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UNCTAD V and the Prospects for the 1980s

by Uka Ezenwe, Zaria, Nigeria *

Since the establishment of UNCTAD in 1964 as a permanent organisation for the promotion of the developing countries' trade and development interests, the substantive issues and problems have remained more or less the same. Dr. Ezenwe analyses the reasons why a yawning gap exists between expectations and results and suggests a change of strategy for UNCTAD V.

Although the scope of issues and problems raised and discussed at the successive meetings of UNCTAD may have widened since its establishment in 1964 as a permanent organisation for the promotion of the trade and development interests of the developing countries (LDCs), especially since the emergence of the search for a new international economic order, the substantive issues and problems have remained more or less the same. With regard to the solutions to these problems UNCTAD has met big promises with little performances.

The effort at systematic, accelerated development dates back to the middle of this century for most LDCs; and for many countries, especially those in Africa that gained independence only in the early 1960s, the relevant experience is even shorter. Analysing the problems of today in the light of the experience of the past quarter century one is tempted to conclude that the record of LDCs is both encouraging and sobering. Economic growth in the developing countries has exceeded original expectations and their economic, managerial, and physical capacity for further development has *ipso facto* been greatly strengthened. Over the past 25 years income per person has increased by about 3% a year. When Table 1 figures for all LDCs are adjusted for population growth rates, the net annual growth rate would be well over 3%. Contrasted with what little can be gleaned of the experience of these countries before 1950, this is a substantial improvement over the histor-

ical record. Besides, it compares very favourably with the growth rates achieved by the now developed countries over the period of their industrialization: income per person grew by less than 2% a year in most of the industrialised nations of the West over the 100 years of industrialization beginning in the mid-19th century. Even in Japan, which has been one of the most rapidly growing of the industrialized countries, the long-term rate of growth in income per person is estimated at less than 2.5% a year.

Table 1
Growth of GDP, 1960-1985

| | 1960-70 | 1970-75 | 1975-85 |
|-----------------------------|---------|---------|---------|
| Low Income Asia | 2.4 | 3.9 | 5.1 |
| Low Income Africa | 4.3 | 2.8 | 4.1 |
| Middle Income | 6.3 | 6.4 | 5.9 |
| All LDCs | 5.5 | 5.9 | 5.7 |
| Industrialised Countries | 4.9 | 2.8 | 4.2 |
| Centrally Planned Economies | 6.8 | 6.4 | 5.1 |

Source: World Bank, World Development Report, 1978, London 1978, p. 27.

But, despite the successes, about 40% of the people in the developing world still live in absolute poverty, with incomes too low to ensure adequate nutrition, and without access to essential public services. As many as over 67% of the entire population of LDCs are seriously poor (see Table 2). Even allowing for the seemingly good record of LDCs in absolute terms, there have

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been marked differences in the performance of individual developing countries. Growth rates have generally been lower in the low income countries of Africa and Asia, where the majority of the world's poor live. Income per capita has risen by less than 2% per year in countries accounting for 50% of the population of the LDCs in the last quarter of a century.

Table 2

Poverty in Developing Countries, by Regions, 1972

(Millions and Percentages)

| | Total Population (millions) | Seriously Poor ^a | | Destitute ^b | |
|---------------|-----------------------------|-----------------------------|----------------------------|------------------------|----------------------------|
| | | (millions) | (Percentage of population) | (millions) | (Percentage of population) |
| Africa | 345 | 239 | 69 | 134 | 39 |
| Asia c | 1,196 | 853 | 71 | 499 | 42 |
| Latin America | 274 | 118 | 43 | 73 | 27 |
| Total d | 1,815 | 1,210 | 67 | 706 | 39 |

^a The "seriously poor" are defined as those with annual per capita incomes of up to US \$ 115 in Africa, US \$ 100 in Asia, and US \$ 180 in Latin America.

^b The "destitute" are defined as that portion of the seriously poor with annual per capita incomes of up to US \$ 69 in Africa, US \$ 50 in Asia, and US \$ 90 in Latin America.

