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Berend Diekmann*

Is There a New Reforming Spirit at International Organisations?

The Example of UNCTAD IX

When the G7 summit in Lyon discussed the reform of multilateral institutions, the spotlight fell unexpectedly on UNCTAD. The final communiqué stated that UNCTAD IX was a milestone on the road towards the renewal of the organisation. The outcome of the conference was also cited as proof of the effectiveness of G7 initiatives to reform international institutions. Finally, the communiqué went so far as to declare that the reform of UNCTAD was a point of reference (in other words, a model) for the reform of the entire economic and social apparatus of the United Nations.¹ What progress did UNCTAD IX really bring? Is it appropriate to regard UNCTAD IX as a yardstick for the reform of other organisations?

Article 1 of the United Nations Charter states that the organisation's objective is to bring about international co-operation in order to resolve problems of an economic nature. Article 55 specifies that the UN shall promote better living standards, full employment, the conditions for economic development and the solution of international problems of an economic nature. Subsidiary organs can be established as required, as long as they accord with the Charter. The Charter therefore provides a flexible way of tackling new tasks by creating new decentralised fora that are not necessarily closely linked to UN headquarters in New York or its supreme decision-making body, the General Assembly.²

Many developing countries initially campaigned for the creation of a world trade organisation as a separate entity under the UN umbrella, which would have meant that it had its own budget.³ Many Western countries, on the other hand, were willing to accept such a body only as an adjunct to the UN Economic and Social Committee (ECOSOC). The developing countries rightly saw and still see international trade as an important means to their economic development. No comprehensive international trade organisation existed in the early sixties, as the GATT could be regarded as only a provisional arrangement with a limited membership after the failed attempt to set up an international trade organisation. UNCTAD was brought into being in accordance with the prevalent thinking of the time, which was to create

new bodies to tackle new tasks (in this case, the integration of the developing countries into world trade).⁴ Resolution 1995 (XIX) establishing UNCTAD⁵ shows that in every respect, ranging from its status to its configuration and the definition of its tasks, the organisation was a hard fought compromise with imprecise responsibilities and little connection with the UN Charter. UNCTAD was conceived as a subsidiary body of the General Assembly that would report to the General Assembly via ECOSOC and would be entirely dependent on UN Headquarters in New York for finance and personnel. The founding resolution defines its responsibilities as follows:

- to promote international trade,
- to formulate principles and guidelines for international trade,
- to co-ordinate the activities of other UN institutions in the fields of international trade and economic development,
- to introduce measures for the purpose of negotiating and concluding multilateral trade agreements, and

¹ See Presse- und Informationsamt der Bundesregierung, No. 59 of 12th July 1996.

² See K. Dicke: Effizienz und Effektivität internationaler Organisationen – Darstellung und kritische Analyse eines Topos im Reformprozeß der VN, Berlin 1994, p. 98.

³ See R. Marxen: UNCTAD, in: R. Wolfrum (ed.): Handbuch der VN, Munich 1991, p. 888.

⁴ See K. Dicke, op. cit., p. 115.

⁵ See Resolution 1995 (XIX): Establishment of the United Nations Conference on Trade and Development as an Organ of the General Assembly, in: F. Knipping et al. (eds.): Das System der VN und seine Vorläufer, Vol. I/1, Munich 1995, pp. 634 ff.

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□ to act as a harmonisation centre for the trade and related development policies of governments.

The most important body in the performance of UNCTAD's responsibilities is the Trade and Development Board (TDB), which constitutes the highest governing forum during the four-year interval between conferences. It is responsible for commissioning studies on trade policy and evaluating reports prepared for ECOSOC.

Blurred Profile

The UNCTAD founding resolution makes specific reference only to Article 1 of the UN Charter, from which it can be concluded that UNCTAD was intended as a means of bringing about international co-operation. In terms of content, there is no linkage. The weak association between the Charter and the founding resolution shows how flimsy the justification for the existence of UNCTAD is from the point of view of content, even on the basis of the instrument by which it was set up. Even today, the compromise character of the organisation is indicative of its chances of being effective internationally and in the way in which it is presented to the outside world.

UNCTAD has never been able to fulfil its role in the co-ordination of trade policy, and even its negotiating mandate has receded increasingly into the background over the years owing to the creation or expansion of other international organisations, changes in the world political order and the inherent cumbersomeness of the UN machine. At best, it has only partly achieved its objective of becoming a centre for the harmonisation of trade.

