

Lemper, Alfons

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# Philosophy and Policy

by Dr Alfons Lemper, Hamburg \*

**On the 3rd of May there begins in Nairobi the fourth UNCTAD Conference. It is in a way like the fourth landmark on a way that has taken twelve years so far to travel; a good opportunity therefore to review critically to what extent the claims made on behalf of these conferences are justified, what success they have achieved and what the prospects are of their achieving further successes in the future.**

In our fast moving times it is only too easy to forget that the history of world trade conferences in our century did not begin with the resolution of the UN General Assembly passed on Dec. 19, 1961, asking the Secretary General to find out from the members what they thought of the idea of calling together an international trade conference; nor did it begin with the resolution adopted on Aug. 3, 1962 at the 34th meeting of ECOSOC to call such a conference. This history goes back at least as far as the year 1927. In that year the so-called "World Economic Conference" met in Geneva from May 4 to 23, and even before that time there had been international economic conferences. Even the agenda of the Geneva Conference of 1927 already showed remarkable similarities with the later UNCTAD-conferences. The aim was in every case to establish a diagnosis of the general world economic situation and to submit to the governments concerned certain recommendations.

## Precursors of the Conference

At that time, that is in 1927, the predominant objective of the Conference was to secure peace. This peace objective was gradually pushed into the background at the later UNCTAD-conferences by the development objective. The nearly 40 years since 1927 which witnessed a not insignificant economic upsurge in the industrial countries, also saw, and forced the world to take note of, the emergence of the vital and dramatic problem of the uneven and unequal development in the various countries of the world.

The Second World Economic Conference in London — in 1933 — was strongly influenced by the severe economic crisis of the time and plainly under the shadow of the incipient restrictionist tendencies which in the form of an almost epidemically growing bilateralism all but strangled

world trade. The World Economic Conference of London was generally considered to have failed.

The third conference of the series, to which Raúl Prebisch in his opening speech at the first UNCTAD-Conference in 1964 expressly referred and which he regarded as a precursor of the last-named, the Havana Conference of 1947 by calling itself "Conference on Trade and Employment" had already effected a distinct shift of emphasis in comparison with the first two conferences in Geneva and London. The primary concern of that conference was to deal with, and, if possible, remedy, the bad effects of the great world economic crisis and the bilateralisms of the thirties. Havana, incidentally, is a good example of a conference which, even if it falls far short of its maximum objective, can nevertheless be a great success if it manages to take concrete decisions in a limited sphere — decisions which are carried by the actual and not only the professed approval of the majority. As is well known, the so-called "Havana Charter" failed to obtain a majority; in its place there was only adopted the "General Agreement on Tariffs and Trade (GATT)". This agreement proved in subsequent years to be extraordinarily effective — though predominantly in the interests of the industrial countries.

In the twenty years between Havana and Geneva 1964 the world underwent a thorough change. A relatively slight rivalry between the blocs turned into a massive "cold war". But above all, the industrial countries experienced a prolonged and nearly uninterrupted period of prosperity which made the wide and ever growing gap between them and the so-called developing countries plain for the whole world to see. The states of the Eastern Bloc in the meanwhile managed to employ their position as "not-yet industrialized countries" and as trade-political outsiders in the political

\* Deutsches Übersee-Institut (German Overseas Institute).

game. Both superpowers — the USA and the USSR — regarded their policies vis-à-vis the Third World from the very beginning much more from a standpoint of power politics than from an economic, let alone a development political, angle. Not until more recently did the socialist countries of the East find it increasingly difficult to pose as the exclusive and natural coalition partners of the Third and Fourth Worlds. Ever more striking becomes the conflict of interests between the Eastern Bloc states and the developing world with the divergent interests becoming plainer as industrialization progresses and the Eastern Bloc's policy of economic self-sufficiency becomes more evident. They have failed to come up to the expectations the developing countries placed in them as trading partners and as providers of development aid — expectations which in the light of the political realities and the existing economic power structure they were bound to entertain.

#### **Prebisch's Achievements**

To form a proper judgment of UNCTAD's activities it is very important to realize that, contrary to Havana, the initiative this time came from the developing countries. There noticeably grew up in those countries a consciousness of their historical and dramatic change of role; they increasingly realized that under the rules according to which the interplay of world economic forces was played, the cards were — due to the system as such — stacked against them. Whoever is looking for an analysis of the background, motives and expectations of the UNCTAD-movement could not do better than read the various works by Raúl Prebisch, UNCTAD's first Secretary General, and above all his famous Statement of the opening of the first UNCTAD Conference in Geneva in 1964 which he entitled "Towards a New Trade Policy for Development".