^c Excludes People's Republic of China, with a 1972 population of approximately 800 million.

^d Excludes People's Republic of China; also excludes developing countries in Europe and Oceania with a 1972 population of about 25 million.

Source: ILO International Labour Office, Employment, Growth, and Basic Needs: A One-World Problem. Originally published by the International Labour Office (Geneva: 1976). Also published for the Overseas Development Council by Praeger Publishers Inc., New York 1977, p. 22.

Factors responsible for the backwardness of such a large proportion of LDCs are of two kinds: those that can be attributed to factors within the countries concerned, and those that might be traced to their external environment. The internal factors, which fall outside the scope of this paper, include low levels of productivity to begin with, poverty of natural resources, high rates of population growth, faulty domestic economic policies and the like. The external factors have to do with the international environment. The LDCs' exports have increased more slowly than those of the industrialised countries over the last few decades due in the main to forces beyond the control of LDCs (see Table 3).

The slow growth in world demand for tropical products, especially beverages and hard fibres, which are among the major exports of LDCs remains a key problem. Furthermore, typical LDCs exports face higher tariff and non-tariff barriers than do products of developed countries. Indeed, there has been a marked increase more recently in protectionism in the industrialized countries and pressures for further measures are strong.¹ These pressures partly stem from the continued slow growth of the industrialized countries and

their consequent high levels of unemployment, and partly are the result of the concentration of developing countries' export growth in relatively few categories of manufactured products. The protectionist measures have entailed the use of a wide variety of devices, for instance "orderly marketing arrangements" and new import quotas; price floors on imports, as in the case of steel and agricultural products; new "voluntary" export restraints; "countervailing duties"; administrative obstacles to imports; and subsidies to domestic industries to sustain levels of production in excess of those justified by demand.

There have been calls for the control of market shares on a regional or worldwide basis and for extending protection to a wide array of products.² The restrictions on exports of clothing and textiles from LDCs are based, for example, on a system of bilateral quotas, involving a quota on each group of textile products from a particular exporting country to a particular importing country, governed by the internationally agreed rules and procedures of the Multi-Fibre Arrangement (MFA) which was originally negotiated in 1973 and

Table 3

Growth of Merchandise Exports, 1960-1975

(Average Annual Percentage Growth Rates, at 1975 Prices)

| | Total World Trade | Industrialized Countries | Developing Countries |
|--------------------------------|-------------------|--------------------------|----------------------|
| Food and Beverages | 4.1 | 5.2 | 2.8 |
| Non-Food-Agricultural Products | 4.5 | 5.6 | 2.6 |
| Non-Fuel Minerals and Metals | 3.9 | 3.1 | 4.8 |
| Fuel and Energy | 6.3 | 4.2 | 6.2 |
| Manufactures | 8.9 | 8.8 | 12.3 |
| Total Merchandise | 7.1 | 7.5 | 5.9 |

Source: World Bank, op. cit.

has recently been extended through 1981. The provisions of the MFA designed to protect exporters have been weakened, and more restrictive quotas have been imposed. All these types of measures adversely affect developing country exporters: quantitative restrictions and market sharing agreements limit their sales in industrialized countries directly, while subsidies to weak industries, employment of industrial standards, health regulations, packaging requirements, customs valuation practices, among others, do so indirectly. Evidently, one can conclude from the foregoing that the prospects for rapid export expansion in LDCs in the near future are not very bright.

The other option to export-based capacity to import is to rely on the supply of external capital

¹ See World Bank, World Development Report 1978, London 1978, p. 14.