Consequently, UNCTAD's two remaining primary tasks have been reformulated in such a way that the organisation justifies its existence as an important forum in the North-South dialogue, shaping opinions and creating confidence in the joint search for solutions to the problems of the world economy, and especially those of the developing countries.⁶ This has shifted the organisation's role even more strongly into the purely institutional sphere than had been envisaged when it was created. UNCTAD also provides a platform for countries wanting to express dissatisfaction about their position in the world economy or trade policy, as this reduces the distraction to the work of other specialist fora.⁷ Resolutions remain the only instrument in this connection. They are not binding, and hence at most they can exert a moral influence. If this line of development is taken to its logical conclusion, the

participation of many Western countries can ultimately be seen as mere damage limitation: they agree to non-binding resolutions from which everything that could constitute a commitment has been removed so that they can be regarded as harmless.

Neither the majority of member states – albeit for a variety of reasons – nor a secretariat that wishes to derive some degree of motivation from its work could be satisfied with a hollow institutional shell. Although neither a separate “poor man's GATT” nor a single UN world trade organisation in the GATT mould can be established, it seems logical to attempt to convert UNCTAD into a kind of “OECD of the South” on the basis of its two remaining undisputed tasks. This is precisely the path UNCTAD took when it embarked on the reforms that culminated in UNCTAD VIII.

UNCTAD VIII – a Piecemeal Approach

The outcome of UNCTAD VIII, which was held in Columbia in February 1992, was greeted with euphoria.⁸ It was said that UNCTAD had carried the modern development debate forward. The success of UNCTAD VIII was hailed as a model for reform efforts in the rest of the UN system. The far-reaching re-focusing of its activities would prevent UNCTAD from being marginalised. Four years later, however, the performance record told a different and sobering tale.⁹

Comprehensive reform of an international organisation would consist of the reformulation of its mandate, the reform of the programmes based on it, the corresponding reorganisation of the secretariat's operational departments and intergovernmental machinery and possibly financial reform.¹⁰ If one looks at the substance of the reform decisions taken at UNCTAD VIII, it quickly becomes clear that reform focused on only two aspects. First, there was a change in the perception of UNCTAD, which is now to serve more to shape opinions and reach consensus rather than as a negotiating forum. Secondly, a new economic philosophy took hold which departed from old dirigistic tenets in favour of a market approach to trade and development policy and was reflected in the

⁶ See Auswärtiges Amt: ABC der VN, 2nd ed., Bonn 1995, p. 72.

⁷ See R. Marxen, op. cit., p. 893.

⁸ See, for example, J. C. Jessen: UNCTAD VIII in Cartagena – ein Neubeginn?, in: Nord-Süd aktuell, No. 1, 1992, pp. 116 ff.

⁹ See, for example, Neue Zürcher Zeitung: Deutlicher Handlungsbedarf bei der UNCTAD, 13th/14th January 1996.

¹⁰ Mere adjustment to a prevalent economic paradigm is not regarded here as a reform step.

interpretation of UNCTAD's mission. By contrast, the overhaul of the structure of intergovernmental committees was only half-hearted. Two other aspects that are essential elements in a comprehensive organisational reform, namely the organisational structure of the Secretariat and the programme structure, remained largely untouched, although it must be said that these are the responsibility of the Secretariat itself.

In simplified terms, the outcome of UNCTAD VIII could be described as reform of content without reform of the organisation. The disadvantage of such a piecemeal approach is obvious: if the proclaimed refocusing of activities does not fit well with the staffing and programme structures and if at the same time member states display inconstancy or paralysis in the supervisory Trade and Development Board, the old practices are bound to continue. The willingness to reform UNCTAD is further hampered by the fact that the organisation's budget and programmes are ultimately approved by UN Headquarters in New York, with the participation of intergovernmental committees based there, which calls for greater co-ordination at both the level of the Secretariat and the level of member countries than is the case with the UN's specialised agencies. Finally, an international secretariat for whom reform primarily means a reduction in staff and the surrender of responsibilities and which is subject to only light control has little incentive to implement internal reforms without compulsion.¹¹

In the case of UNCTAD, two external factors conducive to reform coincided with the holding of UNCTAD IX: the founding of the World Trade Organisation (WTO) after the conclusion of the Uruguay Round in 1994 and the spreading financial crisis at the United Nations. The first threatens the UNCTAD at its very core, while the second is forcing the Secretariat to carry out internal reforms that are more than cosmetic.¹²

Repositioning in the Spectrum of Economic Opinion?