That Statement linked in an excellent manner and in a terse and concrete form a hitherto hardly known analysis of the world economic situation and its new problems and their background with the concept of a strategy to which he managed to pin down the developing countries almost without exception. It is one of Prebisch's outstanding achievements to have offered a philosophy as well as a strategy which made it possible to bring the rather diffuse interests of the developing countries onto a common denominator and to enable the interests to be presented in the councils of the world with one single voice, thus giving them greater political weight.

The theses on the inequality of development chances, on the unequal bargaining power and similar flaws inherent in the system have subsequently been greatly elaborated in various other papers

amongst others by Amin, Evans, Braun and Emmanuel who in their various ways have thrown light on one aspect or another of the problems, particularly also the problem of the relationship of economic dependence. But thematically and programmatically the UNCTAD movement still draws its inspiration largely from the ideas of its first Secretary General.

#### **Starting Points of UNCTAD's Philosophy**

What were the main points of his concept? He started initially from the conviction that at the latest by the great economic crisis of the inter-war years, for which the ground had already been prepared by World War I, the old world trade order had already been undermined by an intensified policy of national economic self-sufficiency, job-creation programmes and import substitution. That would have been the time to replace the old order by a new one. In Prebisch's opinion, the old order consisted essentially of a liberal vertically shaped trading system in which under the leadership of Great Britain manufactured goods of the few existing industrial centres used to be exchanged for the raw materials of the periphery. These patterns of trade which had established themselves under the banner of largely liberal trading conditions on the basis of the theory of the division of labour and of comparative costs were to have been given a fresh lease of life or restored, respectively, by the agreements reached in Havana (GATT). But here UNCTAD for the first time challenged the principles according to which GATT was functioning and this criticism has remained essentially the same until the present day: "The rules and principles are also based on an abstract notice of economic homogeneity which conceals the structural difference between industrial centres and peripheral countries with all their important implications. In short, GATT has not helped to create a new order which must meet the needs of development nor has it been able to fulfil the impossible task of restoring the old order" (Prebisch, *Towards a new strategy . . .*, p. 7).

The second point followed logically from the starting point already briefly outlined and from the firmly fixed role of the peripheral countries as providers of raw materials. Experience has taught us that the dynamism which prompts technical progress is to be found on the side of industrial goods which in turn favours the centres. Prebisch took great pains at uncovering "the deeper roots" of the empirically observable fact that the terms of trade of the peripheral countries are of necessity liable to deteriorate compared to those of the centres. The structural discrepancy between both groups was, according to him, responsible for this

phenomenon; and he thought that this discrepancy could not be eliminated by a resolution of the peripheral countries alone.

The process of the secular deterioration of the terms of trade as diagnosed by Prebisch increased and accelerated the discrimination of the peripheral countries: As, in his view, the peripheral countries depend for their own development on large imports of appropriate "development goods", which must be paid for in foreign exchange, the development process is even more unfavourably influenced by the negative trend of the terms of trade.

A third basic assumption of UNCTAD's philosophy was the conviction that the influx of foreign exchanges required to pay for the necessary imports should be produced, not only by the traditional export of raw materials, but also by intensified exports of manufactures. Last but not least, the peripheral countries hoped that by obtaining easier access to the markets of the industrial countries for the industrial products of their own they would be more fully integrated into the world economic system with its division of labour.

UNCTAD's fourth main starting point for overcoming the basic discrimination against periphery, has been and still is, demanding more direct aid from abroad and also improved terms for financial transfers.

### Unchanged Postulates

If one looks through the catalogue of postulates, which the UNCTAD conferences have on occasion made their own, one finds in retrospect that they have hardly changed over a period of twelve years. Raw material policy, access to the markets of the industrial countries for their manufactures, technology transfer, participation in the shaping of international monetary policy, access to capital resources, direct and indirect public aid — all these points and areas keep regularly recurring in UNCTAD's resolutions, declarations and agendas. Only the emphasis changes from Conference to Conference in the light of the political discussions of the day. Even if at the Conference in Nairobi the subject "New International Order" is deliberately and emphatically placed in the foreground, it should not be overlooked that at least on the first UNCTAD-Conference in Geneva the same demand for a new order was expressly made.

### Few Successes

Looking at the plainly visible material successes the UNCTAD-policy has so far achieved against a background of the widening gap between the First, Second, Third or possibly also the Fourth

World, one finds that these successes are small, too small in fact to have made a significant contribution towards the removal of the fundamental areas of tension which are bound to influence our future and thus in the ultimate resort social life of mankind. The industrial countries have hitherto been much too inclined to see their role as a purely defensive one. If they made effective, constructive concessions at all, they were made reluctantly. Before however proceeding to apportion blame to one side or the other, it would seem to be more reasonable to ask oneself whether the policy of UNCTAD itself, which as a subsidiary body of the UN is after all responsible in this field, does not perhaps suffer from certain important congenital defects.

