} GATT appointed three committees one of which (Committee III) was concerned with the removal of obstacles to the expansion

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\textsuperscript{10} For detailed amendments to the General Agreement, see Development Countries in GATT, n. 9, pp. 37-44.

\textsuperscript{11} General Agreement on Tariffs and Trade, \textit{International Trade, 1954} (Geneva), July 1955, p. 129.

of exports from the LDC's into the industrialized countries and the increase of the import potential of the LDC's through necessary positive measures. The findings of Committee III, presented to the GATT Ministerial meeting in November 1961, were an eye opener. And they led the Ministers to the conclusion that the situation facing the LDC's regarding their export prospects, was of "utmost gravity". 13 A "Declaration on the Promotion of the Trade of the Less Developed Countries" was therefore issued by the GATT ministerial meeting in 1961. 14 The Declaration urged the industrialized countries to remove trade obstacles hampering the exports of the LDC's. The appeal, however, went unanswered and the continued difference between intent and performance brought forth a proposal from eighteen LDC's including India. The proposal consisted of seven points regarding most of which terminal target dates were fixed. At the 1963 GATT ministerial meeting this proposal with an additional eighth item was endorsed by the

13. Developing Countries in GATT, n. 9, p. 97.

14. GATT Doc. 10 S/33.
Some industrialized countries, however, either disagreed with the objectives of the Action Programme, or while agreeing to them, made reservations as regard the target terminal dates. The LDC's on their part were disappointed with the views expressed by the industrialized countries and found them to be "unhelpful".

The seven-point proposal was as follows:

(i) Standstill position in regard to tariff on non-tariff barriers to LDC exports.
(ii) Elimination of quantitative restrictions.
(iii) Duty free entry for tropical products.
(iv) Elimination of Tariffs on primary products.
(v) Elimination of tariff barriers to exports of semi-processed and processed products from LDC's.
(vi) Progressive reduction of internal fiscal charges and revenue duties.
(vii) Reporting on the steps taken towards implementation of the above measures.

In addition to these points the ministers agreed to set up a working group to study the following proposals:

(a) The granting of preferences on selected products by industrialized countries to LDC's as a whole.
(b) The granting of preferences on selected products among the LDC's.
(v) Evaluation of GATT

Although GATT has made a significant contribution towards facilitating international trade in general, the industrialized countries, rather than the LDC's as shown above, have been the main beneficiaries of this process. This has been so largely because GATT is based on the neoclassical theory of international trade.17 Despite evolution

17. The Significance of GATT to Underdeveloped Countries
Paper prepared by S.B. Linder, UNCTAD, Doc. E/Conf. 46/P/6, pp. 4-7. According to this theory a country should, on the whole, practise free trade in order to gain the full comparative advantage arising from international specialization. Under this arrangement each country specializes in the production of export of goods at a cost lower than would be needed to produce domestically those products it imports. Through appropriate expenditure policies, a country can maintain external as well as internal equilibrium without imposing barrier of any kind. Although the theory implies reallocation of the existing resources, through free trade in the most efficient way, it also has implications for the theory of economic growth. The most efficient allocation of existing resources ensures the highest possible real income which would facilitate the accumulation of capital within the country.

This conventional trade theory does not provide adequate insight into the role of trade in promoting the economic development of the LDC's. The strategic role of trade from the point of the LDC's is that it enables them to import various goods which cannot be produced at home and which are necessary to avoid underemployment of the existing resources. Coupled with this is the fact of the limited capacity of the LDC's to export to the industrialized countries arising out of two reasons. First, the chief obstacle to export of primary products is the low elasticity of both price and demand for these products. Second, the manufactured exports which constitute a very small percentage of export earnings, suffer from discrimination in the industrialized markets for reasons of "low wage country" or "market contd....
in the working of GATT by 1963, there was little concrete impact on the improvement of the exports of the LDC's. Three main points of the conflict, therefore, continued to exist between the LDC's and the industrialized countries: first, the farm support policies of the developed countries concerning the temperate zone agricultural goods; second, taxation of tropical commodities by three countries; and third, quantitative and tariff restrictions on "low-cost"

(footnote 17 contd)

disruption" principles. There is, moreover, the question of shortcomings in quality, design, degree of standardization etc.

It must be noted that these difficulties are of structural character in the sense that they would persist despite ideal expenditure policies of the LDC's envisaged in the traditional trade theory. Thus the basic assumption of the pure theory of trade that external and internal balance can always be achieved through free trade and optimum expenditure policies does not hold with respect to LDC's trade with the industrialized countries. Consequently the GATT commercial policy doctrine which itself is based on the traditional trade theory, cannot be said to be conducive to the economic development of the LDC's.

For a fuller discussion of historical and contemporary theories of international trade in relation to the development of the LDC's - see John Pincus, Trade, Aid and Development (New York, 1967), pp. 89-146.

manufactures imports from the LDC's. GATT, an institution primarily motivated by reciprocal bargaining processes, could not find satisfactory answers to these problems of the LDC's. For the LDC's have been too weak to have any real bargaining power. Since their domestic markets were too poor, they could not obtain necessary concessions through offers of equivalent concessions or through threats of retaliation. The assumption of economic homogeneity of nations underlying the principles of GATT which concealed structural differences between the LDC's and the industrialized


Temperate Produce

Notably cereal, meat and dairy production are the sectors where protection is most severe. Several LDC's export temperal produce, e.g., Argentina and Uruguay (meat and cereals), while Maghreb countries export citrus fruit, olive oil, wine and cereals. Moreover, tropical product like sugarcan and vegetable oil compete with the temperate ones.

Tropical Commodities

Several developed countries raise taxes by way of revenue duties on tropical foodstuffs, notably coffee, cocoa, tea. Such high taxes discourage consumption to the detriment of the LDC exports.