The main theme of UNCTAD IX – namely, the opportunities and dangers that globalisation and liberalisation pose for sustainable development – would have provided an opportunity to take existing development policy approaches further, in the same way as UNCTAD VIII had done. In actual fact,

however, UNCTAD did not go significantly beyond the achievements of UNCTAD VIII.¹³ This can be attributed to the fact that the debate about content was clouded by institutional reform issues and that the hopes many countries invested in the positive effects of disarmament and the new willingness to co-operate after the break-up of political blocs were dampened by the uneven distribution of the welfare gains from globalisation and liberalisation.

The outcome of the discussions confirms the closer alignment of UNCTAD with the economic policy views of the International Monetary Fund, the World Bank or the OECD. For example, UNCTAD IX confirmed the responsibility of each country for its own development and the supremacy of market principles in managing economies. It welcomed the economic opportunities presented by trade liberalisation and private capital flows and the beneficial developmental role of small and medium-sized enterprises. Different nuances arise at most in its assessment of the opportunities and risks globalisation creates for the developing countries and the role of official development aid.

UNCTAD has therefore virtually abandoned its traditional claim to provide a serious counterweight to the economic policy prescriptions of established international economic organisations.

Shifts in the Emphasis of Work Programmes

From a functional point of view, UNCTAD's mandate is confined to analysis, advice and consensus-building,¹⁴ confirming that in practice the last three principal responsibilities listed in the founding resolution have already withered away. Since UNCTAD is required to concentrate on a small number of priorities within the defined areas of activity of "globalisation", "international trade questions", "investment", "enterprise development and technology" and "services infrastructure and trade efficiency", the aim of sharpening the focus of the organisation's work programme appears at first sight to have been achieved. A detailed reading of the final

¹² It is significant that before UNCTAD IX none of the reports on the reform of the UN system prepared with the assistance of experts and politicians from all regions of the world to mark the 50th anniversary of the United Nations allocated UNCTAD a role in the intended strengthening of the UN's economic competence; indeed, there were calls for it to be disbanded and replaced by an "Economic Security Council". See Commission on Global Governance: *Our Global Neighbourhood*, New York 1995, pp. 153 ff.; and R. von Weizsäcker et al.: *The UN in its Second Half-Century: A Report of the Independent Working Group on the Future of the UN*, New York 1995, pp. 28 ff.

¹³ See UNCTAD: *Midrand Declaration and a Partnership for Growth and Development*, Document TD/377, 24. 5. 1996.

¹⁴ *Ibid.*, paragraphs 83-85.

¹¹ See B. Diekmann: *Die Kreditvergabepolitik des IWF*, in: *Konjunkturpolitik*, No. 2, 1994, pp. 158 ff., and *Neue Zürcher Zeitung*, *op. cit.*

document reveals, however,¹⁵ that the Secretariat can choose its priorities from a plethora of fields described as important, which in turn are sub-divided into many individual activities. Moreover, many issues proposed by some developing countries which are not expressly mentioned in the final document can be included under the catch-all heading of "global interdependence" and handled by UNCTAD.¹⁶ The activities under the heading of "globalisation and development" should concentrate on establishing whether the experiences of successful developing countries could be applied in backward regions to enable them to close the development gap. This issue is the most likely to ignite the ideological disputes typical of UNCTAD, as it relates to the model nature of Asian state interventionism on the one hand and the formulation of outward-looking competitive conditions in Asia on the other. In addition, support is to be given to the UN action programmes for the least developed countries and for Africa; UNCTAD therefore retains the means to continue to plead for official development aid.