² Ibid.

through aid and foreign investment. Here again the picture is gloomy. Officially, the aid climate is fraught with disillusionment and distrust because foreign aid has become an experiment in international co-operation in which both the donors and the recipients have been exposed to more problems than they anticipated at the start. One of the aims of the first development decade was for the developed countries to provide 0.7% of GNP as official aid to the developing countries. But today – seventeen years after the declaration – only three countries, – Sweden, the Netherlands and Norway – have achieved this figure. In the case of the United States, which furnishes about 30% of the total assistance from the Development Assistance Committee (DAC) of the OECD, its share of official aid as a ratio of GNP has declined steadily from 0.52% in 1960 to an estimated 0.21% in 1980. With the exception of the three complying countries, the growth of official assistance both on individual and global bases has either stagnated or actually fallen over the last twenty years.

Privately, capital market imperfections (institutional, legal and other) have weighed more heavily on LDCs' borrowers than on those from developed countries; and the policies of transnational firms in their host countries, to say the least, have not always been aligned against the countries' priorities. It is against this sombre background that any meaningful analysis of the LDCs' demands within the framework of UNCTAD must be examined.

UNCTAD Proposals and their Implementation

It is not easy to briefly summarise the main proposals and/or resolutions of UNCTAD as regards the demands of LDCs' so far. Nevertheless, the political statement known as the "Manila Charter" and an action programme, which the Group of "77" worked out and adopted in Manila (Philippines) early in 1976 after a two-week ministerial conference for presentation at UNCTAD IV represents a good summary of the LDCs' case. The main provisions of the action programme and areas of agreement on them are briefly discussed in the following.

1. The Manila conference asked for the abolition of tariffs and non-tariff barriers set up by the developed countries against manufactured and semi-finished goods from the LDCs and improvement in the system of generalised preferences. At UNCTAD IV in Nairobi a measure of agreement was reached in respect of commodity trade. An integrated programme was adopted, involving a study and then negotiation, by the end of 1978, of 18 individual commodity agreements. It was further agreed that there would be a study and

then negotiation, starting in March 1977, of a common fund to co-ordinate the financing of regulating stocks.

The integrated commodity programme will no doubt face serious implementation problems. First of all, neither the LDCs nor the industrialized countries did any serious study of the nature, implications, financing and operations of the integrated programme before the Nairobi conference, hence no actual negotiations took place at Nairobi pending further studies. Besides, some members of both groups were not enthusiastic about the scheme.

Some developing countries, like Argentina and the OPEC members, whose major export products are not included in the agreed list, only went along for the sake of the LDCs' solidarity. The attitude of some advanced countries ranges from open opposition to disguised indifference. The United States, West Germany, Britain and Japan appear to have opposed the scheme, partly because of their conviction that there is some "divine right" in the principle of free trade for all to appreciate and, partly, though perhaps principally, because of opposition from their domestic industry, labour movements and statesmen.³ And if these countries decide to withdraw from the integrated scheme, its success will be in doubt.

2. The LDCs wanted an increase in public aid from developed countries (including eastern countries) to the target level of 0.7% of their GNP by 1980; and enactment by these countries of a "tax for development". Furthermore, at least 90% of the public development aid should consist of grants or interest-free loans and this aid should not be "tied", in the sense that it carries an obligation to buy from the donor country.

On the recurrent question of aid the Nairobi meeting merely recommended that developed countries with free market economies should step up official aid to or beyond the target figure of 0.7% of GNP and also contribute to a special fund for the LDCs. Socialist countries were asked to give a greater percentage of their aid to the Third World.

The agreement on aid, as noted earlier, is not new; and it is highly improbable that the results will now be different. Even if the socialist countries increase their total assistance to LDCs it will hardly change the picture since their share of total aid to the Third World is very small. In 1975 the net flow of official aid from all DAC countries, OPEC members and the centrally planned economies amounted to US \$ 17.09 bn⁴. Of this

³ See J. W. S e w e l l (ed.), *The United States and World Development: Agenda 1977*, New York 1977, pp. 88-93.

⁴ Ibid, p. 230.

amount the DAC countries contributed 79.5% (or US\$ 13.59 bn), OPEC countries furnished 16.1% (i.e. US\$ 2.79 bn) while the net flow of aid from the centrally planned economies amounted to 4.4% (or US\$ 0.75 bn). Unless the major donors, notably the US can show a change of attitude and a sense of commitment, it is difficult to see how the target level of aid can be achieved or enforced.

