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**Research Report**

## Reinventing UNCTAD

Research Paper, No. 7

**Provided in Cooperation with:**

South Centre, Geneva

*Suggested Citation:* Boutros-Ghali, Boutros (2006) : Reinventing UNCTAD, Research Paper, No. 7, South Centre, Geneva

This Version is available at:

<https://hdl.handle.net/10419/232125>

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# **RESEARCH PAPERS**

## **7**

### **REINVENTING UNCTAD**

**Submitted to the Panel of Eminent Persons on Enhancing UNCTAD's Impact  
by Boutros Boutros-Ghali  
former Secretary-General of the United Nations  
Chairman of the South Centre Board**

**SOUTH CENTRE**

**JULY 2006**

## **THE SOUTH CENTRE**

In August 1995, the South Centre was established as a permanent inter-Governmental organization of developing countries. In pursuing its objectives of promoting South solidarity, South-South cooperation, and coordinated participation by developing countries in international forums, the South Centre has full intellectual independence. It prepares, publishes and distributes information, strategic analyses and recommendations on international economic, social and political matters of concern to the South.

The South Centre enjoys support and cooperation from the governments of the countries of the South and is in regular working contact with the Non-Aligned Movement and the Group of 77. The Centre's studies and position papers are prepared by drawing on the technical and intellectual capacities existing within South governments and institutions and among individuals of the South. Through working group sessions and wide consultations which involve experts from different parts of the South, and sometimes from the North, common problems of the South are studied and experience and knowledge are shared.

## TABLE OF CONTENTS

I.	UNCTAD'S MANDATE AND ITS EARLY YEARS .....	1
II.	ACHIEVEMENTS OF UNCTAD .....	4
III.	DECLINE AND DISENFRANCHISEMENT OF UNCTAD .....	5
IV.	RESCUE OPERATION IN BANGKOK AND SAO PAULO .....	9
V.	CONTINUING VALIDITY OF UNCTAD .....	11
VI.	THE CASE FOR REVITALIZING UNCTAD .....	13
VII.	SUGGESTIONS FOR REVITALIZING UNCTAD .....	15
	<i>A. Need for alternative views and intellectual pluralism .....</i>	<i>15</i>
	<i>B. Civil society organizations and UNCTAD.....</i>	<i>15</i>
	<i>C. Revival of UNCTAD's negotiating role.....</i>	<i>15</i>
	<i>D. Taking an over-all integrated view of global economic issues. ....</i>	<i>16</i>
	<i>E. UNCTAD's role as a centre for harmonizing trade and development policy.....</i>	<i>18</i>
	<i>F. South-South Cooperation, including GSTP.....</i>	<i>18</i>
	<i>G. UNCTAD in Technical Assistance .....</i>	<i>19</i>
	<i>H. Aid for Trade.....</i>	<i>19</i>
	<i>I. Domestic measures for development vs. external environment for development .....</i>	<i>20</i>
	<i>J. UNCTAD in the area of finance.....</i>	<i>20</i>
	<i>K. UNCTAD and UN reforms .....</i>	<i>21</i>
	<i>L. Securing UNCTAD's mandate.....</i>	<i>21</i>
	<i>M. Role of the Group of 77 in reinventing UNCTAD .....</i>	<i>21</i>
VIII.	CONCLUDING REMARKS .....	23



## ACRONYMS

CSO	Civil Society Organization
ECOSOC	Economic and Social Council (United Nations)
GATT	General Agreement on Tariffs and Trade
GSTP	Global System of Trade Preferences among Developing Countries
IMF	International Monetary Fund
IPR	Intellectual Property Rights
LDC	Least Developed Country
NAMA	Non-Agricultural Market Access (WTO)
ODA	Official Development Assistance
S&DT	Special and Differential Treatment (WTO)
TA	Technical Assistance
TDR	Trade and Development Report (UNCTAD)
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WIPO	World Intellectual Property Organization
WTO	World Trade Organization



## **I. UNCTAD'S MANDATE AND ITS EARLY YEARS**

The establishment of UNCTAD by the UN General Assembly in terms of Resolution 1995 (XIX) of 30 December 1964, was a landmark in the history of the evolution of the United Nations. This new body of the United Nations brought it closest to discharging its Charter functions in the economic and social field and ushered in a golden era of international development co-operation. Alas this era did not last very long, virtually coming to an end by the middle of the 1970's. But during the brief period it lasted, it brought into full play the huge potential of the provisions of the United Nations Charter in the economic field.