In the area of investment, which has become much more important since the transfer of the UN Division for Transnational Corporations to Geneva and its integration into the UNCTAD Secretariat in 1994, the emphasis is on the monitoring of trends in direct investment flows and the analysis of investment promotion policies and strategies to develop entrepreneurship. At the same time, the Investment Division of the UNCTAD Secretariat managed to win a mandate to continue to carry out country "investment policy reviews". These studies are modelled on the Article IV consultations of the IMF, the trade policy review mechanism of the WTO and the country studies by the OECD. The investment, technology and trade efficiency divisions of the UNCTAD Secretariat actually competed among themselves to win mandates for such reviews. Whereas the Investment Division could base its claim on a decision of its intergovernmental body (the Commission for International Investment and Transnational Corporations), the Technology Division was even able to point to an ECOSOC Resolution¹⁷ in its submission to carry out science, technology and innovation policy reviews. As a result, it was no longer possible to narrow the focus of this work programme. The decision to make the

choice of the forum a negotiating issue,¹⁸ which in the labyrinthine UN system is attractive not only to member countries but also to the Secretariats, paid off. In this way, poor co-ordination in the delegations of member countries and the general lack of an "institutional memory" (in other words, knowledge of previous resolutions and their genesis) can be used as a means of furthering certain groups' own interests.

Only the Trade Efficiency Division did not entirely succeed; instead of the mechanism it sought for examining trade efficiency, it was empowered only to assist developing countries in investigating the efficiency of their trade-supporting services.

In the trade field, UNCTAD's traditional area of activity, the integration of developing countries into the world trading system remains the primary task. This includes identifying opportunities that the new multilateral trading system generates for developing countries. In addition, the final document of UNCTAD leaves open the possibility of tackling new trade policy issues, such as trade and the environment, trade and competition, trade and social standards. One new aspect is that the commodities sector has now been grouped with trade and that UNCTAD is to confine itself to questions of diversification and management in this traditional field of activity.

Trade-supporting services have been uprated by placing them on a par with globalisation, investment and the development of entrepreneurship, and international trade in goods and services. UNCTAD is to concentrate its activities on the fields of customs, transport, banking, insurance, telecommunications and trade information, with the expansion of the Secretariat's Trade Point Programme into a worldwide network¹⁹ making a key contribution in this regard. This field of activity therefore has little to do with analysis or consensus-building; it is oriented more towards technical co-operation (TC). TC is also a central plank of UNCTAD's new mandate, as an accompanying TC mandate is listed for each sectoral activity. These mandates themselves could keep an organisation fully occupied and emphasise particularly clearly the overlap between UNCTAD and other international organisations, especially the International Trade Centre (ITC), the UN Industrial

¹⁵ Ibid., paragraphs 87-99.

¹⁶ One example was last year's discussion of unemployment in OECD countries in the 1995 Trade and Development Report. See UNCTAD: Trade and Development Report, New York and Geneva 1995, pp. 119 ff.

¹⁷ ECOSOC Resolution E 1995/INF/4/Add. 2 of 31.8.1995.

¹⁸ See K. Dicke, *op. cit.*, p. 207.

¹⁹ See B. Engels: Globale "Trade Efficiency" und einzelwirtschaftliches Marketing in den Nord-Süd-Beziehungen, in: Nord-Süd-aktuell, No. 4, 1994, pp. 652 ff.

Development Organisation (UNIDO) and the World Bank, and the way in which it is further increased by the extension of the organisation's mandate. The question of co-operation with the other international organisations therefore becomes all the more urgent.

Need for Greater Co-operation

There have long been agreements between the United Nations and most of the UN specialised agencies under Article 63 of the UN Charter, although in practice these can be described more as the means of sharing information than as instruments of co-ordination.²⁰ The main reason for this, apart from the frequent lack of co-ordination among member country representatives on the ground and the geographic distance between the organisations themselves, is that the specialised agencies have developed a strong desire for independence. The Administrative Committee on Co-ordination (ACC) was established specially to provide co-ordination within the UN system and was originally supposed to monitor the implementation of co-ordination, but it has never been able to perform this function properly because of the separate existence that the specialised agencies and their leaderships have developed. With many specialised agencies and UN programmes concentrating on development aid, the need for co-ordination has increased further, and at the same time the existing agreements have become outdated.

Although UNCTAD is not a specialised agency and hence can potentially be controlled better from UN Headquarters via the budget, it has nevertheless also developed a separate existence up to a point. At UNCTAD IX this separate interest of the Secretariat, supported by many developing countries, was particularly evident in the TC field. Significantly, this is the only field in which UNCTAD is expressly required,

where possible, to make formal arrangements with other international organisations. It is worth pointing out that UNCTAD's broad mandate also contains many references to co-ordination and the avoidance of duplication and in some instances even expressly names the other organisations in question. This aspect did not play such a prominent role at previous conferences. As shown by the fate of paragraph 18 of the UNCTAD founding resolution, which even then required UNCTAD to avoid duplication, such general prescriptions are not particularly effective if the member states are at odds and the Secretariat lacks the will to exercise self-restraint. However, UNCTAD is under pressure from two developments that encourage a readiness to co-operate: the expansion of the WTO and budgetary constraints.