The first defect could be due to the fact that even in the Third and Fourth Worlds one is not at all clear what is exactly meant by economic development process which one is, on the other hand, unanimously approving. It would seem that the development process is much too much regarded as something that can, or should be, imported or exported, in whatever form without sufficiently emphasizing that any kind of import of know-how or development goods makes sense from a development political point of view only if that import is not arranged fortuitously or to satisfy narrow sectional interests but is solidly based on a consistent internal development concept. The slogan of collective self-reliance which in recent years has been widely used certainly hits the nail on the head, but the public utterances in support of it sound in every case too timid to carry conviction.

### Traditional Thought Patterns

The second flaw in UNCTAD's philosophy would seem to me to be clearly linked to the first: it is the too strong adherence to traditional thought patterns which aspire to economic cooperation on a world level on the basis of a so-called international division of labour. This concept allocates to the peripheral countries for an indefinite period the role of a less prosperous junior partner. But quite apart from this it also perpetuates the exchange patterns in their traditional form of centre-periphery trade with all its disadvantageous consequences for the weaker trading partners of such a vertical competitive relationship. There is a strong presumption that the very existence of this type of trading pattern has increased the dependence of many peripheral countries on the centres, while effecting in these peripheral economies a much too heavy emphasis on exports. The creation of domestic markets, with the inclusion of the neighbouring countries' markets has not been given anything like enough priority

which it would have merited in the interest of a more independent self-supporting development.

### Static Distribution Concept

A third basic political error seems to me to lie in the excessive concentration on a definite, in this case primarily static distribution concept. A distribution problem is of course always inherent in any economy due to its very nature. The distribution problem would however be much easier to handle if the problem would be one of the zero-sum game kind; that is if one could proceed from the assumption that that which one side gives or had taken away from it accrues to the other side in the same measure. But unfortunately things are not as easy as that, particularly as the distribution must be regarded as a dynamic process. The recent transfer process in favour of the OPEC states is providing us with relevant experience in this regard.

The distribution problem is very similar to the transfer problem. It is quite possible in the short run to achieve or to enforce income transfers by taxation, customs duties or price-political measures; but who in the ultimate resort is to profit by such transfers and in which way is difficult to say, just as difficult in fact as to say who and to what extent is the ultimate bearer of a certain tax burden.

On the other hand, a transfer policy may be effective in achieving its development-political objective if it is not too much geared to its alimentary function. "Give a hungry man a fish and he has food for one day. Teach him how to fish and he will always have enough to eat." It is of course possible by income transfer to effect a shift in some of the demand without total demand diminishing in the short run. Whether this is possible in the long term is an open question. If it is not feasible and if the beneficiaries of the transfer do not succeed in making use development politically of — to them — the more favourable distribution, the total result of a transfer process may well be negative for all concerned.

Fourthly and in conclusion it would be reasonable to ask if UNCTAD's strategy is clever with respect

to form. It regards as its main forum of action the big Conferences which take place every four years and believes in the elaboration of papers in a multitude of committees or by specially commissioned experts. The three first UNCTAD-Conferences, rather than negotiate concrete objectives, tended to concern themselves in the main with political strategy. Experience has shown that such large assemblies are unsuitable for negotiating and achieving concrete objectives, particularly if the lists of items on the agenda are so overburdened with such a multitude of subject matter and problems as has hitherto always been the case. It has also been shown to be possible to achieve in concrete negotiations outside UNCTAD some demands which had previously been voiced — not so successfully — in a plenary meeting.

### Words and Acts

Time is running out. With every day that this basic development pattern endures the danger of unbridgeable conflicts increases; we seem to be drifting aimlessly and rudderless towards the abyss. Seen against this background UNCTAD's past policy can hardly be described as a total success: The problems which confront it and the measures it proposes for their solution do not correspond with each other. Perhaps such conferences are necessary in order to advance the gradual formation of a general consciousness. Maybe some of the modest successes could only have been achieved because UNCTAD had been at work. What is certain is that the process of solidarisation in the Third and Fourth Worlds increases the willingness of the other side to make concessions. It is also possible that at the present time there is no alternative to these big conferences. The question is only to what extent the "conference-show" becomes an end in itself — get-togethers at which amid a welter of high-sounding abstract discussions of generalities any chance is lost of achieving concrete but limited partial objectives. It does not enhance the reputation of such conferences to pile up again and again mountains of problematic items or even resolutions which lead to such few concrete results. Words must be followed by more acts.

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