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UNCTAD III – One More Disappointment

by Dr Dietrich Kobschull, Hamburg *

Early in May the UN Secretary-General, Kurt Waldheim, felt obliged to intervene in the proceedings of the Third Conference for Trade and Development. By pointing out that there were no funds available to permit the Conference to extend its work beyond the five weeks that had been planned for it, he destroyed the hopes of all those who had somehow thought that a sixth or seventh week of deliberations would still produce some tangible results.

The more than 2000 delegates who had been sent to Santiago by 141 countries and the numerous international organisations concerned with development policy found themselves after the address of the UN Secretary-General during the remaining 14 conference days under considerable time pressure. By the beginning of May, many resolutions and drafts for discussion – such as for instance those expressing the attitude of the Group of 77 towards the entire monetary problem or the action programme worked out by the countries without access to the sea – had still not been tabled. Then suddenly a flood of paper descended upon the members, confronting them with wellnigh insoluble problems. Not only that: the reporters who had been covering the conference were less and less able to see things in perspective.

This would also have happened, however, even if the draft resolutions had been distributed evenly over the time of the actual conference. For the UNCTAD-Programme has become so diverse and intricate that even experts find it ever more difficult to arrive at an over-all assessment of the situation. The real work is hardly ever done in the plenary sessions, but almost entirely by the committees which discuss most of the important issues behind closed doors, and what is said on these occasions does not necessarily accord with the grand ministerial and presidential speeches designed to impress the public.

Lip-service Once More

Speeches of this kind came thick and fast during the first part of the Conference. Characteristically they gave vent to complaints about under-deve-

lopment and past failures of development policy and then proceeded to professions of faith in international cooperation, couched in language that could not but arouse high hopes among the delegates from the developing countries.

Two examples of this kind of speech may suffice. The President of the World Bank, Robert S. McNamara, speaking in language as beautiful as it was vague about the measures to be taken in the future, said: "Our clear duty for the remainder of this decade is to face up to mass poverty for what it really is, determine its dimensions, locate its whereabouts, set a limit beneath which we will not accept its continuance, and make our first priority a threshold of human dignity and decency which is achievable within a generation."¹

The Federal Minister of Economics and Finance, Karl Schiller, awakened hopes that it might be possible to establish the so-called "link" – i. e. the coupling of Special Drawing Rights with development aid – when he said: "In the matter of the distribution of additional Special Drawing Rights, we are prepared to give sympathetic consideration to the need of the developing countries, which must necessarily be at the expense of the industrial countries. My Government is willing to shoulder these consequences."² That this was by no means to be taken as an acceptance of the

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¹ Robert S. McNamara's speech at the UNCTAD Conference in Santiago, Chile, delivered on April 14, 1972.

² Karl Schiller: „Deutscher Beitrag zur Überwindung von Armut und Hunger in der Welt“ (Germany's contribution towards overcoming poverty and hunger in the world). Address given at the Third World Trade Conference in Santiago de Chile, published in the bulletin of the Federal Press and Information Office, Nr. 57, Bonn on April 19, 1972, page 794.

link became, however, clear a few days later when the matter came up in the committee.

Intensive Committee Work

As with all conferences, it is manifestly necessary to make a strict distinction between the official speeches and the actual day-to-day work. This is why, in contrast to the usual daily press reports, an over-all assessment of UNCTAD III must concentrate on the activities of the six committees and working-groups and the three working parties and the results achieved by them. The committees had been given the following questions to consider:

- Committee 1: raw materials;
- Committee 2: trade in semi-finished and finished goods;
- Committee 3: finance and currency problems;
- Committee 4: shipping, tourism, insurance;
- Committee 5: trade between countries with different social and economic systems;
- Committee 6: problems of the least developed countries.

The working groups were concerned with:

- institutional problems of UNCTAD (group 1)
- regional integration of developing countries (group 2)
- transfer of technology to developing countries (group 3).

But, although committees and working parties laboured nearly round the clock, the results the states of the Third World were able to achieve were at best minimal. The great leaps forward that would have been necessary to overcome the increasingly unfavourable situation of these countries failed to materialise.

Few New Trade Concessions

Because of the relatively small influx of foreign aid into numerous less-developed countries (LDCs), their possibilities of financing growth processes in the next few years are bound to depend to a decisive extent on the revenue they can earn on their exports. Yet, UNCTAD III failed to achieve a decisive break-through which might have enabled the LDCs to step up their exports of raw materials, semi-finished goods and finished products. True, Committees 1 and 2 did pass numerous resolutions, but their usefulness to the young states is likely to be very limited.

