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The Foreseeable End of the Common Fund

March 31, 1982 was intended to be a milestone on the way to the New International Economic Order. The Common Fund for Commodities was planned to come into force on that day and cast the entirety of international commodity policies into a new mould. The Fund is the most important part of the Integrated Programme for Commodities devised by the United Nations Conference on Trade and Development (UNCTAD). It was to form the umbrella organisation for – to begin with – eighteen commodity agreements organised on a world-wide basis and to enable the stabilising of the still highly fluctuating commodity prices in the producer-countries via the regulation of production, stocks and international trade, and to create the conditions necessary for an increase in prices and profits in the long run.

Particularly in the poorer developing countries, the commodity sector is the backbone of the economy. The founding fathers of the IPC therefore saw in the stabilising of prices and revenue in this sector the most important lever for achieving, to begin with, a consolidation of the economy as a whole. With such an improved basis it would be easier to introduce measures to speed up further development by means of diversification and industrialisation. The supporters of the New International Economic Order also ascribed to the Common Fund the function of a catalyst for the realisation of their wishes. For the Fund, once it had been set up, would not only necessitate the permanent existence of eighteen commodity agreements; in the long run it was intended to include numerous other commodities. In order to ensure its functioning, there would have been a good chance of letting measures which were much more rigorous and to a greater degree interventionist from the package of the New International Economic Order come into operation.

The attempts to push the New Order through by means of specific changes in the industrial sphere and in trade and exchange rate policy having obviously come to nothing, commodity policy and the Common Fund were the only hope left for the NIEO prophets. But these last budding hopes also failed to blossom.

More than a thousand meetings and conferences since the conception of the IPC finally ended with a result which hardly allows even professional optimists to see a glimmer of hope. The ratification of the agreement on the Fund would have required the signatures of ninety countries by the end of March, these countries providing two thirds of the starting capital of US \$ 470 million. Instead, on the appointed day the UNCTAD representatives could offer only twenty-two countries, which would have raised only 21 % of the capital.

The success in the case of the commodity agreements which were to be integrated was also extremely pitiful: within a period of several years a new agreement could be reached only for rubber. Although some of the regulations for sugar, coffee, cocoa, olive oil and tin which already existed before the IPC discussions were changed and extended, they show little inclination to place themselves under the protective umbrella of the Common Fund and in the keeping of the UNCTAD administration. Routine negotiations for the originally planned eighteen or more agreements are continuing but there is an embarrassed silence concerning their chances of success.

This debacle may be surprising since UNCTAD, especially following the recent, relatively long-lasting fall in commodity prices, should have the full support of the producer countries.

But obviously developments have taken place since the fourth UNCTAD conference in Nairobi in 1976 which have considerably dampened down the then widespread fund-and-agreements euphoria.

At that time, many developing countries succumbed to the illusion that by forming commodity cartels they could copy OPEC's example and force producer prices up to monopolistic heights. By now, general disillusionment has set in. Firstly, it had to be recognised after a short time that even the oil producers were having difficulty in enforcing their policy of rigorous price increases in the long run; secondly, it did not remain a secret that the hoped-for scarcity and exhaustion of natural raw materials was a legend.

Another factor which is becoming increasingly obvious is the political disunity and the differences in economic interests among the developing countries themselves. This fact was hidden in the IPC's early stages by the UNCTAD strategy of the greatest common denominator. Justice was done to every developing country, since everything was included in the list of demands which any group or any one country from the Third World held to be desirable from its own point of view. This "strategy" was bound to prove to be impossible, however – at the latest when in the course of serious discussions about putting the concept as a whole into practice it became clear that sacrifices had to be made not only by the industrialised countries but also by developing countries. The tendency – already to be observed in Nairobi – for this reason to make as few commitments as possible, has since become even stronger.

The holding-back of the already existing agreements from the Common Fund is symptomatic for the reluctance of those producer countries in a better economic position to support with their successes the economic backwardness, the erroneous economic policies or even the continuing existence of regimes which are politically, religiously or culturally undesirable. Furthermore, the newly industrialising countries in particular are relying on industrialisation rather than on the commodity sector. They are therefore far more interested in measures leading to industrialisation than in commodity agreements. The "second window" for industrial diversification which was built into the Common Fund later on is – if only because of its modest finances – anything but satisfactory to them. Their main concerns are the various forms of know-how transfer and of marketing facilities, which are more likely to be realised by cooperation with the industrialised countries than via broadly planned actions by large – and in the final analysis anonymous – UN organisations.

The growing dissatisfaction of all UN members with the increasing bureaucratisation, over-administration and remoteness from reality on the part of organisations which are supposed to work for the good of all countries is more obvious today than ever before. The repeated rejection of the Common Fund by the Reagan Administration and the continuing reticence practised by the European Community were therefore not even necessary to put a seal on the pitiful end of the IPC.

Judging by experience, the UNCTAD is hardly likely to draw the consequences from this. After all, why should one remove one's blinkers? The agenda and the lists of demands for the next, sixth world conference in June 1983 are already in preparation. Now that Gabon no longer finds itself in a position to offer suitable lodgings for the UN travelling circus, the Yugoslavian capital, Belgrade, will have the pleasure of experiencing the warming-up of programmes and demands which time has long since left behind. To admit to the failure of the Common Fund and to concentrate on the meaningful remains of the IPC – the stabilisation of export revenue by means of aid for financing and diversification measures – is hardly likely to come in question for UNCTAD. These fields are, namely, already occupied by the International Monetary Fund and the UN Organisation for Industrial Development. The waiving of the Common Fund and the Commodity Programme would be equal to a public confession of the superfluousness of UNCTAD. Since this cannot be expected, the chase after the phantom of a world of planned commodities and a New International Economic Order will continue. With much ado about nothing and up a dead-end siding.

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