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Small Reason for Rejoicing after UNCTAD

Never before has a meeting of UNCTAD concluded with so massive successes for the LDCs as the conference in Nairobi, even though the commentaries on it often completely forget to report about the small but by no means negligible progress in promoting trade in semi-finished and finished manufactured goods and in helping those countries which are particularly disadvantaged. For, the focus of UNCTAD IV was the reorganisation of the commodity sector by the integrated commodity programme and the regulation of the indebtedness problem.

In these two fields, the "Group of 77" succeeded in achieving a breakthrough. The industrialized countries, which had never concealed their aversion against the well-known demands, yielded under pressure of world public opinion and made substantial concessions. They agreed to the conclusion of an unlimited number of commodity agreements. Negotiations are to be continued during the coming autumn and next spring. Among the subjects to be discussed is also the Common Fund for supporting the Commodity Programme, which had hitherto been a bone of keen contention. The regulation of the problem of indebtedness is to be the task of a forthcoming international conference.

There is no reason for surprise that the LDCs celebrate this result as a great victory. The poor nations of the world have again had it their own way against the rich ones in an important international forum. But will this political success also

profit the victors economically? In the first inebriation of success at Nairobi, many representatives of LDCs have indulged in such wishful thinking. But should they really succeed in carrying to practical fruition their ideas in the planned form, they will not be able to evade the shock of rude and disappointing awakening.

Above all, the desired *dirigisme* in the field of commodities is not on accord with their aims regarding growth, industrialization, and full employment in any way. The European Agricultural Market offers numerous impressive examples for the fact that such a policy, in the long run, leads to a dead end. Capitalist economic theories may be made fun of or satirized; but it cannot be denied that this kind of *dirigisme* produces misdirection of labour, capital and technological knowhow within individual national economies and the world economy as a whole. One of the regrettable victims of this mismanagement will be the desired growth for the Third World.

Precisely because raw materials are of such eminent importance for LDCs, the fixing of prices at a level which does not correspond with the requirements of world trade may have disastrous effects. It favours the survival of monocultures, putting obstacles in the path of desirable diversification, acting as a brake upon growth in the industrialized countries which are dependent on raw materials, so that their capability of making available further development aid shrinks. It can hardly be excluded that

a sizeable number of LDCs — in a similar way as through the price boom for crude oil — will suffer from new and heavy financial burdens through other commodities becoming more expensive.

Neither will commodity agreements with a Common Fund be able to help LDCs to improve their economic situation in a stable and long-term manner. In the long run, on the contrary, the desired *dirigisme* to which, if possible, all commodities are to be subjected, instead of leading to fuller integration of world trade, is likely to produce steadily increasing disintegration.

To state this does not mean to argue, on principle, against all commodity agreements. In individual cases, they are justified to counter short-term and excessive price fluctuations, and in such cases, they will be of advantage for both suppliers and consumers. But in the cases of raw materials with relatively stable prices, such agreements will only foster further distortions of world trade.

Those who rejoice today about the acceptance of the commodity programme of Nairobi should not forget that this does not, in itself, guarantee a higher income for LDCs. In the future as now, the main need will remain the accumulation of the capital required for development through additional savings and increased exports of non-traditional goods. As always, rising development aid and private economic cooperation will remain indispensable requirements.

Dietrich Kobschull