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Article — Digitized Version

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Intereconomics

Suggested Citation: Kebschull, Dietrich (1987) : UNCTAD VII — return to realism, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 22, Iss. 5, pp. 209-210, <https://doi.org/10.1007/BF02933529>

This Version is available at:

<https://hdl.handle.net/10419/140091>

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UNCTAD VII – Return to Realism

Contrary to the expectations of many, the Seventh United Nations Conference on Trade and Development (UNCTAD VII) in Geneva ended on a harmonic note. After more than three weeks the representatives of 141 countries finally agreed on a common final declaration. This was essentially thanks to the experienced chairman of the conference, Bernhard Chidzero from Zimbabwe, who interceded skilfully between the various groups. But even he could only be successful because by far the greater number of the developing countries obviously realised that one-sided apportioning of the blame to the industrialised countries and radical demands for the reformation of international economic relations are more likely to be a hindrance to the solution of their economic and social problems.

In contrast to earlier final documents of the UNCTAD and other UN conferences the Geneva declaration abstains from listing numerous and rather unrealistic wishes. It is borne on the attempt to give a new basis to the lifeless North-South dialogue. This pragmatism and willingness to cooperate find particularly clear expression in the review of the economic situation. In contrast to the previously typical way of looking at things, the western industrialised countries are not one-sidedly held responsible for the unfavourable trend in the world economy and its negative effects on a multitude of developing countries. Emphasis is placed on the growing interdependence between countries and the particular responsibility of the developing countries to utilize their growth potentials is put in the foreground. It is emphasized that domestic structural adjustment and orientation towards the demands and mechanisms of the market are necessary in order to master this process successfully. This does not yet mean that the belief in the feasibility of development through planning and in the omnipotence of state and administration has been given up completely, but it reflects the manifold experiences with the low level of efficiency of corresponding economic management as well as a greater sense of reality within the Third World. The discarding of ideological blinkers also finds expression in the unmistakable admonitions to the eastern bloc countries to cooperate more closely and more efficiently with the developing countries.

The more relaxed view of the world economic situation apparently facilitated the formulation of recommendations for the main areas under negotiation. This is particularly true for questions concerning the debt problem. The responsibility of the developing countries themselves is pointed out here, as is the necessity of a continuing flow of external financial resources, the creation of a climate in the world economy favourable to growth and the securing of free, unhindered trade relations.

The absence of the demand for a major conference on currency and debts, which continues to be regarded as urgent by many developing countries, is explained above all by the negative attitude of the industrialised countries towards such a meeting. A sacrifice has, on the one hand, been made here in order not to endanger the general consensus; on the other hand, this illustrates not only the new pragmatism of North-South relations but also the

self-restriction of the UNCTAD as an organisation. Its activities in the field of international monetary and trade policy had, in the past, often precipitated hefty criticism on the part of the industrialised countries, and particularly of the US government. They accused the UNCTAD of interfering in matters and assuming competences which were clearly the business of the International Monetary Fund and the General Agreement on Tariffs and Trade. The danger that important countries would withdraw from UNCTAD was to a considerable extent responsible for the fact that, at the conference, there were no exaggerated claims regarding mandates and activities were limited to a discussion of the development problem, with appropriate recommendations to the institutions responsible.

This explains the absence of a detailed UNCTAD programme of action for the next GATT round. It appears that UNCTAD will in future concentrate on the advance discussion of the most important questions and the appropriate representation of the position of the weaker partners during negotiations. Instead of the fruitless struggle over competences which are already laid down anyway, the UNCTAD is apparently to take on the function of a catalyser and controller. The opportunities for doing so are favourable, as UNCTAD is permanently represented in six of the fourteen special committees at the GATT negotiations.

The main focal point of UNCTAD's work remains undisputedly commodities policy. Following the grand attempt in 1974, however, to reshape the commodities sector and to prepare the way for the New International Economic Order via the establishment of the Integrated Programme for Commodities (Corea Plan), the Secretariat has had no convincing successes to show. To the surprise of all concerned the Geneva meeting brought a breakthrough in the realisation of the Common Fund after thirteen years' effort. The Soviet Union became the 92nd country to sign the Agreement on the Fund. After Bulgaria, the Ivory Coast and Peru followed suit the necessary two thirds of the starting capital are almost completely subscribed. Once the national governments have ratified the Agreement the Fund will in all probability be able to take up its work in about two years.

The joy at this success was dimmed, however, on the one hand by the financial and functional slimming down of the Common Fund, which has considerably reduced its chances of influencing commodities markets, and on the other hand by the fact that the interest of producers and consumers in commodities agreements has considerably decreased in recent years due to negative experiences in particular fields. There is more partiality towards the so-called second window of the Fund, which is designed to promote the diversification of raw materials production. The limited financial resources of only US \$ 280 million, however, prevent the rise of exaggerated hopes of fundamental improvements in the developing countries dependent on commodities.

The particularly favoured creation of an additional facility at UNCTAD for stabilizing export earnings in order to support the second window activities could not be urged forward at the Geneva negotiations. It is being blocked above all by the United States, which insists on the responsibility of the International Monetary Fund for this area. Thus, even in its main area of emphasis the UNCTAD lacks effective instruments for the implementation of its policy.

The ambitious concepts of previous years whereby UNCTAD aspired to the position of a superordinate organisation for all international trade and monetary questions were finally given up at the Geneva conference. The more realistic orientation towards that which is possible is more likely to strengthen rather than weaken the organisation, however. As a forum for the discussion of raw materials, trade, financial and monetary questions it can provide vigorous impulses to the specialised international institutions such as IMF and GATT and critically support their work. It therefore has an important task to perform in the shaping of international economic relations. At the Geneva conference, which showed no spectacular results, a decisive step was taken towards being able in future to perform this task efficiently. The consensus reached allows us to hope that a realistic North-South dialogue will take the place of international class struggle – to the advantage of all concerned.

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