Access for manufactured products

In certain manufactured sectors the comparative advantage has moved from the developed countries to the LDC's. The notable instances are textiles and labour-intensive manufactures like bicycles, sewing machines, fans etc. The resistance of the developed countries to these LDC exports is due to internal political reasons.
countries, appeared to the LDC's to be questionable. As an Indian leader put it, "in the name of harmonization and rationalization of tariffs, all that gradually happened was that GATT became preoccupied with the problems of the developed nations and the developing countries were at best treated on par with the developed countries". 19

Thus there were strict limitations to the contribution which even an honest implementation of GATT provisions could make to the problems of the LDC's. These provisions being in the nature of things to be avoided, GATT inevitably suffered from a certain negativity of approach. The LDC's, therefore, turned their thoughts to the establishment of a comprehensive international trade organization in which they could stake their claims on the basis of equity. The need for such an organization which would place the problems of the LDC's at its centre became more urgent as a consequence of the continued setbacks to the export earnings of the LDC's owing to the depressed terms of trade for their primary exports.

II

Convening of UNCTAD

It will be recalled that the two main controversial issues which arose after the Economic and Social Council decided to convene UNCTAD were, first, the future of GATT and second, the timing of UNCTAD.

(i) The Question of New International Trade Machinery

The idea of a world-wide trade conference had first been mooted by the Soviet Union for purposes of its own. In the wake of the new theme of peaceful co-existence enunciated at the twentieth CPSU, the Soviet Union had shifted its emphasis to international economic relations. It was on the Soviet initiative that the General Assembly recommended in December 1959 that all UN members should make efforts towards promoting trade between all states regardless of their economic systems. The Soviet Union had also declared itself, in 1960, willing to participate in a new economic organization - Organization for Economic Co-operation and Development - that was being discussed in the West. It felt that such East-West cooperation would lead to a universal trade organization. Since these

20. GA Res. 1421 (XIV).
21. ESCOR, session 30, 1960, Meetings, p. 36.
overtures had not met with favour in the West, the Soviet Union turned to the idea of a world trade conference under UN auspices. Thus, when it supported the six-Power draft proposal in the General Assembly in 1961, on convening of an international trade conference to seek a solution to the problems affecting the trade of the LDC's, it did so keeping in view its own purpose of a closer trade and economic relationship with the West. Even though the resolution which finally emerged in the General Assembly asked the Secretary-General to ascertain the views of the member Governments with respect to holding an international trade conference with special reference to Primary Commodity Problems, the Soviet Union continued to maintain that the suggested conference should also aim at the creation of world trade organization within the UN framework. This world trade organization would, in its view, promote "wider trade co-operation among States irrespective of their social and economic systems". The Soviet intention was unmistakable which was either the universalization of the existing international economic machinery like OECD and GATT, or creation of a new international trade organization to replace the existing ones.

22. UN Doc. A/C.2/L.550, draft resolution initiated by Argentina.
23. GA Res. 1421 (XIV).
The major industrialized countries, particularly the US, had been averse to the idea of a world trade conference under UN auspices. In its reply to the Secretary-General on the question of holding an international trade conference, the US Government clearly stated that it thought it to be unwise to convene a general conference with a view to taking action on the international trade problems of the LDC's. For these problems were being reviewed in various existing organizations like UN Commission on International Commodity Trade, FAO, GATT, IMF and the UN Regional Economic Commissions. There was no gap, so the US Government thought, in the work currently being done on the international trade problems which a general conference could effectively fill. 25 Earlier, reacting to the Soviet suggestion that GATT should become a universal institution, the US had categorically expressed its opposition to accommodate the centrally planned economies in GATT. 26

From the foregoing account of the Soviet and US positions in regard to the convening of a world trade conference, it would be clear that the LDC's found themselves in an extremely difficult situation. They had first to convince the US and other industrialized countries about the desirability of a general conference on their trade problems. They could hope to be successful in this

25. Ibid., pp. 36-37.
if they could somehow remove the apprehension of the major industrialized countries regarding the emergence of an international trade organization and the consequent disappearance of GATT in particular and disintegration of the existing international commercial organization in general. This was a difficult task. For divorcing the conference completely from the Soviet proposal of East-West trade would have meant losing the much needed Soviet support to the idea of the conference, at least in the initial stage. This question became more difficult especially when some LDC's also had taken an extreme position against GATT.

India did not subscribe to such views. She has been a founder-member of GATT. And her delegations have not only participated in the tariff negotiations conducted under GATT auspices, but they have also, as and when occasions arose, attempted to alter the provisions and policies of GATT which would be appropriate for the problems of the LDC's. Even though she has been a supporter of the principle of non-discriminatory multilateral trade, she has at the same time stressed the overriding importance of the economic development of the LDC's as a factor conducive to the speedy realization of the above objective. 27

The first significant recognition came, as we noted earlier, from GATT in the form of GATT Ministerial

Declaration in 1961 on the Promotion of the Trade of the Less Developed Countries. 28 It may be noted that this declaration was referred to as a "valuable policy statement" by the Indian representative at the Economic Conference of the Non-aligned countries at Cairo in 1962. 29 It is thus significant that in the midst of intensive efforts for the convening of UNCTAD, India's belief in the potentialities of GATT continued to be strong. This belief was the basis of India's attitude to the UN trade and development conference in general, and the question of new international trade machinery in particular.

The confrontation over the issue of the new international trade machinery and the future of GATT was in fact inevitable at some date or the other. What was necessary at the moment was that confrontation should be avoided at least in the early stage of deliberations over the convening of the conference. For that would save the conference from the danger of being a still-born one.

