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UNIDO III – A Predetermined Failure?

The start to the year 1980 has been anything but auspicious for the developing countries which expected it to bring great advances towards a New International Economic Order: After three weeks of negotiations the third world conference of the UN Industrial Development Organization (UNIDO III) ended in complete disarray. This was an altogether surprising outcome since last year's conferences had left a general impression of a softening of the hard fronts between industrialized and developing countries. The fifth UN trade and development conference in Manila (UNCTAD V) in particular had been appraised by many observers as marking the beginning of a North-South cooperation based on realism. If the Delhi conference did not take this trend any further, the main fault certainly does not lie with the concept of the UNIDO secretariat which was in charge of the preparations.

The secretariat presented in late 1979 a study containing eight proposals for the fields of financing, inter-company cooperation, technology transfer and trade which were to be given immediate effect. Nine recommendations for supporting programmes were made as well, together with further suggestions for accompanying measures. In implementation of the proposals the study urged that the existing economic relations between North and South were to be intensified within the framework of the so-called "global interdependence" and that the developing countries should reinforce their own efforts amongst themselves. To promote the establishment of industries in the Third World, UNIDO's present system of politically non-committal consultations on investment and relocation possibilities between companies, trade unions and government agencies was to be extended further.

The study's proposal of a global superfund for the industrialization of the developing countries was contested from the beginning. The industrialized western states and the eastern socialist countries were equally daunted by the fund-founding mania and objected to the establishment of the fund, if only because of its vast size of US \$ 100 bn. But apart from this fund the study offered a basis for negotiations and seemed perfectly capable of leading up to a compromise. The hopes of the secretariat for successful negotiations seemed at first to be confirmed by the regional conferences of the African, Latin American and Asian developing countries and by the contacts with several industrialized states and international organization.

That its aim was nevertheless not achieved is mainly due to the unexpected hardening of the common negotiating stance of the Group of 77. Failure was indeed inevitable after the meeting of the Group's foreign ministers in Cuban Havana. The declaration which they adopted there in December was in its political sections inspired by the idea of international class struggle rather than by a will to cooperate and showed in the economic sphere little understanding for the need to limit the measures to what is politically practicable. It proposed for instance that consultations should be held at government level and be binding, so that state planners would decide in the future at which locations in the world industries are to be set up or closed down. The 25 % target for industrial production is at

the same time to be divided into obligatory economic plans for specified regions, countries and sectors. Extensive resource transfers are demanded in order to make sure of finance for the industrialization process. Apparently, it seemed appropriate to the Havana delegates that the global fund, though already overdimensioned at the proposed US \$ 100 bn, should be boosted to US \$ 300 bn and that the necessary resources were to be raised, not chiefly through the capital markets, but by calls on the industrialized countries. To get rid of financial bottlenecks in the short term Fidel Castro further tabled a demand that the industrialized countries should increase their official aid in the eighties by US \$ 300 bn; already in the first year a minimum US \$ 25 bn are to be provided extra. With figures of this magnitude it seems barely worth mentioning that Castro's proposal is based on 1977 prices; at current prices the payments would be about twice as high.

It was clear a week after UNIDO III had opened at the latest that the conference had no chance of success, for the Group of 77 then presented the Havana declaration without any significant alterations as a joint negotiating paper in the form of a declaration plus action plan. That this document of the developing countries was bound to bring the whole conference to naught should have been foreseen, at least by the large group of moderate states. As the text was one which had been passed *de facto* by their foreign ministers, the delegations from the developing countries had no means of amending it at short notice. For this if for no other reason the strenuous last-minute attempts at mediation by the Indian conference chairman could no longer avail.

Lack of a joint alternative proposal of their own left the industrialized western states with no option except rejection of the programme. Not only are the *dirigiste* demands unacceptable to states with market economies but it is virtually impossible to find all the resources needed for the global fund and Castro's proposal, and even if these two projects were feasible under financial aspects, more general considerations of development policy would rule out the thus inevitably almost complete absorption of all aid funds by the industrial sector. Such an arbitrary concentration on one sector alone would be untenable given the high emphasis on rural development and the maxim that the basic needs of the population must come first.

The eastern socialist countries did not help, as was to be expected, but confined themselves to their usual loud protestations of political solidarity with the countries of the Third World. As to readiness for action in the economic sphere, the eastern bloc had to confess once again that it was not contemplating any additional financial transfers.

The great loser at the conference is undoubtedly first of all UNIDO itself. The developing countries went in many respects farther than the organization which is making the representation of their interests its prime concern. UNIDO must accept the blame insofar as it allowed too much time for the plenary debate, which was of very little significance for the course of the negotiations, and too little for the negotiations proper in the various committees and working groups. When the parties had finally made up their mind what to negotiate about there was not enough time left for negotiations. That one more day was added to the scheduled three weeks did not help. It has thus been demonstrated once more that to judge by their ability to produce results there is no longer much point in having this kind of international mammoth conferences.

The gains if any have gone to the industrialized western countries, especially the hard-liners amongst them, for they have made clear by their united stand that even the most compliant states cannot fall in with exaggerated demands by developing countries. In Delhi it became clear that the results of a conference may easily fall short of those achieved at earlier meetings if either side overshoots the mark.

To the developing countries and a few industrialized states this may seem disappointing. But all concerned have now time for reflection pending the next major round in the dialogue at the UN Special Session of the General Assembly in August. Whether this meeting will bring a repetition of Delhi or follow the more promising course of UNCTAD V will essentially depend on the readiness of all sides to make concessions.

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