As in previous negotiations, the industrial countries were for ever anxious to avoid giving any definite undertakings. As a rule they merely took cognisance of the problems, promising to give them their sympathetic consideration. In most cases they suggested that the matter be further examined; in some they even went as far as agreeing to the setting up of committees, but, generally speaking, matters went no further than some extremely vague decisions, susceptible of many different interpretations.

In the sphere of raw materials for example the committee concerned came to two conclusions: Firstly, that the possibilities of rationalising the marketing and distribution systems³ should be investigated still further (the industrial countries wanted the inquiry restricted to cocoa) and, secondly, that the problem of how to strengthen the competitiveness of natural products relative to synthetics also needed further study.⁴ The chances of such studies producing any concrete results are, however, rather limited. For in this area especially it is not easy for the Western industrial states, bound by the basic principles of their market economy, to agree to concessions. Effective structural changes which might lead to improvements in the export position of the LDCs are therefore highly unlikely.

On several occasions, the representatives of the industrial states solemnly assured the economically weak nations of their willingness to help them in their efforts to achieve the necessary diversification⁵; yet the rich nations were unable to agree on a common programme of action, and in the end the subject of diversification was merely referred to the Council for further consideration. Nor could any agreement be reached on any promising long-term measures to improve access to the markets of the industrial countries.⁶

Studies Galore

In the sector dealing with semi-finished and finished goods, too, the industrial states refused to agree to any concrete long-range structural policy designed to facilitate imports from LDCs. The resolution on this subject merely speaks of suitable and, if possible, long-term policies and programmes, adding that the Committee was in favour of a preparatory investigation to this effect being carried out by the UNCTAD General-Secretary.

³ Cf. draft resolution TD/III/C. 1/L. 5

⁴ Cf. draft resolution TD/III/C. 1/L. 8 and TD/III/C. 1/L. 15

⁵ Cf. draft resolutions TD/III/C. 1/L. 14 and TD/III/C. 1/L. 14/Rev. 1

⁶ Cf. draft resolution TD/III/C. 1/L. 11

Another question that was to be studied was how non-tariff barriers to trade could be removed.⁷ Thus even the establishment of a special committee to deal with this problem was deferred. What was set up was a committee on preferences, although, in the opinion of some industrial countries, such a committee should have been established only after the various at present existing preferential systems⁸ and offers of preferential treatment had been harmonised and extended.

The negotiations on the conclusion of sub-contracts between firms in industrial and developing countries⁹ as well as those on the harmful effects of restrictive trade practices of international business concerns¹⁰ resulted in recommendations that these questions should be studied further. But the appointment of experts to the committee that is to look into business practices should be proceeded with only after consultation with the governments of the countries concerned.

The discussion of the general problem of export promotion¹¹ produced nothing but a repetition of all the well-known demands and assurances. The industrial countries expressed their willingness to support suitable measures to promote exports from the Third World, but gave no undertaking to implement specific measures within a definite period.

Thus the only tangible result in the sphere of facilitating the movement of goods was the promise to conclude a cocoa agreement by the end of this year.¹² But, regrettably, the resolution to this effect bears an ominous similarity to that adopted at New Delhi four years ago and to numerous previous and subsequent pronouncements. In the light of past experience it must therefore be considered highly doubtful whether the Santiago resolution will in effect lead to the conclusion of such an agreement.

Partial Success in the Monetary Sector

If the LDCs failed to improve their starting position for the next round of GATT by getting the First and Second Committees to agree to far-reaching concessions, they were at least able to achieve some progress in the sphere of finance (Committee 3), and that in two respects. For the members of this group jointly pleaded for the setting up of a Committee of Twenty within the

framework of the International Monetary Fund (IMF) and for improved credit-terms.¹³

The resolution was however passed with a rider to the effect that its implementation was still to be discussed in detail within the IMF. This means that agreement on further important questions which were to have come up at Santiago have been postponed. This applies *inter alia* to the revision of the fund quotas, to the future distribution of Special Drawing Rights¹⁴ and possibly also to the question of compensating LDCs for the losses they incurred through the realignment of international currencies.¹⁵ The decision on the coupling of Special Drawing Rights with development aid was in any case postponed until the IMF has studied the problem.¹⁶

It is possible to argue that failure to produce decisive successes in the field of monetary policy was due to the fact that the Group of 77 did not submit their joint ideas until after the Conference had been in session for three weeks; yet there is evidence to show that other proposals did not fare much better although they had been tabled in good time. For once again all the hardy annuals of development policy such as the one-percent clause,¹⁷ supplementary finance and indebtedness¹⁸ came up for discussion without anything new emerging. The results of UNCTAD III differ neither in form nor in substance essentially from the results of UNCTAD II. The industrial countries pledged themselves — once again — to spend 1 p.c. of their GNP on development aid and to endeavour to allocate 0.7 p.c. of their GNP from public funds. New is merely that the World Trade Council is to work out proposals on methods of checking the present volume targets. On the subject of supplementary finance, the World Bank is to produce a study, and in the matter of indebtedness, there will still be no procedure that will automatically be applied when indebtedness reaches a certain level.