The four-Power draft proposal 30 co-sponsored by India, in the ECOSOC served this purpose well. This draft, while resolving to convene a UN Conference on trade and


30. UN Doc. E/L.958 and Add. 1. The other co-sponsors were: Brazil, Ethiopia and Yugoslavia.
development, left the question of the conference agenda entirely to the care of the Preparatory Committee of the Conference. It also placed the conference in the specific context of the economic development of the LDC's.

By this time, the resistance of the Western countries to the convening of a conference for the trade problems of the LDC's had lost much of its strength due to both the economic fact of the continued drop in the export earnings of the LDC's as well as the political fact of the overwhelming unity of the LDC's in regard to the demand for conference. Moreover, they found the four-Power draft resolution to be satisfactory owing to its non-commitment either to an international trade organization or to East-West trade. Thus with the passage of this resolution a significant step was taken by ECOSOC towards launching the biggest international trade conference ever held in the history of nations.\(^{31}\)

(11) India's bid to reconcile Soviet and US Positions over the conference agenda

The question of conference agenda came up again in 1962 in the General Assembly which was expected to provide a general guideline to the Preparatory Committee with respect to formulation of the agenda, as well as to decide upon the date of the conference. The Second Committee of the General

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31. ECOSOC Res. 917 (XXXIV).
Assembly was confronted with two draft resolutions: one initiated by the Soviet Union, and the other sponsored by twenty-eight LDC's including India.

The Soviet draft resolution would have the General Assembly ask the Conference to consider specifically, inter alia, the establishment of an international trade organization. The twenty-eight-Power draft resolution, on the other hand, included a general directive to take into consideration methods and machinery to implement measures relating to the expansion of international trade. The mention of international institutional machinery in the preambular part of the draft resolution was also equally cautious. It recognized the necessity of "adaptation" of the institutional framework for international co-operation in the field of trade.

The debate which followed the introduction of the above two draft resolutions clearly revealed that any attempt to put the item of an international trade organization on the conference agenda meant risking the very idea of the conference. This the LDC's could ill-afford to do. The US representative bluntly stated that if the conference were to consider problems other than the urgent problems of the LDC's, his Government would be forced to review its

32. UN Doc. A/C.2/L.645.
position in regard to its participation in the proposed conference. 34 The boycott of the conference by the US followed by other major industrialized countries would have obviously rendered the conference meaningless. For the exports of the LDC's with the western industrialized countries was twelve times more than that with the Soviet bloc countries. 35 The concentration on the West was therefore inevitable.

The proposal of an international trade organization covering all problems of international trade including the East-West trade, was in fact out of place in a conference which was, in the view of most LDC's and the Western countries, chiefly meant for the special problems of the LDC's. Moreover, as the representative of Yugoslavia put it, that problem was not one which could be resolved in a conference on international trade. For it was caused not by the pattern of trade but by the cold war. 36

India subscribed to the above views in regard to the creation of a comprehensive international trade organization. The Indian Delegation maintained that maximum use should be made of the existing facilities. GATT, in its opinion, was capable of adapting itself to the new


requirements in the field of trade. The reference "to methods and machinery to implement measures relating to the expansion of international trade", in the twenty-eight-Power draft resolution was, according to it, sufficient to allow the conference discussion on institutional arrangements. There was, however, no harm in spelling out this provision a little further, which was the intention of the three-Power amendment. The acceptance of this amendment by the

37. Ibid., p. 200.

38. UN Doc. A/C.2/651. The twenty-eight-Power draft resolution provided under its paragraph 4(d) that the Conference should "take into consideration methods and machinery to implement measures relating to the expansion of international trade".

The three-Power (Brazil, Iraq and Lebanon) amendment proposed to replace the above paragraph 4(d) by the following:

"Measures to improve the methods and machinery of international economic co-operation in the field of trade, including:

"(1) A reappraisal of the effectiveness of the activities of existing international bodies dealing with international trade in meeting trade problems of developing countries, including consideration of difficulties in their trade relations arising from uneven levels of economic development and/or different systems of economic organization and trade;

"(11) The advisability of eliminating overlapping and duplication by co-ordination or consolidation of the activities of such bodies, of creating conditions for expanded membership and of effecting such other organizational improvements and changes as may be needed to expand international trade and to maximise the beneficial results of trade for the promotion of economic development."
sponsoring Powers went a considerable way towards meeting the Soviet viewpoint and the Soviet Union was persuaded to withdraw its draft resolution. The final version of the twenty-eight-Power draft resolution which was now co-sponsored by thirty-five countries, laid down for the benefit of the Preparatory Committee, the following guidelines in regard to formulation of the conference agenda:

(i) Measures to increase trade of the LDC's in primary commodities as well as in semi-manufactures and manufactures.

(ii) Measures to ensure stable, equitable and remunerative prices and rising demand for primary exports of the LDC's.

(iii) Measures to remove tariff and non-tariff barriers to the exports of the LDC's.

(iv) Methods and machinery to implement measures relating to expansion of international trade. (39)

(iii) The question of the date of the Conference

In addition to the problem of the agenda for the conference, there was the equally controversial issue of the timing of the conference. The Economic and Social Council in its resolution 917(XXXIV) had left the date of the conference open. When the matter came before the General Assembly, it showed divergent views as between

39. This draft resolution became General Assembly resolution 1785 (XVII), 8 December 1962. For the text of the resolution, see G/ADR, session 17, 1962, Annexes. Action taken by the General Assembly, Agenda item 36, pp. 58-59.
the LDC's on one hand and the Western countries on the other. The latter argued that the problems of trade and development were very complex and required adequate preparation as well as expert negotiation. It was, therefore, essential to allow sufficient time to elapse before the conference was convened. In regard to this the position of India which was shared by most of the LDC's, was that though some amount of flexibility in approach was required, the conference should meet well within 1963. 40

The wrangling over the date of the conference, apparently a trifling matter, in fact involved vital issues, little of which was revealed in the debate. But if one takes into account the events that were taking place in Western international economic relations at that time, the insistence of the LDC's on an early date for the conference becomes quite intelligible. The reasoning behind the urgency was that if there had been any further delay, the industrialized countries of the West, especially the ECM group would have had still more time to consolidate their position. It would have been, on the other hand, easier for the LDC's to receive a sympathetic hearing from the West if the conference was held before ECM had concluded fresh agreements with a larger number of countries.