The functions of the UNCTAD are spelled out in paragraph 3 of the resolution 1995 (XIX). Among its principal functions, UNCTAD is mandated "to promote international trade, especially with a view to accelerating economic development...." This is a very wide mandate going beyond the GATT's more limited mandate of removing trade barriers and giving freer play to market forces in the realm of trade. This embraces measures for safeguarding the interests of poorer countries in the international trading system, dealing with market failures, particularly in trade in commodities and negotiating modalities for state intervention for this purpose, coping with restrictive business practices both at the national and international levels, relating trade to wider variables determining the development process like finance, money, technology etc.

The second function of the UNCTAD was "to formulate principles and policies on international trade and related problems of economic development" (Paragraph 3 (b) of 1995 (XIX)). Herein lay the principal negotiating role of UNCTAD. UNCTAD was thus mandated to formulate soft laws which are morally binding, and should guide policies and actions across the entire spectrum of trade and related development issues. As it happened, the greatest success of UNCTAD lay in this area.

In addition, UNCTAD was also mandated "to initiate action for the negotiation and adoption of multilateral legal instruments in the field of trade." (Paragraph 3(e) of 1995 (XIX)). The commodity agreements negotiated within the forum of UNCTAD fell in this category. Another example is the Convention on the Transit Trade of Land-Locked Countries which was negotiated under the aegis of UNCTAD. Thus UNCTAD has a clear-cut mandate to serve as a forum for negotiation for formulating soft laws as well as legally binding instruments.

The third function of UNCTAD was to be available as a centre for harmonizing trade and related development policies of governments and regional economic groupings in pursuance of Article I of the U.N. Charter (Paragraph 3 (f) of 1995 (XIX)). Article I of the U.N. Charter provides, among the purposes of the UN, that the Organization will be the centre for harmonizing the activities of nations in the attainment of the common ends of the Organization. Implicit in this purpose of UNCTAD, is the obligation of all Member States to subject their trade and related development policies to discussion and possible harmonization at the UNCTAD forums. And this is precisely what happened during the "golden era". One of the subjects that were discussed with a view to arriving at consensus, in successive sessions of the UNCTAD and of the Trade and Development Board was the implications of the macro-economic policies of developed countries, for the economies of developing countries and for the world economy as a whole. This used to be done under the item on interrelationship between money, finance, trade and development. Subsequently the developed countries took their own macro-economic policies outside the pale of UNCTAD deliberations.



Another function of far-reaching significance is for UNCTAD “generally to review and facilitate the co-ordination of the activities of other institutions within the United Nations system in the field of international trade and related problems of economic development...” (Paragraph 3 (d) of 1995 (XIX)). By this provision, UNCTAD was made the principal instrument for the General Assembly and the ECOSOC to discharge their holistic role under the Charter in the economic field.

The General Assembly resolution does not specifically give a mandate to UNCTAD to carry out technical assistance activities. However article 3 (c) of the resolution 1995 (XIX) which authorises UNCTAD “to make proposals for putting the said principles and policies into effect” can be a basis for putting forward proposals for technical co-operation.

From its very inception, UNCTAD assumed the role of the UN system’s focal point for the integrated treatment of all trade and related development problems. In this endeavour, it discussed and dealt with issues related to trade, money, finance, external indebtedness, creation of export production capabilities, including industrialization, shipping, insurance, transfer of technology and the development of technological capabilities, restrictive business practices, regional integration groupings and economic co-operation among developing countries. Indeed, the Final Act adopted at the First UNCTAD is an eloquent testimony to the comprehensive approach to trade and development adopted by UNCTAD from the very beginning.

