Address to the
United Nations Conference
on Trade and Development

by George D. Woods
President, World Bank,
International Finance Corporation and
International Development Association

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The World Bank welcomes the opportunity to participate in the deliberations of this United Nations Conference on Trade and Development—and we intend to participate actively and affirmatively. For world trade is not a subject of remote interest to the Bank; it is a matter of direct and immediate concern. Indeed, our charter explicitly recognizes the intimate connection between international investment and international trade. And, as the agenda of this Conference clearly demonstrates, both investment and trade are basic to economic development, which is the essential preoccupation of the Bank.

I suggest that, in approaching its agenda, the aim of this Conference must not be merely to stimulate debate, to exchange views and to formulate issues. It must be nothing less than to make a real start in evolving international trade and development policies which are more adequate than those presently prevailing for stimulating economic growth throughout the developing world.

Fortunately, the Conference is meeting at a propitious moment. World trade is growing as fast today as at any time in the present century. The long decline in commodity prices has now been arrested and, in some degree, reversed. Nearly 20 years of development effort have brought many countries to a better position to undertake the decisive
changes of production they must achieve for a better standard of living. And, not least important, there is in prospect a sustained rise in the prosperity of the industrial countries. The consequences of good that can flow from that are enormous—a greatly increased demand for imports generally, including a continuation of the more buoyant demand for primary commodities; an increased ability on the part of the industrial countries to accommodate imports from the developing countries without causing severe hardship to their own producers; and, perhaps most significant of all, an enhanced capacity to provide development assistance.

The scope for action on many fronts is greatly increased by the present state of the world economy. We can advance on our problems in a mood, not of caution and misgivings, but of confidence and high expectancy.

Not all of the questions which this Conference will consider lie within the reach of the Bank and its affiliated organizations; but we nevertheless are prepared to consider a wide range of actions in an effort to assist in reaching cooperative solutions to these questions. We are ready, for instance, to join actively in the search for answers to the vexing question of how to stabilize income from commodity exports. We want to assist in enhancing both the quantity and the quality of assistance to the developing countries, and in seeking ways of making the burden of international indebtedness more manageable. We want above all to increase our own contribution to the efforts of the developing countries themselves to diversify and strengthen their economies, for it is here that we think the most fundamental solutions lie.
The trade issues facing this Conference are many and complex. They are not going to be solved by any simple formula or master stroke. One guiding idea, however, can make our task easier: that what we can accomplish in the middle and long run will be worth more that it will cost us in the short run. In the short run, measures to change the existing patterns of trade in order to increase the export markets for the developing countries are likely to be painful. In the long run, however—and it need not in fact be such a very long run—such an expansion of trade necessarily brings advantages to both industrial and developing nations. It also requires action by both industrial and developing nations.

So far as the industrial countries are concerned, the required action is of many different kinds. These nations will have to move toward elimination of those elements of restriction that now exist on the importation of primary products. They will have to become considerably more receptive to imports of manufactured goods from the developing countries. And they will have to encourage regional groupings of the developing countries designed to stimulate trade in manufactured goods among themselves. Above all, the industrial countries must not let their own regional groupings freeze into closed systems, locking out exports in which particular developing countries can excel. For only if larger markets are available will the less developed nations be able to go beyond mere import substitution to develop really efficient industries based on economies of scale.

The industrial countries must, in addition, move to help liberate the underdeveloped countries from a difficulty particularly
well known to many participants in this Conference. Some 30 countries, accounting for nearly half the trade of the developing world, are dependent on a single commodity for more than half their export earnings; and many other countries are dependent on only two or three. Despite the over-all increase in world trade, the demand for primary commodities has grown only slowly, and prices have faltered. The value of the exports of the underdeveloped nations as a group has increased since the war at a rate only of some three to four percent a year. This is less than the growth in the volume of such exports and, more significantly, less than enough to support the level of developmental imports needed for a satisfactory growth of income. To use but one striking example, the Latin American countries increased the volume of their exports of primary commodities by 25 percent during the period from 1956 through 1962, but they actually earned less foreign exchange in the last year of the period than in the first.