More Help in the Service Sector

Unanimous decisions were quickly reached in the negotiations on services such as tourism¹⁹ and insurance²⁰ in LDCs. The industrial countries declared themselves ready to increase their support in both these areas. It must be added, how-

⁷ Cf. draft resolution TD/III/C. 2/L. 5

⁸ Cf. draft resolution TD/III/C. 2/L. 6

⁹ Cf. draft resolutions TD/III/C. 2/L. 7; TD/III/C. 2/L. 14 and TD/III/C. 2/L. 17

¹⁰ Cf. draft resolution TD/III/C. 2/L. 5

¹¹ Cf. draft resolution TD/III/C. 2/L. 9

¹² Cf. draft resolution TD/III/C. 1/L. 6

¹³ Cf. draft resolution TD/III/C. 3/L. 12

¹⁴ Cf. draft resolution TD/III/C. 3/L. 12

¹⁵ Cf. draft resolution TD/III/C. 3/L. 13

¹⁶ Cf. draft resolution TD/III/C. 3/L. 10¹

¹⁷ Cf. draft resolutions TD/III/C. 3/L. 4 and TD/III/C. 3/L. 4/rev. 1

¹⁸ Cf. TD/III/C. 3/L. 8 and TD/III/C. 3/L. 7/rev. 1

¹⁹ Cf. draft resolution TD/III/C. 4/L. 6

²⁰ Cf. draft resolution TD/III/C. 4/L. 10

ever, that these resolutions involve them in no specific financial commitments.

One minor agreement was reached in the matter of working out a set of rules concerning cooperation at shipping-line conferences.²¹ It was decided to push ahead with the preparatory work for such an agreement so that the whole question complex is ready for discussion at a diplomatic conference, if possible still in 1973. The LDCs are also to receive more aid – largely of a technical kind – to enable them to extend their port facilities.²² On the other points brought up in the discussion no progress was made.

Discussions took place also on the possibilities of extending East-South and East-West trade. These discussions once again showed UNCTAD's fatal inclination to stray beyond its own sphere by attempting to deal with all sorts of subjects that other organisations are probably much more competent to tackle effectively. The proper place for the problem of East-West trade is clearly the ECE. The discussion of this matter at Santiago – fruitless, of course – merely diverted attention from the problems of the developing countries. The tendency to waste time on superfluous subjects was also evident in the wearisome plenary sessions when such matters as the economic aspects of disarmament and the opening or rather the closing of the Suez Canal were aired at considerable length. As long as the UNCTAD officials do not eliminate such subjects from the agenda, they contribute at least indirectly to the failure of world conferences.

New Group Formations

That UNCTAD is nowhere near exhausting the subjects it is competent to deal with became evident in the Sixth Committee which was concerned with the least developed countries. True, the basic problem was not solved – i. e. the problem of how in present circumstances these states can be accorded special additional advantages. Yet the fact that it is recognised that certain countries have specific problems and that one is prepared to do something about them constitutes in itself a step forward which in the long run may have fruitful consequences.

A resolution was passed, urging intensified aid to the least developed countries²³ and recommending that several more countries be added to the group of 25 states which, according to the criteria established by the Tinbergen-Committee are at present classified as "least developed".²⁴

²¹ Cf. draft resolutions TD/III/C. 4/L. 2; TD/III/C. 4/L. 15 and TD/III/C. 4/L. 16 as well as draft resolution TD/L. 74

²² Cf. draft resolutions TD/III/C. 4/L. 3; TD/III/C. 4/L. 11 and TD/III/C. 4/L. 12

²³ Cf. draft resolution TD/L. 87

Besides, a group of experts is to be formed to investigate the problems of island states, and special development programmes for countries without access to the sea are also to be discussed.²⁵