3. The advanced countries were requested to cancel the public debt of the most backward developing countries and to extend similar treatment to other countries most seriously affected by the recent recession. The LDCs also wanted a consolidation of the commercial debts of their members on terms providing for repayment spread over not less than 5 years; and the setting up of a fund or a bank to finance the short-term debts of developing countries.

At the meeting it was agreed that the situation of the least developed countries would be discussed — probably within the North-South dialogue — and that an attempt would be made to define a policy for the future so that individual cases could be treated as flexibly as possible. It is clear from the UNCTAD recommendation that the advanced countries would not want to deal with all LDC debtors or even the least developed among them as a group but would prefer handling individual cases on their merit thereby weakening the bargaining position of individual debtor countries. Besides, the idea of referring the problem of the mounting debts of LDCs to the North-South dialogue in Paris seems to give the impression of dodging the issue. It thus looks as if the across-the-board cancellation of the debts of the least developed among the LDCs will continue to elude the Third World.

4. The developing countries asked for a code of behaviour regarding technological transfers and emphasised that the only effective method of regulating technological transfers would be to set up a multinational instrument with real legal powers.

With respect to the transfer of technology the Nairobi conference agreed that the Paris Convention on Industrial Property be revised in such a way as to meet the needs of LDCs and avoid abuse of the rights attached to patents. Also, a group of experts were asked to draw up a code of conduct for the transfer of technology and research and development centres would be set up across the Third World.

It is one thing to draw up a code of conduct on the transfer of technology or to decree the setting up of research and development centres across the LDCs but quite another thing to enforce com-

pliance within the framework of UN agencies. The above declarations and lofty promises plus many more not mentioned here are very encouraging indeed. But what are the immediate prospects for their practical implementation? This question calls for a re-examination of UNCTAD's present approach with a view to evolving a more meaningful strategy for the future.

The poor performance of UNCTAD to date does not lie in the shortage of proposals nor even in inactivity on the part of its functionaries. On the contrary a cursory look at its activities reveals an almost endless proliferation of conferences, reports, recommendations and promises. Several factors are responsible for the limited achievements of UNCTAD of which the more important ones are touched upon here.

Problems Emanating from Industrialised Countries

The first issue relates to the hypocrisy and double standards often displayed by many, if not most, of the more developed countries (MDCs) at UNCTAD conferences. As indicated above, while the MDCs agreed at UNCTAD IV to cut out restrictive trade practices and improve the generalised system of preferences for LDCs without any reciprocal concessions and without discrimination in respect of trade in manufactures, protectionism in many industrialised countries has been on the increase since 1976. Another explanatory variable to the attitude of industrialised countries on the plight of LDCs turns on the latter's apparent insensitivity. On the question of the export instability of LDCs and its consequent income and development effects on their economies the rich countries try to explain away the danger inherent in this situation for world peace and security by appealing to their own internal problems. They also argue that development is 90% a domestic affair.

A third, and perhaps the most important factor is the use superior political and diplomatic power to

Table 4
Share of World Exports, by Groups of Countries, 1960, 1970 and 1975

| | 1960 | | 1970 | | 1975 | |
|--------------------------------------|------------|------|------------|------|------------|------|
| | \$ billion | % | \$ billion | % | \$ billion | % |
| Developed Countries | 84.98 | 66.7 | 224.2 | 71.8 | 580.70 | 66.1 |
| Non-OPEC Developing Market Economies | 18.86 | 14.8 | 37.5 | 12.0 | 96.70 | 11.0 |
| OPEC Countries | 8.53 | 6.7 | 17.8 | 5.7 | 114.20 | 13.0 |
| Centrally Planned Economies | 15.03 | 11.8 | 32.8 | 10.5 | 86.90 | 9.9 |
| Total | 127.4 | 100 | 312.3 | 100 | 878.50 | 100 |