The need to help the developing countries escape from their over-dependence on the export of primary goods appears to me incontestable. In the long run, as I have said, the only real solution is for those countries to produce economically for the home market more of the goods which they now import and to diversify their export production. This means both increased industrialization and increased productivity within the agricultural sector. These processes take time, however, and prompt consideration needs to be given to measures for moderating the adverse effects upon the orderly development of these countries which result from the wide swings in their export earnings. This Conference will be discussing over the weeks ahead whether the answer,
or part of the answer, is to seek greater price stability through commodity agreements, or to try to mitigate the effects of price fluctuations through some new form of compensatory financing, or to try some new approach altogether. The important thing for present purposes is the increasing awareness on the part of the industrial nations that the problem is serious and that practicable solutions must be sought.

As I have already indicated, it seems likely that the World Bank’s role will be primarily to help in the long-run process of diversification and modernization, rather than to finance mitigating measures. But we are quite prepared to join in exploring the issues involved; indeed, we are already deeply committed to studies of the coffee problem and of the market for extra-long-staple cotton. And I feel confident that such explorations will enable the Bank and the International Development Association (IDA) to formulate, within our means and within the authorization of our charters, increasingly effective measures to assist countries afflicted with difficult commodity problems.

Let me turn now from the shorter-term trade issues to the longer-run and more fundamental problem of bringing about in the developing world more diversified and more efficient production. On this front, where we in the Bank can claim some expertise, I am convinced that there are promising opportunities for advance. During the 1950s, the developing countries as a whole achieved an average annual rate of growth of nearly 4½ percent, despite the slackening of the rate in the later years of the period
and in the face of a rate of population growth that in many cases represented a heavy burden on already limited resources. Over this decade of accomplishment, there was an impressive accumulation of new assets in the form of basic supports to a productive economy—roads and railroads, ports and power stations—and a growing experience and wisdom in dealing with development. Many countries—although, unfortunately, by no means all—are now in a position to go forward into new kinds of production and into better balanced patterns of trade. Development assistance to them ought to be increased. Merely to hold that assistance level, or even, as at times appears to be a possibility, to let it decline, would be to waste foolishly all the hard-won gains of the post-war era.

Now also is the time to improve the quality of development assistance. This means, in particular, supporting those programs and projects which promise the greatest economic return to the developing countries and avoiding those which serve primarily the short-range political or commercial ends of the industrial nations. The quality of aid has recently benefited by the coordination efforts of the Development Assistance Committee of the OECD and the growing sophistication of the developing countries themselves. Consultative groups organized by the Bank for several countries are also helping, and we expect to expand this activity as we find appropriate opportunity to do so. But more progress needs to be made, and in particular there must be more concentration of effort upon those countries which show that they are able to utilize aid effectively.
Moreover, the terms of aid must continue to be improved, for the problem of debt service continues to be pressing. In the seven-year period, 1955 to 1962, the public indebtedness of the developing world appears to have increased two and a half times. Over the same period, debt service payments rose by almost four times, due largely to the high proportion of the debt represented by short and medium-term suppliers' credits. It is a striking fact, I believe, that the average life of the aggregate public debt outstanding at the end of 1962 was only about eight years. Because of the seriousness of the debt burden, some governments have moved to lighten the terms of their assistance, by foregoing interest for an initial period of years or otherwise reducing the amount of the interest burden, or by extending the length of their loans. Other governments, unfortunately, appear to be offering development assistance on harder rather than easier terms, a tendency which, in my view, can only be self-defeating in the end.

A few countries are now caught in an acute cash squeeze which may require special action by their creditors. Others may find themselves in the same position unless both they and their creditors use greater discretion in connection with offering and accepting future short-term credits. This kind of difficulty cannot be removed simply by a debt reorganization unless that reorganization is accompanied by appropriate and effective agreements:

On the part of the debtor country, to take all measures within its capacity to bring its balance of payments under control and to meet its obligations as they fall due;
On the part of the creditors, to provide the debtor with capital on long term to meet legitimate development need; and,

On the part of both debtor and creditors, to avoid, in the future, the kind of short-term credit transactions which caused the trouble in the first place.