In view of the structure and expansion of the WTO Secretariat, it is now beyond question that UNCTAD confines itself to analysing trade while negotiations are to be conducted under the auspices of the WTO.²¹ In addition, UNCTAD is supposed to feed the results of its analytical work to the WTO. It is doubtful that WTO member countries have much regard for UNCTAD studies, since the WTO is creating its own analytical capacity. Given the speed with which the membership of the WTO is approaching universality and the fact that the issues discussed at the WTO are beginning to extend to trade policy matters that are not yet ready for negotiation and have a pronounced development content, the question arises whether it makes sense over the long term to maintain an explicit organisational separation between one institution responsible for trade policy rules and another responsible only for analytical and conceptual

²⁰ See K. Dicke, *op. cit.*, p. 102.

²¹ See the remarks of the Secretary-General of UNCTAD in: *Entwicklungspolitische Informationen*, No. 6, 1996, p. 6.

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questions of North-South relations and specifically North-South trade.

In the TC field, UNIDO in particular feels itself threatened by UNCTAD's urge to expand.²² As a result, there is an increasing tendency to make a point of holding joint press conferences or issuing joint communiqués. The institutions involved are clearly also accepting unsystematic combinations of themes, such as the "joint" power of industry (a sectoral classification) and international trade (which involves services as well as industrial goods) in order to concoct a complementarity of activities to stimulate growth.

Finally, it remains to be seen how the decision taken at UNCTAD IX to orient the organisation more strongly towards the private sector will affect relations with the ITC, which is the joint TC subsidiary of UNCTAD and the WTO with specific responsibility for the private sector in foreign trade policy.

New Structure of Intergovernmental Fora

The extent of the reform of the external structure of UNCTAD is remarkable. There were seven standing committees, under which several groups of experts held regular meetings; of these, only three remain:²³

- a Commission on trade in goods and services and commodities,
- a Commission on investment, technology and related financial issues, and
- a Commission on enterprise, business facilitation and development.

The strange sounding titles reflect the compromise that has been struck. Ideally, these commissions should have corresponded to the classification of UNCTAD activities and the structure of the Secretariat. Committees which had dealt with cross-sectional issues (economic co-operation among developing countries, LDCs, combatting poverty) could be disbanded by laying down that these matters would be taken up by all other fora. At the same time, competition is being introduced, as the commissions themselves must decide within their ceilings which issues they consider so important that they would like to call a meeting of experts. The introduction of a ceiling on the duration and frequency of intergovernmental meetings, which differs according to the status of the bodies involved, will

practically halve UNCTAD's total annual meeting time by comparison with 1994 or 1995. This solution offers an incentive to reveal subject preferences and also forces member states to co-ordinate better nationally. It also straps UNCTAD's broad mandate into a tight corset of intergovernmental meetings. In this way, a thematic focusing of UNCTAD's work programme is achieved almost through the back door. If this approach succeeds, ceilings could become a model for other international institutions in which there is a similar lack of competition between subject priorities.

The threat to the success of this severe narrowing of the focus is that long-established groups of experts or committees will attempt to survive as permanent fixtures by harking back to past resolutions of ECOSOC or the General Assembly. Given the lack of co-ordination at national level, it cannot be expected that the countries that pushed through the reforms at UNCTAD IX will show equal determination in groups of experts, so that at present it is still not certain that this structural reform will be fully implemented.

Financial Constraints

According to current plans, the UNCTAD budget for the two years 1996 and 1997 amounts to about \$110 million, the same as in 1994-95. In addition, it will receive around \$40 million in extrabudgetary resources, a large proportion of which consists of voluntary contributions from member states to various trust funds that the Secretariat uses to carry out TC programmes. Germany pays its contribution at the general UN contribution rate of 9% of the UN budget. It makes no voluntary contributions to UNCTAD. Germany's annual contributions to UNCTAD therefore amount to about DM 7-8 million.