Source: J. W. Sewell (ed.), *The United States and World Development, Agenda 1977*, New York 1977, p. 208.

forestall UNCTAD proposals. It is a well-known fact that the United States continues "to work both overtly and covertly to undermine the fragile yet resilient unity of developing countries, the alliance of OPEC and other developing countries, and Southern bloc tactics as applied in the United Nations, UNCTAD..." so long as their "international policies range from marginal annoyance to a serious threat to various US global policy goals".⁵ As a corollary to this the US emphasises the importance of bilateral relations with "key" LDCs (e.g. Brazil, Saudi Arabia, Iran) rather than their organisations.

Impediments Arising from the LDCs Themselves

All is not well with the LDCs themselves. Sometimes, some of the demands put forward by the LDCs are not very realistic; and they may not have been adequately studied and their implications carefully analysed. The issue of cancellation of debts on across-the-board basis discussed above is a case in point. Since the terms and uses of the loans as well as the disposition of individual donors can hardly be the same, it would be difficult to get all the donors to agree on the cancellation without examining each case on its own merit. Furthermore, because of the tendency to present proposals in a package the result is often a package of conflicting demands and interests. Consider the case for the common fund in the raw materials sector which seemed to form the plank of the LDCs' platform at UNCTAD IV. Many LDCs may not benefit from it since they do not export the commodities covered. On the other hand, Colombia, a coffee producer and a member of the group, asked the conference to exclude coffee because the scheme might stimulate over-production and so damage the interests of existing coffee producers.

What about the existing International Cocoa Organisation? What would happen to the US\$ 80 mn which the cocoa producing countries have already accumulated for price stabilisation in the organisation? Surely, no one can argue for the scrapping of schemes, such as the cocoa one, which are run by the countries most directly affected and by them alone.

A New Strategy for UNCTAD V

In view of the foregoing observations the following recommendations aimed at achieving better results at UNCTAD V are in order:

☐ In formulating proposals emphasis should be shifted from seemingly utopian ideals to a prac-

tical blueprint for immediate action. This would include reviewing some existing proposals to render them more implementable.

☐ LDCs should always do a thorough homework before formally presenting their proposals at UNCTAD meetings. A thorough study of proposals and their implications often helps to minimise or even eliminate areas of disagreement.

☐ The advantages of package agreements notwithstanding, a piece-meal approach to negotiations could sometimes be more rewarding than a package deal. In the case of commodity stabilisation schemes, it may be easier to concentrate on those commodities that fluctuate more widely, like coffee, cocoa, cotton, wheat, and achieve a good result rather than include too many products and render the scheme unwieldy.

☐ Although the OPEC member states already contribute about 1.35 % of their total GNP as aid to other LDCs, given the strength of their economies, they can be made to contribute more, especially to the financing of commodity stabilisation schemes.

☐ While asking for measures to improve external trade, greater attention needs to be paid to infrastructural development within individual LDCs in the interest of both internal and external trade. Bilateral links and regional projects also require more encouragement.

☐ It is possible to improve the export promotion and marketing arrangements of LDCs even within the prevailing situation in industrialised countries, and UNCTAD can make some impact in this area.

☐ UNCTAD should work towards reaching some measure of understanding with certain western powers, like the US which to date have demonstrably given minimal support to its activities, even if it means setting up a special unit for this purpose.

Finally, the LDCs need not be often reminded that in the final analysis the responsibility for development in their countries depends upon themselves. This may be correct, however, the development of LDCs demands some measure of co-operation from the MDCs. The cards are stacked against the LDCs, especially the least developed among them (see Table 4). The development gap between the rich and the poor is real, and if left to widen, will some day bring the world to crisis. Mentalities in the western world must be changed — which means accepting a modest lot. The quest for a new world order should mobilize politicians and awaken public opinion to co-operate with UNCTAD and other such forces in their task of promoting the trade and development interests of LDCs.

⁵ J. W. Sewell, *op. cit.*, p. 40.