Few Obligations

Here too – despite the undoubtedly meaningful discussion – the LDCs obtained no trade or similar concessions as proceedings were largely confined to "talk" and "discussion".²⁶ The same applies, generally speaking, also to the three working parties. The first of these was concerned with UNCTAD's own institutions. One of the most important subjects for debate was the demand of the LDCs that UNCTAD be transformed into a special organisation. In spite of resistance from industrial countries and criticisms from the socialist states, the working party by a majority decision approved a draft resolution to this effect and submitted it to the plenary session for further consideration. The second working party concerned itself with regional integration. Here the developing countries asked above all for financial aid from the Western industrial countries, the socialist states and the multilateral organisations to help them organise their economic cooperation and regional integration. The third working party dealt with the relatively new question of the transfer of technology to LDCs. The main points of the resolutions passed by this group were as follows:

- More financial and technical aid to facilitate the transfer of suitable technologies;
- Promotion by the industrial states of such transfers through their market economies;
- Influence to be exercised by the governments of industrial states on private investors to get them to use technologies suitable for the particular developing country;
- Research in this field to be encouraged;
- A joint inquiry by UNCTAD and the International Patent Organisation into the possibilities of transferring more patented and non-patented technologies;
- Prevention of restrictive practices by multinational business concerns.

Meagre Results

Thus on the credit side of the Santiago Conference stand only the agreements on tourism and insurance, limited successes in the shipping sector, hopes of a gradual improvement of credit-

²⁴ Cf. draft resolutions TD/III/C. 6/L. 5 and TD/III/C. 6/L. 12; also: L. 4 and L. 10

²⁵ Cf. draft resolutions TD/III/C. 6/L. 3 and TD/III/C. 6/L. 11

²⁶ Mocking abbreviation for UNCTAD – "UN Conference for Talk and Discussion"

terms and the decision to set up a Group of Twenty in the IMF. All other problems were once again laid aside indefinitely. This was by no means only due to the attitude of the Western industrial countries. The socialist states for their part did not exactly distinguish themselves by their readiness to make concessions either. And the Group of 77, too, must take a share of the blame, for the large number of its members makes it much too cumbersome an organisation to negotiate effectively under time pressure. The process of arriving at a consensus of opinion is a very lengthy one and often leads to exaggerated, if not utopian, demands.

In view of the hardly satisfactory outcome of the Conference, the question that must of necessity be asked is whether the great expense of UNCTAD III was worthwhile. Why, one may ask, was it necessary to transport more than 2000 delegates and observers to a conference at the other end of the world so that they could there continue their routine work? Why is the work not left to the Geneva Committees which deal with these matters anyway and discuss them with representatives of the other states?

UNCTAD III leaves many questions unanswered, and this is why it would perhaps be advisable to dispense in future with such monster gatherings. On the other hand, there is no denying that a world conference produces a certain positive image of the entire development work. Once every four years those engaged in this work have the feeling that the world is watching them. The industrial states, the developing countries as well as the Eastern Bloc are all given an opportunity to play their part in the negotiations. The result of dispensing with world conferences in future may be that the whole development machinery may gradually grind to a halt. One possible analogy is the experience with great international fairs: At these fairs many firms are represented at great expense to themselves, although most of their business is done throughout the year. And yet, potential customers have slowly got used to such events with the result that the fair becomes worthwhile for the participants.

It is by no means impossible that in the longer run UNCTAD will become similarly successful. But so far this has not been the case, and as far the future is concerned, prospects are not exactly bright.

External Financing Problems of LDCs

by Sidney Dell, New York *

In INTERECONOMICS No. 3, 1972, Dr Erhard Eppler, Federal Minister for Economic Cooperation, expressed the view that the developing countries at UNCTAD III would not be content with mere benevolent declarations by the developed nations; on the other hand he saw less chance that the western developed countries might offer more concessions that would be regarded as adequate by developing countries than had been the case at the two previous UNCTAD sessions.

UNCTAD III having taken place, it will be apparent that Dr Eppler's forecast last March was entirely realistic. It is easy to see, in a general way, why the Conference encountered difficulties. The preoccupations of governments in the developed countries with such matters as the war in Viet-Nam, the international monetary crisis, the new developments in East-West relations, questions of disarmament and the environment, and the many ramifications of the enlargement of the European Economic Community no doubt made it difficult to obtain the degree of high level governmental attention to development problems

that would have been required for a more constructive outcome at UNCTAD III. And yet the development problem is second to none. The very fact that the major trouble spots in the world are to be found in developing countries indicates that failure to deal promptly and effectively with the issues that arise in the development field is only to store up even greater problems for the future.

Willingness to Render Assistance

Dr Eppler suggested in his article, that "willingness to render assistance is dwindling in the industrialized nations." This may be true of some of

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