EEC had been brought into operation in January 1958 by the Rome Treaty. This was followed in 1960 by a

seven-member European Free Trade Association led by Britain. The fear of trade diversion arising out of the future consolidation of EEC drove Britain to apply in 1961 for full membership of EEC. If Britain had succeeded in her attempt in this regard, the remaining six EFTA members were expected to seek either full or associate membership of EEC, thus integrating almost all the West European countries into close economic relationship. 41

As agreement between Britain and the EEC appeared in sight during 1961-62 negotiations, the LDC's viewed the question of the date of the conference with considerable urgency. Earlier, in 1960 the Organization of European Economic Cooperation had been converted into a twenty-member wider and closer Organization for Economic Cooperation and Development (OECD) which included USA and Canada. The LDC's feared that groupings of the industrialized countries would sharpen the inequities of world economic relations. 42 And they considered it essential to convene a world trade conference before the situation became too difficult to alter.

The twenty-eight-Power draft resolution 43 co-sponsored by India would have the Economic and Social


43. UN Doc. A/C.2/L.648/Add.4.
Council convened the conference by June 1963. But owing to the stubborn opposition of the Western countries to the convening of the conference at such an early date, the co-sponsors of the draft resolution dropped their insistence on a definite date. They, however, managed to arrange the preparatory work of the conference within 1963, so that the conference could be launched without any hindrance early in 1964. Thus, following the meetings of the Preparatory Commission, the Economic and Social Council decided to hold the conference in Geneva from March 23 to June 15, 1965.

III

Issues Before the Conference

The United Nations Conference on Trade and Development was predicated on twin assumptions, the first being that the potential trade gap of the LDC's, in the light of the 5 per cent rate of growth projected by the Development Decade, would be to the extent of $20 billion by 1970. Secondly, the main reliance for bridging this trade gap should be on radical departures from the prevailing international commercial policies of the industrialized

44. GA Res. 1785 (XVII).

45. ECOSOC Res. 963 (XXXVI). This resolution was based on the draft resolution tabled by India, Ethiopia, Uruguay, Yugoslavia, Jordan, Argentina, Australia, El Salvador. See UN Doc. E/L. 1015.
countries, especially with respect to LDC export trade in primary commodities and manufactures.

Prebisch, the Secretary-General of UNCTAD and mentor of the LDC's, gave in this regard, a set of policy prescriptions as well as theoretical expositions of the policies concerned. The central proposition of the report submitted by Prebisch to the Conference was the observation that consequent upon the structural difference between the economies of the LDC's and the industrialized countries, the relative prices of primary products have a long-run tendency to deteriorate. This economic fact which is responsible for accruing extra income to industrialized countries, gives rise to the "prima facie claims" of the LDC's upon international resources over and above those which they would have received during the normal course.

The political obligation arising out of this implied not only financing the industrialization of the LDC's but also formulation of suitable trade policies by the advanced countries to put that industrialization on a sound and stable basis. The former objective was reflected in the demands of the LDC's for increased export earnings through stable and remunerative prices for the primary products, wider access to their exports - both primary products and

46. Proceedings of UNCTAD, n. 2, pp. 5-64.
47. Ibid., p. 11.
48. Ibid., p. 12.
manufactures - larger inflow of capital on easier terms, reasonable maritime freights etc. The latter objective was embodied in the demand of the LDC's for generalized unilateral preferences in the developed countries markets for the manufactured and semi-manufactured exports of the LDC's.

The Conference deliberated upon these and many more issues related to international trade in general and that of the LDC's in particular. We will now turn to the discussion and analysis of the following four issues on which the Conference focussed its attention:

(i) International commodity trade problems of the LDC's.

(ii) Trade of the LDC's in manufactures and semi-manufactures.

(iii) Invisible trade of the LDC's.

(iv) Institutional arrangements.

(i) International Commodity Trade Problems of the LDC's.

The First Committee which dealt with this issue started its work with the generally agreed assumption that market forces alone could not be relied upon for effectively stabilizing and expanding trade in several primary commodities. 49 Though the need for securing wider access for the commodity exports of the LDC's into the developed

countries' markets and the desirability of preventing excessive fluctuations in the commodity prices, was generally accepted by the Western countries, the LDC's on their part, insisted upon not only stable but also "equitable and remunerative" prices for their commodity exports.

