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The Death Knell for Free World Trade?

The sixth session of the United Nations Conference on Trade and Development (UNCTAD VI) drew to a close in Belgrade in the early hours of 3rd July 1983. As always, the closing negotiations, in which mutual disapproval resurfaces and finds eloquent expression, had to be extended several times. Eventually, however, there emerged an agreed document with recommendations for the world economy, but it cannot be hailed as a forceful declaration of Belgrade on the causes of the world economic crisis and measures for overcoming it.

On this occasion there was much that differed from previous large-scale exchanges of views. The preparatory conference of the non-aligned nations in New Delhi had already indicated that a change in strategy was taking shape among the developing countries. Their previous catalogue of demands remained largely intact, but the fact that they were willing to allow a further postponement of the global negotiations that they still consider necessary on restructuring the world economic system and its institutions and to demand instead a programme of immediate measures based on cooperation to rescue countries in dire distress signalled a new sense of realism and compromise among the countries most severely affected by the world economic crisis.

The pragmatism inspired in Delhi by the economic difficulties unfortunately did not carry over into the UNCTAD secretariat. Firstly, the basic policy document for UNCTAD VI was unsparing in the blame it heaped upon the industrial countries. Their allegedly extreme anti-inflationary policies had pushed up interest rates and, in conjunction with growing protectionism, had reduced the market potential for goods from developing countries, thus changing economic conditions in these countries dramatically for the worse. The document gave little space to the importance of energy prices or even the developing countries' own economic policy mistakes. Secondly, the familiar notions about a dirigistic readjustment of the world economy were again pushed into the forefront. It became clear that the secretariat is making a vigorous attempt to raise UNCTAD to the status of an all-embracing world economic authority with power to set guidelines for policies relating to commodities, trade, development and currencies.

However, the developing countries did not fall in with this approach, which was still directed towards confrontation. The preparatory meeting of the Group of 77 in Argentina at the beginning of April closed with a moderate Declaration of Buenos Aires. The now almost obligatory criticism of the industrial countries was all but absent, and the stress lay firmly on cooperation. Even the proposal of certain African and Asian countries for coordinated action to turn the Third World's mountain of debt into a debt weapon was defeated by opposition from Latin American and Arab countries.

During the preparatory phase the catchword "interdependence" came increasingly to the fore. The Third World as a whole now accounts for around 30 % of world merchandise trade and about 18 % of trade in services. In view of their growing economic influence, these countries became convinced that a recovery in the world economy could no longer be brought about without their participation. This increased self-assurance gave them little incentive to drop their well-known demands, but on the other hand it enabled them to adopt a moderate tone. Hence, in spite of the scarcely conciliatory attitude of the UNCTAD

secretariat, Belgrade offered an opportunity to give a clear and perhaps even forceful signal in favour of both free trade and development.

That this opportunity was seized must be doubted in view of the vague outcome of the conference. At first glance the developing countries do not appear to have come off too badly. The Western industrial countries undertook to raise their official development assistance to 0.7 % of gross national product by 1985, with 0.15 % being earmarked for the least developed countries. Naturally, reservations were registered on budgetary grounds, but the re-affirmation of a fixed target can be considered a political success.

The developing countries can also claim successes with regard to commodities policy. After Malaysia had declared its intention to ratify the Agreement establishing the Common Fund to finance buffer stocks of commodities, to which a total of 53 states are now signatories, the USA also added its voice to the call to sign the Agreement. It now seems certain to obtain the assent of countries representing two-thirds of the finance, and that the Fund can begin operations next year. In addition, UNCTAD was commissioned to carry out the necessary studies for a new system to stabilise export earnings and to draw up model frameworks of international cooperation for the processing, marketing and distribution of primary commodities. Competence on the commodities issue has therefore clearly been attributed to UNCTAD. Recommendations on the transfer of technology and increasing the developing countries' share of world shipping complete the successes of the developing countries.

The industrial countries can count the rejection of the developing countries' demands and of the secretariat's views on monetary policy and international financing as an advantage in their favour. They rightly refused to go along with an attempt to turn the International Monetary Fund into a development finance institution by the creation of a "link" between special drawing rights and development finance; nor did they accept the demand for generalised debt rescheduling arrangements and the cancellation of debt. The further development of the international monetary system therefore remains within the province of the IMF.

The real difficulties that arose during UNCTAD VI concerned the analysis of the world economic situation and trade policy. Where the analysis of the world economic situation was concerned, it was primarily the Americans who expressed reservations until the very end. They pointed out repeatedly that the UNCTAD analysis did not bring out sufficiently clearly the fact that the developing countries stood to gain the most from an acceleration in growth in the industrial countries. Moreover, there was no mention of the fact that the indications of a clear revival in economic activity in the industrial countries had multiplied considerably, so that the prospects for overcoming difficulties in the world economy were to be judged favourably. This argument is perfectly acceptable, but it should be added that the reputed impact on the developing countries is fairly likely to occur only if the present degree of protectionism in the industrial countries is reduced considerably.

The lack of preparation on the part of the industrial countries and their inability to find consensus was apparent with regard to trade issues. They were still united in their attempt to ward off structural change prescribed and supervised by UNCTAD, but in the course of the proceedings some of them were not even prepared to pay the lip service to liberal world trade that they still had expressed in the ministerial meetings of GATT or the OECD. They finally brought themselves to do so in undertaking to halt protectionism and to work towards the dismantling of quantitative trade barriers, but they may have forfeited the last vestiges of credibility by declining to set a definite time scale for this. The industrial countries clearly no longer have absolute faith in their own system in times of crisis. Furthermore, although they wanted to defend GATT against UNCTAD attack, they did the organisation a disservice by not coming down clearly in favour of this generally well-proven agreement as regards the supervision of their own and the developing countries' even more vague concessions towards trade liberalisation. It is to be feared that the concept of free world trade may finally have been buried at UNCTAD VI in Belgrade, with help from the industrial countries.

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