In the broader political context, UNCTAD acquired a number of other roles and characteristic not provided for or anticipated in resolution 1995 (XIX). Firstly, it became a forum for the developing countries to mount a challenge to the existing world order with a view to restructuring it for the purpose of removing its inequities and imbalances. These countries made this intention clear in the Joint Declaration of the Seventy Seven Developing Countries made at the conclusion of the first UNCTAD. In the very first sentence of the Declaration, they recognized UNCTAD I “as a significant step towards creating a new and just economic order”. Through UNCTAD, they tried to put in place new principles and rules to conduct international economic relations and create an international economic environment more supportive of development.

UNCTAD also became the principal vehicle for articulating, as well as aggregating in a coherent framework the demands of the developing countries in the field of trade and development. In this, the Group of 77 which emerged as a twin of UNCTAD played a very important complimentary role. Whereas the UNCTAD process gave birth to and helped in maintaining the cohesion of G77, the Group, in turn, by assuming common positions greatly facilitated, to the advantage of both developed and developing countries, the process of negotiation in UNCTAD. One of the finest examples of the common position of Group of 77 was the Algiers Charter adopted by it preparatory to UNCTAD II in 1968.

The developed countries, instead of regarding this phenomenon as inimical to their interests, welcomed it as a positive development. A US representative in Geneva at the time was quoted as saying “....at least you know exactly what you are dealing with. It clarifies the demand side of the picture”. Besides, the aggregation of the demands of developing countries through the mechanism of the Group of 77, triggered aggregation of responses by developed countries through the OECD.

While pressing their demands, developing countries tried to go to the farthest distance in accommodating the concerns of developed countries. For this purpose, they agreed to give more than proportionate representation to the developed countries in the Trade and Development Board, the executive organ of UNCTAD. They also devised conciliation procedures in the Board which could be invoked by any Member State to postpone voting when it considered that a proposal for action by the Board substantially affected its economic or financial interest. Though these procedures were never invoked, their very existence exercised a moderating influence towards compromise rather than voting on contested proposals. This has been one of the reasons why almost all the substantive decision of the UNCTAD during its heyday were taken without dissent.

The comprehensive agenda that UNCTAD developed may look like duplicating items on the agenda of other bodies and organizations of the UN system. But this is well within the ambit of the UN Charter, and of UNCTAD as the organ of the UN General Assembly supporting its overarching role under the Charter in the economic field. Besides, as one seasoned representative from the North pointed out, “if UNCTAD has been minding everyone else’s business, perhaps it may stimulate everyone else to get on with their business more effectively”.

## II. ACHIEVEMENTS OF UNCTAD

During its 40 years of existence, UNCTAD has to its credit, a formidable array of often trail blazing achievements. These have been well-documented in the relevant literature. To name only a few of its significant achievements, UNCTAD prompted IMF to expand its compensatory financing facility. It helped in keeping alive the issue of creating additional liquidity under IMF, by linking it to the provision of additional resources for development. It simulated discussion in the World Bank on Supplementary Financing which had far-reaching implications for the strategy the Bank subsequently adopted for supporting development in developing countries. Its decisions helped in operationalizing the ODA target, while its work on external debt led to the creation of the Paris Club and measures to alleviate the debt burden. The first ever generalised system of preferences (GSP) was negotiated in UNCTAD. It provided a forum for negotiating some very significant international commodity agreements, and through its Integrated Programme for Commodities (IPC), it put in place the structure of an ambitious programme for negotiating and implementing such agreements, including buffer stock financing, for practically all the commodities of export interest to developing countries. It is a different matter that IPC never got going.

Through its research and policy analysis work, UNCTAD became the breeding ground for new ideas. Through this work, it highlighted the inequities and anomalies prevailing in hitherto secluded and unexplored recesses of the world economy like insurance, shipping, technology transfer etc. Its studies documented declining terms of trade of the developing countries, the cost of tied aid for the beneficiary countries, the importance of non-tariff barriers, and the gap between the effective and nominal tariff rates. If there is today a greater transparency in the world economic system, it is in no small measure due to the relentless manner in which UNCTAD, particularly in its initial years, went about exposing the unfairness of the system. According to a Northern commentator writing barely four years after the operationalization of UNCTAD, “UNCTAD has impressed the rich with the problems of the poor, has given impetus to new proposals and has stimulated other international agencies to re-examine and intensify their efforts”.