India attached great importance to the removal of barriers of all kinds to LDC exports including primary products. This, she believed, could be realized through speedy and full implementation of the GATT Action Programme announced in 1963. The commodity export trade of the LDC's, however, suffered both on account of their declining share in the world commodity export trade and due to the worsening terms of trade. With the purpose of correcting the latter situation, Manubhai Shah, the leader of the Indian Delegation to the Conference, suggested in his policy statement a two-fold scheme. Fair and remunerative prices for the commodity exports could be assured, in his opinion, first by means of commodity agreements and, secondly, where the first method was not adequate, through a system of compensatory financing. The fund from which the losses of the LDC's could be compensated, would derive finances from the sale of stockpiles when prices spurted, as well as from contributions of the industrialized countries. The

position of the LDC's as a group, including India, in regard to the problem of commodity exports had been incorporated in its general form in the Report submitted by Prebisch. 51 The LDC's had evolved, even prior to the Conference, a unified approach to several issues before the Conference. And they succeeded in securing the unanimous consent of the Conference in regard to many matters of general character in the field of commodity exports, though resolutions of a specific character failed to obtain such a consent. 52 Nevertheless, the conference unanimously recognized the role of commodity arrangements aimed at securing equitable and stable prices for primary commodities. 53

(ii) LDC Trade in Manufactures and semi-Manufactures

Prebisch pointed out that lack of external markets for the manufactured exports of the LDC's had led to the process of inward-looking industrialization which apart from being extremely costly had reached a point of

51. Proceedings of UNCTAD, n. 2, pp. 5-64.

52. Recommendation A.II.3. dealing with "International Organization" of commodity trade was opposed by three industrialized countries, while 15 industrialized countries abstained. Similarly, recommendation A.II.9 dealing with the reduction of high rates of taxation in the developed countries on mineral and fuel exports of the LDC's was approved by 79:15:12.

impracticability. The group of LDC's endorsed this analysis of their trade in manufactures and semi-manufactures, and suggested preferential treatment to be given to the manufactured and semi-manufactured exports of the LDC's. Such preferences would apply both to the exports among the LDC's and unilaterally to those from the LDC's to the developed countries' markets. Some developed countries opposed unilateral preferences as a way of securing markets to the manufactured and semi-manufactured exports of the LDC's. Instead, they suggested that the objective could

54. Report by the Secretary-General of the Conference, n. 2, Vol. II, pp. 14-15. Some of the consequences of this process listed by Prebisch were:

(i) Since a relatively simple phase of import substitution had reached its limits, the need had arisen for technically complex and capital-intensive substitution efforts with the consequent requirement of larger markets to ensure economic viability.

(ii) The relative smallness of domestic markets had, to a considerable extent made the cost-structure of industries excessively heavy. Thus the exports encountered great difficulties because of high costs of production which in their turn were the result of restricted markets.

(iii) Excessive protectionism had generally insulated national markets from external competition weakening the incentive for improving the quality of output and lowering costs.


56. Ibid., p. 153.
be realized through general reduction of tariffs on a most-favoured-nation basis.\textsuperscript{57}

While demanding the non-discriminatory unilateral tariff preferences for the manufactured and semi-manufactured exports of the LDC's, India declared its willingness to give up preferences which she enjoyed under the existing arrangements.\textsuperscript{58} The Indian representative criticized the suggestion to link up the generalized preferences to the degree of development of particular countries. For such a system would be complicated to the point of impracticability. The Conference, while succeeding in securing a great measure of agreement on the principle of unilateral generalized preferences, could not, in the face of opposition from some major industrialized countries, incorporate the principle in the resolution. The resolution on the subject adopted by the Conference, noted the difference in views on the subject and recommended to the Secretary-General of the UN that a committee be established to discuss the matter further so that measures could be taken in regard to it.\textsuperscript{59}

(iii) Invisible Trade of the LDC's

The problem of national shipping which was considered by the Third Committee had a dual aspect. Most of the LDC's

\textsuperscript{57} Ibid.
though politically sovereign, lacked many attributes of sovereignty, for they had not been developed by the colonial Powers. A maritime flag is an attribute of sovereignty and according to maritime law the concept of maritime flag is associated with the rights of sovereign independent states. Shipping and sea-transport had been the monopoly of the colonial Powers and the colonies were either expressly forbidden or indirectly discouraged from having a merchant marine of their own.60

Economic factors were also important. In the absence of a national merchant fleet, the payment of the entire freight bill of the country had to be met in foreign exchange. Apart from this drain on scarce foreign exchange, there was a total dependence on foreign ships for the country's foreign trade. Even those LDC's who had initiated programmes of ship-building suffered from certain disabilities such as lack of appropriate technical know-how, lack of adequate ship-repairing facilities and the absence of sufficient opportunities for profitable operation of the shipping tonnage. Over and above these long-term difficulties which LDC's had been facing in regard to sea transport, there was the serious problem of what are called "Conference Practices" of the shipping companies.

The Liners' Conferences were dominated by established interests and were working in a 'closed-door monopoly' style much to the detriment of the LDC shippers. For it deprived the latter of having competitive freight-rates as well as transport of their own choice. The loyalty of the LDC shippers to this system was ensured by the practice of dual rates and deferred rebates. The large sums earned by shippers by way of rebates were held back to chain them to the conference system. The Indian delegation gave several examples at UNCTAD in regard to unilateral revision of freight-rates as well as discrimination between LDC liners and established Western liners.

Though shipping dominated the discussions in the Third Committee, two other means of invisible trade, namely, insurance and tourism were also referred to. As both the insurance and reinsurance markets were controlled by the developed countries, the LDC's suffered from a considerable drain on their foreign exchange earnings. They, therefore, demanded retention of insurance earnings for themselves. In regard to tourism it was pointed out by the LDC's that their tourist trade had remained negligible owing to the past neglect of tourist resorts, objects of arts and attraction.

Numerous proposals seeking remedies for the above ills, were submitted to the conference. The debate in the
Third Committee reflected a feeling of resentment about the fact that in spite of the gravity of the problems of LDC's, the developed countries' liners refused to listen not only to private shippers in the LDC's, but to their governments as well. UNCTED highlighted the necessity for establishing a dialogue between the LDC shippers and developed countries' liners, without which an explosion point in inter-state relations would soon have been reached. A feeling prevailed among the LDC's that since they had no adequate shipping facilities of their own, they were helpless against the "arrogant and unheeding ship-owners who had tasted imperialism." 61

It was these conditions which forced the LDC's to demand at the conference the right to own and operate a national merchant fleet. Obviously such a proposition could not stand the economic test. The demand, however, must be understood as a symbolic reaction to the circumstances detailed above.