As UNCTAD is not a specialised agency, the conference could not reach any decisions on the budget, which are all taken at UN Headquarters in New York. The negotiations over the UN budget regularly provide a good illustration of what is to be expected if the payer, user and decision-maker are not approximately identical, so that the principle of fiscal equivalence is violated. The beneficiaries of the UN system (as a rule, many developing countries and the international civil servants) have in the past been able to expand the machine according to the maxim "new tasks, new institutions" as long as the group of payers did not oppose it with sufficient determination and energy. In recent years, however, the United Nations has come under strong pressure to cut costs, generated mainly by the attitude of the main contributor, the United States.

²² See the significant language used in UNIDO: Press Release IDO/1619 of 8.5.1996.

²³ See UNCTAD, *op. cit.*, paragraph 109.

The outcome of the budget negotiations for 1996-97 put UNCTAD under further pressure to make savings.²⁴ The UN budget remains more or less constant in nominal terms, at \$ 2.6 billion for the two years, so that the Secretary-General must reduce expenditure by \$ 100 million overall. Efficiency improvements in administrative areas are the main source of these savings. UNCTAD is in a bad position to compete with other subsidiary bodies for the scarce budgetary resources of UN Headquarters, as the expansion of the WTO, the erosion of the bloc of developing countries grouped together in the Group of 77 and the great importance of some other subsidiary bodies, such as the United Nations Environmental Programme (UNEP) or the United Nations High Commission for Refugees (UNHCR) mean that it will find fewer advocates than in the past. The financial pressure that is likely to become tangible in the wake of UNCTAD IX therefore favours reforms in the Secretariat that will have a financial impact.

UNCTAD's intention to expand the system of trust funds could offer a way out of the financial difficulty. Whether this strategy is successful and whether it will lead to further overlapping in TC will depend on the degree of co-ordination among donor countries. For member countries, the attraction of special funds is that voluntary contributions can be justified more easily to national parliaments as a use of budgetary resources that is always reversible and at the same time they give donors the possibility of directly influencing the operational activities of the Secretariat. As special interests are often also involved here (for example, on the part of the host country Switzerland or in choosing between multilateral and bilateral financing), this financial strategy does stand a chance of succeeding.

On the other hand, nearly all international organisations now use this financing instrument, so that here too international secretariats vie with one another for funds from potential donor countries. The spread of special funds also reduces budgetary transparency and greatly impedes budgetary control.

Sharpening the Focus of the Secretariat

The main reason why the progress of reform after UNCTAD VIII was less than expected was that a secretariat with the old organisational structures was supposed to implement a re-orientation of the organisation's activities. As a result, not only did the focus and theoretical approach remain unchanged in many areas of UNCTAD, but the structure and content of sub-programmes managed by individual sections

of the Secretariat were modified only marginally. In the light of the decisions of UNCTAD IX and the pressure from New York for savings, the Secretary-General has now reduced the number of divisions from 9 to 5.²⁵ As a result, the structure of the Secretariat should correspond to the new thematic emphasis and at the same time reflect the structural reform of the intergovernmental bodies. Hence, there will be a "globalisation" division, an "investment" division, a trade division, a services division and a special unit for the least developed countries. Whereas other divisions with cross-functional remits could be dissolved by integrating their activities into the specialist divisions, the UNCTAD Secretary-General clearly had to bow in this respect to the lobby of some developing countries and to engrained UNCTAD traditions.

The reduction in the number of divisions by almost half may seem impressive, but it should not be forgotten that the staff structure of the Secretariat cannot change as quickly. Here UNCTAD has a burdensome legacy, greatly exacerbated by the pressure from member states for appropriate staff representation in UN bodies, often at the expense of professional qualification. In addition, staff policy in the past was shaped by the ambition to provide a counterweight to the economic policy concepts of the IMF, the World Bank or the OECD, which has influenced the quality of individual divisions until the present day. The reduction and reshaping of the Secretariat will be a slow process, and will therefore meet the new requirements only gradually.

Interest Groups in the Reform Process

The Secretariat does not act as a monolithic bloc, let alone as a neutral body, and the groups of developing and OECD countries are even less united. On the basis of the theory of methodological individualism, it must be assumed instead that the actions of social groups (in this instance UNCTAD) are determined by the attitudes and behaviour of their individual members.²⁶ It is therefore optimistic to assume that the creation of mechanisms to resolve co-ordination problems automatically reduces transaction costs, which steadily rise as the division of labour increases. Even if an institution sets rules for reaching agreement and establishes a sanction

²⁴ See A. Piaga: *Verwaltung und Haushalt*, in: *Vereinigte Nationen*, 1/1996, p. 31.