### III. DECLINE AND DISENFRANCHISEMENT OF UNCTAD

A concerted effort by major economic powers to deprive the United Nations of its Charter functions in the economic field and whittling down its role and authority in general, began in the early 1980's and has continued since then. As a result, the functions, agenda and the mode of discourse of the UN bodies in this field have been altered and core competencies of the secretariats of these bodies have been downsized.

UNCTAD has been a part of this process, in fact the principal target of the onslaught. As a consequence, the inter-governmental deliberations in UNCTAD have been reduced to a charade and its research and policy analysis work has lost its earlier élan, punch and distinctiveness.

The Cartagena (1992) and Midrand (1996) Conferences gave the finishing touches to the demolition job begun a decade earlier. At these Conferences, the mandate and functions of UNCTAD were drastically pruned, and its policy direction and inspiration was shifted away from its original remit and scope reflected in the Final Act adopted at UNCTAD I in 1964.

UNCTAD has been transformed beyond recognition in several major respects:

- (a) It has lost its negotiating role and has instead been reduced to attempting only consensus building. This has happened not only in the field of trade where WTO has been dominant, but also in other areas like money, finance, invisibles, transfer of technology and restrictive business practices.
- (b) There has been a progressive erosion of its capacity for research and analysis. In the areas it has been allowed, research has to be carried out with drastically reduced resources and within a pre-determined ideological framework and orientation. Some of the tasks it is still left with remain contested. Its flagship project, the annual Trade and Development Report, as well as its Reports on Africa and on Least Developed Countries, all of which have been challenging the conventional wisdom, are simply tolerated for the time being.
- (c) It is no longer permitted to put forward an overall integrated and comprehensive approach to development which used to be its hallmark.
- (d) In the name of coherence, it is being required to conform to the mainstream views espoused by developed countries and their preferred international organizations i.e. IMF and World Bank, on globalization, liberalization and development strategies. It is not being allowed to question the existing world order or to bring out its inequalities and imbalances. It has been steered away from all those areas where it used to put forward contending positions vis-à-vis the dominant economic thinking. As a result, the international community has been deprived of alternative approaches to the problems of the world economy and international economic relations, and the intellectual community, of the much-prized pluralism in thinking and generation of knowledge.
- (e) UNCTAD's role has been reduced to assisting developing countries in integrating with the world economy under starkly unequal terms in order to derive maximum advantage from the globalization and its handmaiden liberalization process.

- (f) A corollary of the above is that UNCTAD now concentrates on domestic policies of developing countries and mainly issues “do-it-yourself” prescriptions. As a result, technical assistance (TA) has acquired the most prominent salience in UNCTAD’s activities. UNCTAD’s TA is donor-driven and is used by the donors to ensure that the beneficiary developing countries follow correct policies from the former’s angle.
- (g) UNCTAD has virtually withdrawn from its earlier function of offering direct support to the Group of 77, and generally of playing a role in enabling them to maintain their unity and cohesion.

As a result of these developments, there prevails a high degree of scepticism about UNCTAD’s utility and effectiveness. This is shared even by developing countries which today put much lower priority to UNCTAD when it comes to allocating their limited human resources for participating in meetings of international organizations.

UNCTAD VIII in Cartagena opened the door to the ideological and organizational transformation of UNCTAD. The following UNCTAD IX in Midrand virtually sealed the deal. The Cartagena agreement touched practically all aspects of the organization.- its inter-governmental machinery, mandate, programme orientation and working method. After Cartagena, UNCTAD became the first UN body to be drastically transformed through an inter-governmental agreement. It was there that UNCTAD moved from a negotiating forum to a consensus-building one. Its work of analysis and research was refocused to emphasize national policies and domestic issues. Its subsidiary bodies were given new mandates to move away from criticising the existing order and suggesting new paradigms, towards assisting developing countries in integrating into the international economic system.

The ideological shift was taken to its logical conclusion in Midrand. Here, UNCTAD entirely gave up its opposition to the international system and redefined its objectives in the context of liberalization and globalization. The argument given in favour of this shift which several developing countries must have found attractive in the short-term view of their interest, was that UNCTAD should give up its ideological stance and remodel itself as an action-oriented and pragmatic institution and that it was very much in the interest of developing countries if UNCTAD rendered them practical assistance to develop capacity to take advantage of the existing economic order, rather than indulging in the seemingly futile exercise of contesting this order. This logically shifted the emphasis from the external environment of development to domestic development problems and brought TA to the forefront of UNCTAD’s activities.