Let me add that, where all parties concerned are willing to agree to appropriate disciplines in connection with a debt adjustment, they will find the Bank ready to consider adapting its own financing to the necessities of the situation and to assist, when requested to do so, in working out the required new financial regime.

I have spoken up to now primarily of steps which the industrial nations can take to help those less developed. Much—indeed most—of what needs to be done, however, must be done by the developing countries themselves. The industrial countries can provide a favorable trade environment for building up production within the developing nations, and they can help in that process by supplying skills, equipment and finance. But the development process itself is essentially a matter of domestic effort, for which no amount of external help can be a substitute.

First and foremost, what is required of the developing countries is a set of policies and conditions conducive to productive investment. I have in mind not only such basic elements as political and financial stability; I have in mind equally the provision of incentives to productive investment through appropriate changes in land tenure systems and through the enactment and enforcement of proper tax regimes. I have in
mind, too, the building of educational systems adapted to development needs. And I have in mind the formulation of public investment programs designed, not to advance the immediate political interests of the particular government in power or the business interests of particular economic groups or localities, but to make the maximum contribution to the long-term balanced economic growth of the entire country.

The determined and single-minded pursuit of such a set of policies could well arouse a spirit of confidence in the developing countries, with effects that would be dramatic. Not the least of these effects might be to recapture or unearth those large amounts of domestic capital which have fled many less developed countries for investment elsewhere, or which have simply disappeared into hoards for safekeeping. To bring this blood coursing back into the veins of the developing nations' economies would be an achievement of major importance. It would also help bring about another consequence of great moment, by attracting more foreign investment. Foreign investment in the developing countries is not merely desirable, it is indispensable. It not only adds to capital inflow and facilitates the introduction of new productive techniques; it is also likely to bring in international partners whose knowledge of trade channels can provide the leading edge for the entry of home industry into world markets.

One other significant opportunity lies at the doorstep of the developing world. As the Secretary-General's report points out, nearly 100 of the developing countries have populations of less than 15 million. Two-thirds have populations of less than five million, less, that is, than the population of any one
of many of the world's leading cities—of Chicago, for instance, or London, Los Angeles, Moscow, New York, Paris, or Tokyo. Few of these countries, standing alone, offer a sufficiently large base for the efficient use of productive resources. For these countries, the hope for satisfactory development lies largely in regional arrangements to eliminate trade barriers, enlarge markets and rationalize production among themselves. We in the Bank have for a long time sought to encourage regional groupings of this kind and will not only welcome but seek out similar opportunities in the future, since for many countries this is clearly the path to healthy growth.

Any country or group of countries prepared to adopt economic development as a central objective of its policy will find the Bank, together with its affiliates, a willing and, I hope, a powerful ally. Our own developmental role has been constantly expanding and our operations have, over the years, proceeded at an ever faster tempo. Loans and investments made by the Bank group of institutions in support of projects to increase production in the less developed countries now aggregate more than 5½ billion dollars. In the 1963 calendar year, the level of our financing reached the equivalent of a billion dollars and for the current fiscal year ending June 30 it may be above that figure, to stand at the highest level in our history.

Of this record and of the momentum it reflects we can justly be proud. We are proud, but we are not satisfied. The decade of the '60s confronts the Bank with problems different from those it faced in the '50s; the approaches and solutions which have served
the Bank well in the past as it sought to meet the needs of its members are no longer fully adequate or appropriate. Among other things, we had only 56 members 10 years ago; now we have 102, and 20 of these became members in the last year. Many of our most recent members are new not only to the Bank but to the international community. Inexperienced in development administration, they need different kinds of assistance, both financial and technical, from those appropriate for countries which have been longer on their own. If the Bank is to go on being a dynamic agent of economic progress, it must adapt itself to the changing development environment and respond to the changing needs of its membership. The Bank, no less than its members, must continue to grow.