The essential viewpoints of the LDC's in this regard were represented in a draft resolution initiated by India and subsequently co-sponsored by most of the LDC's as well as some developed countries. 62

61. Nagendra Singh, n. 60, p. 47.
The Indian representative, while initiating the draft resolution, stated:

...the regime of shipping Conferences which was originally based on colonial concepts must yield place to a new pattern because of the emergence of several new sovereign States. This involves a certain amount of rethinking, adjustments and certain re-orientation in methods and approach on the part of those who run the Conference System." (63)

Consequent upon the opposition of the developed countries to this draft resolution, informal discussions were held between the two groups which led to the acceptance of a compromise draft.64 It recognized that in order to make the conference system function properly, it was necessary to establish close cooperation between shippers and the conferences. As an initial step, it proposed the establishment of a well organized consultative machinery.

(iv) Institutional Arrangements

It will be recalled that the issue of institutional arrangements which the Conference was supposed to deal with had come up even before the Preparatory Committee was formed.


At that time the Soviet insistence on the inclusion of the international trade organization proposal as an item on the Conference agenda was temporarily side-tracked in order to avoid an unwelcome decision on the part of the US. The controversy now once again cropped up in the Fourth Committee of the Conference. The Fourth Committee which dealt with institutional arrangements appropriate to the requirements of the new international trade policy initiated by the Conference, before discussing the details of the new institutional arrangements, had to answer a crucial question: Should the new institutional machinery be a supplement to the existing international economic agencies, mainly GATT? Or should it be a substitute for GATT?

Thus, the whole controversy in regard to the legal and political character of the prospective institutional arrangement centred round the fate of GATT which turned out to be the thorniest problem at Geneva. There were three main currents of thought on this issue.

Firstly, the Soviet Group of countries insisted upon the establishment of an International Trade Organization superseding the existing international trade machinery. The Soviet position was supported by a large number of LDC's (Burma, Ghana, Indonesia, Nigeria, Syria and most of the Latin American countries) which, while favouring the

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65. Indian Express (New Delhi), 17 April 1964.
eventual establishment of ITO, concentrated on the Standing Committee of the Conference as a step towards the objective.

Secondly, the group of industrialized countries maintained that the emergence of newly independent nations since the birth of GATT did not call for the suppression of GATT. In their opinion the better course would be to evolve the structure and policies of GATT to make it an effective instrument for the trade problems of the LDC's.

India followed a middle-of-the-way course. There was a sizable group of LDC's (most of the Asian and African countries) which held moderate views on the issue. This group of moderates led by India, recognized both the usefulness and limitations of GATT and suggested that certain radical changes should be introduced in the composition and working of GATT to make it better fitted to tackle the fundamental problems of world trade.

In view of the fact that a large number of LDC's were supporting in substance the Soviet proposal regarding ITO, the Indian delegation preferred not to table a different draft resolution of its own, because it would have sharply divided the ranks of the group of LDC's which was an undesirable and unnecessary venture. Thus though the Fourth Committee was faced with four draft
resolutions on the subject they essentially represented two major lines of thinking, one for the immediate or eventual establishment of ITO and the other, against the establishment of ITO.

The Soviet draft resolution and the two draft resolutions submitted by two groups of underdeveloped countries belonged to the first category. For whereas both the Soviet draft resolution and the Latin American draft resolution recommended establishment of an International Trade Organization, the proposal submitted by Burma, Ghana etc. purported to establish United Nations Conference on Trade and Development as a standing organ of the UN until ITO was established.

The second line of thinking was represented by the draft recommendation tabled by the industrialized countries. They proposed to set up UNCTAD as an integral part of the

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67. Ibid., paragraphs 1, and 6 respectively.
UN economic machinery. This proposal, however, differed in two major respects from those put forth by both the groups of LDC's, namely the Latin American group and the other group of LDC's including Burma, Ghana etc.

First, the industrialized countries suggested the setting up of the UNCTAD in accordance with the provisions of Article 62(4) of the UN Charter; the two LDC groups, on the other hand, proposed to establish the Conference under Article 22 of the UN Charter.

Article 22 of the UN Charter authorizes the General Assembly to "establish such subsidiary organs as it deems necessary for the performance of its functions." The term "subsidiary organ" has not been defined by any organ of the UN. But there seems to be no doubt that a subsidiary organ is established by the principal organ to discharge a specific task assigned to it and continues to be in existence on more or less permanent basis till the task has been completed. And if we accept the opinion of an eminent commentator of the UN Charter, a subsidiary organ such as UNCTAD might well be equivalent in constitutional status with the so-called "principal" organ of

68. Ibid., Preamble.
69. Paragraphs 1(2), V(6) and 1 of the respective resolutions.
the Economic and Social Council. Thus, legally speaking, to make Article 22 of the UN Charter the constitutional basis for UNCTAD, would have meant not only the creation of a more or less permanent organ of the General Assembly, but also a possible rival for the Economic and Social Council.

Implications of this kind were not obviously acceptable to the industrialized countries. They had, therefore, proposed a scheme under which UNCTAD would not be placed under the General Assembly but under the Economic and Social Council. Moreover, the constitutional basis of UNCTAD would be Article 62(4) of the UN Charter instead of Article 22. The former provision which authorizes ECOSOC to convene conferences on matters falling within its competence, would have thus reduced UNCTAD to the status of a periodical conference.

Secondly, the industrialized countries' draft recommendation described the function of the Conference as a forum for discussing the problems of LDC's, the other two draft recommendations expected the Conference to initiate and supervise the execution of policies and active measures.

