Book Review.

***Towards a New Trade Policy for Development* (*United Nations, New York,* 1964).**

This is a report to the United Nations by Dr. Prebisch, an Argentinian economist, who acted as Secretary-General to the three-month 120-nation Conference on Trade and Development at Geneva in 1964. It attempts to provide a background to discussion on steps to be taken to improve world trading procedures and relationships, for the benefit more particularly of developing countries, and thereby to assist their general economic development. The text follows closely a previous report compiled by Dr. Prebisch for the third meeting of the conference's preparatory committee following his visit to a number of participating countries including Australia, and discussions with them on world trade problems.

In three parts the book (1) sets out the trade problems facing developing countries; (2) suggests broad solutions ; (3) states responsibilities for, and obstacles in the way of the implementation of the broad solutions.

(1) Industrialized economies have expanded more rapidly than the developing economies until for the first time since the Industrial Revolution annual world increases in imports of raw materials (currently 1 per cent.) have fallen well below increases in exports of manufactures (3 per cent.). Contributory factors have been policies in industrialized countries of subsidized agricultural self-sufficiency, and the substitution of synthetics for, and greater efficiency in the use of raw materials. Additionally, as standards of living rise in the advanced countries a falling proportion of income is spent on primary products and in fact per capita saturation is approached in some cases. Concurrently prices of industrial goods are rising with growing world demand and rising industrial wages so that overall the real income available to developing countries to pay for imports fails to keep up with real income in the world as a whole. (Recent favourable price trends for tropical products are not considered permanent.) The growing wage-labour force in developing countries needs therefore to find occupations more and more in secondary industry and services. Import substitution has provided a basis but the limits are soon reached—local markets are small, costs tend to be excessive due to diseconomics of small scale, and high protective tariffs are needed to help the new industries towards viability. Incentives to efficiency are thereby reduced while imports of raw materials rise with consequently increasing danger from falls in export earnings.

(2) Dr. Prebisch's three broad answers to the economic plight of the developing countries lie in commodity agreements, encouragement to exports of manufactures and compensatory financing.

The main obstacle to international agreements is the lack of will to formulate national policy and so is political rather than technical. Agreements must provide for long-term stability and the removal of tariff barriers in addition to the traditional provisions. Measures to stimulate exports of manufactures from the developing countries and the development of export-mindedness are regarded as more important than access to markets for the manufactures, the latter requiring sympathetic treatment on the part of industrialized countries. Compensatory financing is seen as a transfer by industrialized countries to exporters of primary products of the extra income which should rightfully accrue to the former to compensate for unduly low prices for raw materials. While retaining current aid programmes, the fundamental aim should be to maintain intact the power of developing countries to purchase external resources through the sale of their exports. International prices for agricultural products need to be supported at levels higher than those prevailing in the absence of international regulation with due regard for maintenance of demand and undue stimulus to over-supply. However continuing agricultural surpluses are regarded as desirable to counter future shortages.

Any solution must include consideration of an international forum for trade and development matters. GATT is unacceptable, being unduly biased towards the trading patterns of advanced economies, too tariff centred, requiring a reciprocity of tariff treatment unacceptable to the developing countries, and not geared to supervise international commodity agreements or aid programmes.

(3) This section appears hurried and scrappy perhaps because of the need for specific detailed proposals to be put forward, whereas at the time the report was originally conceived Dr. Prebisch lacked a definite charter to guide him.

Since the trade gap is estimated to reach 20,000 million dollars by 1970, a staggering total from the viewpoint of the developing countries, but representing only a few per cent. of the total value of goods imported by the advanced countries it appears a responsibility of the industrialized countries to help bridge the gap by giving preferential access to developing countries' manufactures to the extent of these few per cent. International monetary reserves and gold need to move more freely. Trade and finance policies need designing specifically to give the developing countries a share in the advanced economies.

The developing countries' responsibilities lie in such measures as land reform, training, more equitable distribution of national income, and encouragement to birth control.

It may be commented that though some criticism was made of Dr. Prebisch's work in the press and elsewhere as being unduly idealistic, using biased samples and so forth, and though the ideas expressed are not new to development theory, the Conference through his ideas and guidance did finally draw the developing countries together. Towards the end of the conference when failure appeared imminent the unity of the " 75 " (developing countries) forced a decision to establish the U.N.T.A.D. as a regularly meeting assembly of United Nations, with the 53-member Trade and Development Board as a permanent organ.

Dr. Prebisch's ideas may not appear as applicable to Papua and New Guinea as to some other developing countries. Although it has suffered from fluctuating export prices, and pricewise from the growing output of synthetic rubber, the impact on the economy has been softened by the annual grant and a reasonably assured market in Australia, at least while our output remains small. Nevertheless any attempt on our part to move towards viability requires constant attention to current thought on the problems of developing countries and the solutions offered. It behoves us to keep in touch with moves towards international commodity agreements, price support schemes and compensatory financing.

Perhaps from the Territory's viewpoint undue importance is attached by Dr. Prebisch to stimulating industrial development in developing countries even prior to assuring access to markets for the manufactures' produce. However it appears essential in this country to consider industrial along with agricultural development to help maintain real income levels, to mop up the surplus labour made available by education, mechanization, and improved technical efficiency, and to utilize raw materials more fully.

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