And so, we have embarked on a program of critical self-analysis, to consider wherein and to what extent our policies and internal organization need to be modified and the direction or emphasis of our activities changed.

The first consequence of this re-examination has been a decision to expand the scope of our financing. Up to now, the Bank has been concerned chiefly with large-scale projects to develop better transportation and new sources of energy. We do not propose to abandon these fields, and indeed, they no doubt will continue to absorb the major portion of our funds.

Building infrastructure, however, is not an end in itself. We have concluded that we should now greatly increase our assistance to agricultural and industrial production which infrastructure is intended to support and promote.
We have in mind, for example, assisting comprehensive agricultural schemes to increase productivity on individual land holdings, and hope especially to help strengthen organizations which extend credit or technical help to farmers. And because the investment requirements of agricultural projects call primarily for local currency expenditures, I am recommending to the Executive Directors that the Bank evidence greater willingness to help finance such expenditures. Moreover, I am pleased to say, we have enlisted the cooperation of the Food and Agriculture Organization of the United Nations (FAO) in our plan to intensify our support of agricultural development on this broader scale.

We are also seeking ways to vary and broaden the nature of our assistance to industry. One approach will be to provide long-term financing for programs to import individual pieces of equipment, components and spare parts in cases where existing industrial capacity is not fully used because there is a lack of foreign exchange with which to buy such equipment from abroad. Other approaches, designed particularly to enable us to be of greater help to private industrial enterprises, are being explored. Above all, we intend to continue to press forward with our support of private industrial development companies. Seventeen such institutions, in Asia, Africa and Latin America, have already been set up or strengthened by the Bank group under the leadership of the International Finance Corporation (IFC). This growing network of organizations, equipped to tap both international and domestic capital and to provide managerial and technical assistance for growing industries, is giving a new impetus to the eco-
onomic development of many of our member countries.

The success of our efforts in the fields of agriculture and industry depends in large part, however, on how effectively the initiative, intelligence and skills of the people of the borrowing countries are mobilized for productive purposes. Efforts to enable human beings to realize their fullest potential must be of many different kinds, but somewhere near the root of the process must be education. IDA entered this field some time ago and the Bank expects shortly to make its first loan for education purposes. In our efforts to do more to help create the facilities for the spread of education we shall have the cooperation of the United Nations Educational, Scientific and Cultural Organization (UNESCO), with which we plan jointly to explore and support new projects. We hope that one important consequence of our decision to enter the field of education financing will be to encourage others to intensify their efforts in this sector.

So much for an indication of the ways in which the Bank is determined to expand the horizons of its lending. A second result of our re-examination of our policies has been the adoption of some greater flexibility in the terms of our financing. We have already, in one significant case, given a borrowing country the unusually long grace period of eight years before requiring the first amortization payments on our loan, in order to take account of the borrower's difficult short-term financial situation. We have also begun to lend at somewhat longer term than was our practice in the past, where this is justified by the prospective life of the project and is desirable in light of the country's economic position. And we are examining
the whole problem of local expenditure financing which I have already mentioned in connection with agricultural projects.

A third decision which has emerged from the review of our activities is that our technical assistance and training activities must be greatly enlarged. As most of you know, the Bank decided long ago that the effective discharge of its development responsibilities required it to supplement its lending operations with many types of technical assistance. We have been particularly concerned, up to now, with development planning. We have helped 25 countries to draw up programs of economic development; we maintain an Economic Development Institute as a senior staff college whose purpose is to improve both the formulation and execution of development programs; and we have established a Development Advisory Service whose members are now functioning as program advisers to 11 governments in the less developed world.

Without in any way reducing these efforts, we propose now to put greatly increased emphasis on assisting our members to identify and prepare projects. We have come to this decision because the flow of sound, economically viable projects coming forward from many developing countries today is not enough to enable these countries to realize the growth rate which it is within their capacity to attain. It is not that good investment opportunities are lacking; what is lacking is initiative and proper organization to enable those opportunities to be realized.