71 Hans Kelsen, The Law of the United Nations (London, 1950), p. 145. Kelsen maintains that some of the so-called 'principal' organs of the UN enumerated under Article 7(1) e.g. ECOSOC, Trusteeship Council, the Secretariat, are not the 'principal' organs of the UN. For they are subordinated to two other organs, the General Assembly and the Security Council Articles 60, 83 and 87 of the UN Charter). Kelsen maintains that only General Assembly, Security Council and the International Court of Justice are the 'principal' organs in the true sense of the term.
to ensure adequate expansion of exports of the LDC's; and
to establish the means of action for putting the desired
policies into effect. 72

Thus there was a wide divergence between the views
of the industrialized countries on the one hand and those of
the Soviet Union and the LDC's on the other, in regard to
both the question of establishing ITO and the nature of the
Conference. The prolonged debate in the Fourth Committee
brought out this divergence in clear relief. There were,
however, several members of the LDC group, India prominent
among them, who did not share the views of the Soviet Union
on the question of ITO and also disagreed with the indus-
trialized countries in regard to the nature of continuing
conference.

This group of moderates, led by India, though
desiring basic changes in the existing international economic
machinery, did not think in terms of creating new inter-
national machinery which would fully substitute the former.
While welcoming the unqualified Soviet support to the idea
of an international conference on trade and development in
general and the cause of economic development of the LDC's
in particular, they became skeptical of the injection of
overt political issues by the Soviet Union. 73 Apart from

72. Paragraphs 1(1), 1(6); paragraphs 1(ii), 1(iii), and
paragraph V.2(b) of the respective resolutions.
the political support, the Soviet group of countries had relatively little to offer to LDC's particularly in the field of international trade. The Western countries, on the other hand, were the potential benefactors both in the field of aid and trade. The LDC's, therefore, could ill-afford to launch a revolution against the West. In fact, one of the six criteria laid down by the Preparatory Committee of UN Conference on Trade and Development in regard to the future institutional framework, was that it should be acceptable to the major trading countries and to the majority of the LDC's. 74

The LDC's were in a clear majority and they made known their intention to force through a resolution purporting to establish ITO. Reacting to this attempt of the LDC's, particularly the extremists in the group, Britain and US, the leading industrialized countries declared that they would refuse to sign the Final Act due to be voted a week later. 75

This threat compelled both the Soviet Union and the LDC's to revise their draft resolutions to make them more acceptable to the Conference. Thus the revised Soviet draft recommendation, 76 though purporting to commit the

75. Sunday Telegraph (London) 7 June 1964.
Conference to establishment of ITO, did not have the conference establish ITO right away. Pending the actual setting up of ITO, however, the draft resolution would have the Conference decide to establish UNCTAD as a continuing conference which would serve in the transitional period as the "highest specialized forum" of the United Nations in the field of trade and development.

The LDC group in its turn revised and combined their two draft resolutions into one. The new draft resolution which was now sponsored by as many as seventy-one delegations including India, did not specifically refer to ITO, but instead made a mention of "a comprehensive organization" which would be of sufficient authority to ensure compliance with its own decisions and those of the UN relating to international trade and development. Pending the establishment of such an organization, the conference was to exist on a continuing basis under the provisions of Article 22 of the UN Charter.

The industrialized countries' revised draft resolution, while avoiding any reference to ITO or any organization of that kind, agreed to the continuing existence of UNCTAD. The UNCTAD, however, according to them, would be based on Article 13, Chapters IX and X instead of Article

22 of the UN Charter which had been suggested by the LDC's as the constitutional basis of the Conference. Moreover, the functions of UNCTAD were stipulated to be only of the nature of discussion and consideration of the problems of international trade.

Since the seventy-five-Power draft resolution broadly contained the idea of a comprehensive trade organization, the Soviet group of countries did not press for vote on their proposal. Thus, finally the Fourth Committee was faced with two draft resolutions, one sponsored by the LDC's and supported by the Soviet group, and the other sponsored by the industrialized countries.

Apart from the question of committing the conference to the creation of a comprehensive international trade organization, there were two other crucial issues on which the LDC's and the industrialized countries held widely divergent views.

The draft resolution of the LDC's provided for the establishment of the continuing conference as an organ of the General Assembly under Article 22 of the UN Charter; while the industrialized countries' proposal made Article 13 and Chapters IX and X of the UN Charter as the constitutional basis of the conference. In the opinion of the former, the provisions of the UN Charter cited by the industrialized countries had no authority to set up new organs. The only constitutional provision adequate for the
purpose was contained in Article 22 read with Article 7, paragraph 2. 79

The disagreement arising out of the composition of the conference and the standing committee of the conference, and the voting procedure in both the conference and the Standing Committee was, however, more serious than the above one. The industrialized countries wanted permanent presence of the twelve principal trading countries on the Standing Committee of forty members. The LDC's, on the other hand, wanted a larger membership (fifty-two) for the Standing Committee the composition of which would be decided in accordance with the formula adopted for the General Committee. 80 The concept of non-elective seats was not acceptable to the LDC's.

In addition to the permanent presence of twelve principal trading countries, the industrialized countries insisted on some kind of veto power both in the conference and in the standing committee. Thus according to their draft resolution, the Conference would adopt decisions on

79. Article 7, paragraph 2 reads: "Such subsidiary organs as may be found necessary may be established in accordance with the present Charter."