²⁵ See *Entwicklungspolitische Informationen*, op. cit., p. 6.

²⁶ See R. Richter et al.: *Neue Institutionenökonomik*, in: *Wirtschaftswissenschaftliches Studium*, No. 3, 1995, p. 132.

mechanism,²⁷ much depends on the expectation of incurring such penalties being high enough to make it not worth breaking the rules.

In the case of UNCTAD, many unfavourable factors coincide; highly complex, global questions of consensus-finding are involved, and direct punitive mechanisms are not available. The assumption of large, homogeneous groups is unrealistic and a neutral mediator in the form of a secretariat is de facto absent.

Heterogeneity is evident even at the level of individual member states when Permanent Representatives to UNCTAD doggedly pursue their personal preferences or water down their government's position for the sake of harmony.

The contrast between "technocrats" from the capital cities without an institutional memory and long-serving diplomats yearning for harmony or secretariat staff burdened by ideological baggage delays the implementation of reform, as the "technocrats" are not involved in day-to-day operations. At UNCTAD, the occasional lack of leadership from the Secretariat also meant that some divisions developed a life of their own comparable to that of many specialised agencies in the UN family.²⁸ By contrast, public opinion or politicians from the member states have played only a secondary role in decision-making, either for lack of interest or lack of information, so that negotiations can be seen as a contest within the bureaucracy itself. The Group of 77, which like UNCTAD was established as a mouthpiece for the interests of developing countries and at one time saw its voting majority in UNCTAD as its only power base, no longer spoke as a homogeneous interest group. Its place was taken by regional groups, many of which themselves drifted apart.

The principle of consensus that predominates at UNCTAD therefore ultimately had two consequences: the preferences of many delegates and even individual members of the Secretariat were reflected in the final document, often in a watered-down form, which partly explains the organisation's broad mandate and its often unspecific nature. The greater willingness to compromise necessitated by the

consensus-finding process led to informal negotiations in small cliques. Not only did this reduce the transparency of decision-making and make the conference even less comprehensible to the public, but it also enabled participants to confront their group members with compromise formulae accepted ad referendum, which individual country delegates would have rejected at the risk of being branded "unconstructive rejectionists".

Overall, the break-up of the major blocs had opposing effects on the quality of the results, so that it is difficult to discern a clear beneficial or adverse trend. The progress that the outcome of the negotiations represents is therefore ascribable mainly to the external factors, which all the delegates had to acknowledge. Add to this a certain "technocratisation" of the conference participants owing to the more specific or micro-economic nature of the issues and the emergence of a technocratic elite in many countries.²⁹

Conclusions

The new reforming spirit at international organisations that was supposedly evident at UNCTAD IX is not discernible. In actual fact, it was fortuitous that the conference came at a time when the financial pressures were strong and the development of the WTO created a particularly urgent need for UNCTAD to reform. In the wake of two G7 summits at which the reform of international organisations had been high on the agenda, it became obligatory to interpret the results publicly as a success. The reform of UNCTAD is a yardstick for the prospects of reform at other UN institutions insofar as the pattern of interests is typical of the UN. The introduction of competitive elements into the structure of intergovernmental fora in other organisations is worth considering.

The two external factors described above meant that in purely organisational terms impressive, measurable structural reforms could be agreed, but their implementation depends on the continued appetite for reform on the part of individual players, whose commitment could not be effectively influenced by either UNCTAD IX or the G7 summit.

In the final analysis, UNCTAD remains in a precarious situation as far as its activities are concerned: the WTO is moving into ever more areas of responsibility, the interests of developing countries are becoming increasingly heterogeneous and financial resources scarcer. In these circumstances, it is not improbable that the organisation will gradually wither away.

²⁷ See D. North: Transaction Costs, Institutions and Economic History, in: *Journal of Institutional and Theoretical Economics*, No. 140, 1984, p. 204.

²⁸ See *Neue Zürcher Zeitung*, op. cit.

²⁹ On the typology of a new technocratic elite from developing countries, see J. Williamson: In Search of a Manual for Technopols, in: J. Williamson (ed.): *The Political Economy of Policy Reform*, Washington 1994, pp. 15 ff.