Assistance in project preparation is not a new departure for us. The Bank, and IFC
as well, seldom finance a project without having made suggestions which will add to its practicability and increase its economic and financial return. In recent months, however, we have given increased attention to the project problem. We have added specialized courses in project evaluation to the curriculum of our Economic Development Institute. We have undertaken more and more pre-investment studies of possible projects and sector programs, both as Executing Agency for the United Nations Special Fund and on our own. For the future, we are giving serious consideration to increasing the number of our field representatives responsible for providing assistance in project planning on the spot. And the partnership arrangements with FAO and UNESCO which I have mentioned are designed, among other things, to expand the number and improve the quality of agricultural and education projects available for financing. But we are fully aware that these efforts, in relation to the need, are modest and we are anxious to explore suggestions for helping still further to accelerate the flow of good investment projects. For such a flow is a *sine qua non* for economic progress.

There is, of course, another *sine qua non*—adequate resources with which to finance those projects. And that brings me to my last point: however much success we may have in reorienting Bank policies and in expanding the scope of Bank lending and technical assistance activities to meet the development needs of the '60s, the effectiveness of our efforts will, as a practical matter, be circumscribed by the adequacy of the funds available to us.

Certainly the minimum acceptable target for Bank/IDA activity over the next
decade should be to make as large a net contribution to the needs of the developing countries as these institutions have made in the past; our aim must in fact be much higher if the goal of satisfactory economic progress is to be achieved. Since the Bank is entering upon a period in which it will be receiving very sizable repayments of the principal of loans made in earlier years, even the minimum goal will call for a correspondingly large increase in the gross level of financing by the Bank and IDA in the years ahead. The Bank, with access to private capital markets, should be able to find resources adequate to the demands of the proposed new dimensions of its lending. But a greatly increased proportion of development assistance must in future be made available on terms which impose a minimal burden of debt service upon the recipient countries. Insofar as multilateral development assistance is concerned, this calls for a greater role to be played by IDA. And IDA can play that greater role only if its own resources are considerably augmented.

The terms on which IDA makes its credits available preclude the possibility of raising funds through borrowing in the private market, as the Bank does. IDA must instead look primarily to governments for its resources. The relative speed with which IDA's initial funds have been committed or earmarked for sound and priority development projects, and the volume of applications for additional credits now under consideration or clearly visible in the offing, are evidence of the importance of adding substantially to the resources at IDA's disposition. Fortunately, the financial situation of the Bank itself is now such that it is in a position to make a contribution to this end. Because of the level which the Bank's re-
serves have reached, it no longer seems necessary to add to those reserves each year, as in the past, the full amount of the Bank's net earnings. It is accordingly my intention to recommend to the Bank's Executive Directors at the end of the current fiscal year that the Bank transfer to IDA a portion of the Bank's net earnings for the year which might prudently have been distributed as a dividend. This policy, if approved and continued by the Executive Directors, as I am confident that it will be, should over a period of time provide IDA with considerable supplemental strength.

But let me promptly add that, even with such transfers from the Bank, the needs which IDA was created to meet cannot be satisfied by governmental subscriptions at their present level. I earnestly urge, therefore, that the contributing governments participating in this Conference re-examine the amount of their pledges to IDA in the light of the pressing investment requirements of the developing countries as they may be revealed during the course of our deliberations here.

I should like to conclude on the same note which I struck at the outset of these remarks. The problems with which we will be grappling here, despite their urgency, are likely to prove insoluble if our vision is obstructed by the blinders of immediate self-interest. But if we cast those blinders aside, if we seek solutions within the framework of our common interest in long-term economic growth, the outlines of the path to progress will, I am confident, soon appear. And surely it must be our aim that, by the time this Conference adjourns, we shall have moved a measurable distance along that path,
we shall have identified and isolated a number of specific programs worthy of further investigation, and we shall have agreed upon organizational and other arrangements to carry this work forward. It must in short be our unalterable resolve to press on with the deliberations here and now beginning until constructive solutions to our problems of trade and development are reached.
Headquarters:  
1818 H Street, N. W., Washington, D. C. 20433

Office for Europe:  
4, Avenue d'Iéna, Paris 16e, France