80. According to this formula the relative strength of different groups would be as follows: (a) Eastern European countries excluding Yugoslavia - 6 seats; (b) Western European countries, USA, Commonwealth countries not included in other categories - 14 seats; (c) African and Asian countries and Yugoslavia - 23 seats; (d) Latin American countries, Jamaica, Trinidad and Tobago - 9 seats.
the basis of a two-thirds majority including a majority of the twelve principal trading states. Similarly, the decisions of the Standing Committee would be taken by a majority including the majority of the twelve principal trading countries. It meant that seven principal trading countries would have the power to veto decisions approved by the respective majorities in the Conference and in the Standing Committee. The LDC's were opposed to any such built-in veto provision in the proposed institutions. Shunning any proposal for compromise, they pushed through their draft resolution in the Fourth Committee with the result that the entire bloc of the industrialized countries voted against the draft recommendation. The resolution approved by the Fourth Committee recommended to the UN General Assembly the establishment within the UN system of a comprehensive organization which would:

(a) "be universal in character",
(b) "have sufficient authority to ensure compliance with its own decisions...."
and
(c) "be capable of providing, on a continuing basis, the central stimulus for all work relating to international trade and development...."

The resolution further recommended that the UN General Assembly set up the United Nations Conference on Trade and Development as an organ of the General Assembly under Article 22 of the UN Charter. The Conference would take substantive decisions by a two-thirds majority. The Executive Council, the Standing Committee of the Conference, according to the resolution, would be composed of fifty-two members and would take decisions by simple majority.

Thus the question of ITO and the question of voting procedures in the continuing Conference and the Standing Committee finally turned out to be the two most serious threats to the Conference. On the settlement of these questions depended the outcome of the conference, whether it would end up in a sour, resentful atmosphere or in a spirit of reasonable compromise. With a couple of days remaining for the closure of the conference, efforts of all the groups centred round securing the general acceptance of some kind of a compromise. Although the radicals, e.g. Ghana, Algeria, Burma among the LDC's insisted on making full use of the voting strength of the LDC group, there were others like India, Indonesia, Pakistan and Nigeria, who saw no point in pushing through self-serving resolutions by automatic majorities. It was true that they were after all recommendations lacking full legal force. It had on the

other hand to be understood that the "currency of such recommendations would be hopelessly debased" if they did not reflect a substantial consensus among all countries, including especially those who were expected to bear the brunt of implementing them.\textsuperscript{83}

In recognition of this fact a special reconciliation group of the representatives of the LDC's and the industrialized countries was set up to find out areas of agreement. India, along with Pakistan, the Cameroons and Chile represented the LDC's, while the other side was represented by Britain, US, France and Belgium. The industrialized countries were persuaded to give up their demand for a veto in the Conference as well as in the Standing Committee. In return they were afforded the protection of a Conciliation Committee to be nominated by the UN Secretary General.

Thus the compromise recommendation\textsuperscript{84} dropped reference to any kind of international trade organization. While asking the General Assembly to establish the United Nations Conference on Trade and Development as an organ of the General Assembly under Article 22 of the UN Charter, with a Standing Committee (Trade and Development Board) of fifty-two members, it resolved the question of voting procedure in these two bodies by introducing a process of

\textsuperscript{83} Gardner, n. 35, p. 168.

\textsuperscript{84} Adopted as the Conference recommendation A.V.I.
conciliation the details of which were to be decided upon by the Special Committee. This Special Committee was to be appointed by the UN Secretary-General. The process of conciliation was to take place before voting and was expected to provide adequate basis for adopting recommendations affecting substantial economic or financial interests of particular countries. 25

In addition to the specific recommendations some of which have been mentioned above, the Conference approved fifteen General Principles and thirteen Special Principles to govern international trade policies. These principles received the support of an overwhelming majority of states including several industrialized countries.

The underdeveloped countries had set great store by the Conference. They had demanded a new international trade policy to reverse the prevailing trends in world trade which frustrated their efforts towards diversification of their economies. Their expectations were certainly belied by the Conference, for it did not throw up any concrete solution to the problems of underdeveloped countries.

India began her participation in the Conference with a certain degree of realism. Though she could not

25. Ibid., paragraph 25.
help expressing a feeling of uneasiness over the preoccupation of the Conference with enunciating the problems, rather than deciding upon concrete solutions to them, she saw the Conference as the beginning of a new phase in UN economic diplomacy, and not a consummation of it. On the most crucial issue of institutional arrangements, India disagreed with the radical LDC's who insisted on setting up a new international trade organization to replace the General Agreement on Tariffs and Trade. As the United States was in complete disagreement with such an institutional arrangement, insistence on it would have resulted in a collapse of the conference. It was India's view that an attempt to bypass the United States and the other major industrialized countries would not lead to any practical or useful results. She believed that GATT was discharging useful functions within its limits. Its work should nevertheless be supplemented by UNCTAD which was expected to function as a more or less permanent organ of the United Nations. However, with the purpose of avoiding open dissent in the Group of Seventy-Seven, she did not move a rival resolution. The Conference finally decided to set up UNCTAD as an organ of the United Nations, without prejudice to the existence of GATT.

The differences over the voting procedure in the Trade and Development Board as well as in the conference were equally serious. Between the two extremes of veto system and majority vote system the Conference decided upon the
conciliation procedure. Given the numerical strength of the LDC's, the passage of their resolutions was a foregone conclusion. Such resolutions were however of little value if passed without the support of the major industrialized countries. The conciliation procedure, to be adopted before voting, was expected to provide an adequate basis for the unanimous approval of recommendations of specific nature. Thus, though informal consultations had been practised before for arriving at a consensus, this practice was now formally incorporated by the Conference in the UN diplomatic process. The conciliation procedure of course did not apply to resolutions of a general character. India did not consider the Conference to be either a contest or a confrontation, but as a long-term dialogue between the LDC's and the industrially advanced countries, leading to mutual understanding and goodwill. India's nomination as a member of the four-Power conciliation group representing the LDC's stands testimony to the confidence she enjoyed both of the LDC's and the advanced countries.