An insidious innovation introduced in Cartagena and reaffirmed and further elaborated in Midrand was the idea of “Partnership for Development”. This was an attempt to de-emphasise the role of governments and of policy measures in development and emphasize the role of what was referred to as non-state actors or civil society organizations. Under this convenient nomenclature, the primacy of place was accorded to the private sector, particularly trans-national corporations. It was argued that in a period of declining ODA, this was the best means to mobilize resources. Subsequently, several conclaves of Partnership for Development, including the Lyon Summit, were organized by UNCTAD. A careful selection was made of sectors such as electronic commerce, bio-food, micro-finance, global movement of goods and risk management, in which the private partners were likely to be interested and make useful contributions.

The Midrand Declaration said that Cartagena heralded “a new approach to assisting development”. The task in Midrand was to translate that into reality. The Declaration specifically stated that the task was to “initiate reforms designed to give new and real meaning to the partnership for development”. On globalization, the Declaration affirmed that “States that are members of UNCTAD set as their objective, the full integration of developing countries into the world economy and the international trading system in order to derive maximum benefits from liberalization and globalization.” It further stated that that UNCTAD should adapt to new economic and institutional modalities created by

the process of globalization, the conclusion of the Uruguay Round agreements and the creation of WTO.

Both the Cartagena and Midrand Conferences succeeded in bringing the domestic problems of the development of the developing countries to the centre of UNCTAD's mandate and concern. Both emphasised the creation of a stable macro-economic framework under structural adjustments and reforms, transparent legal systems, promotion of private investment, creating conditions for the flow of FDI, developing human resources, meeting basic human needs, promoting democracy and rule of law, providing transparent and accountable governance and the exercise of human rights and fundamental freedoms.

Regarding economic measures, the maximum emphasis has been laid in the Midrand Declaration on those geared to providing incentives and creating a conducive environment for the private sector, including foreign enterprises. These include ensuring an efficient functioning of the domestic market, sound macro-economic policies, efforts to promote domestic savings and attract foreign capital, know-how and technology.

The Midrand Declaration is more than lavish in its eulogy of the Uruguay Round agreements which according to it "provide the framework for an open, rule-based, equitable, secure, non-discriminatory, transparent and predictable" multilateral system. All members of the WTO are called upon to implement fully and within the agreed time frame, the commitments undertaken by them under these agreements. The Declaration further ordains: "Trade liberalization in developed and developing countries should continue."

The document, for the first time, brings on the agenda of the UNCTAD, the role of Enterprise in promoting development. Enterprise figures in the very title of one of the new Commissions set up after the restructuring of UNCTAD's inter-governmental machinery. The emphasis here is, again, on domestic measures to promote enterprise, like legal framework, adequate IPR protection and privatization, and not on the responsibilities of the enterprises themselves, nor on the host countries of foreign enterprises.

The Midrand Declaration fully supports the position of developed countries in favour of rule-making in the area of competition policy and investment. This very nearly makes UNCTAD the organization of the North rather than of the South. The Declaration states "Interest exists in enlarging the new trade agenda in new areas. Competition Policy is one important new area". It makes a case for considering competition policy at the international level, on the ground that the Agreement on Trade Related Investment Measures (TRIMS) recognized the need for parallel consideration of competition policy and investment. On investment, the Declaration lists one of the tasks of UNCTAD as "identifying and analyzing implications for development, of issues relevant to the possible multilateral framework on investment".

Apart from completely reversing the ideological stance of UNCTAD, the Midrand Conference took far-reaching measures for restructuring UNCTAD's inter-governmental machinery and Secretariat, changing their mode of functioning, reducing the number of meetings, rationalizing publications, slashing UNCTAD's budget and ensuring better coordination with other international organizations.

The number of the standing committees of UNCTAD was reduced to half and the committees were rechristened as Commissions. Both the nomenclatures of the newly created Commissions and their terms of reference clearly reflected the ideological shift that took place in Cartagena and Midrand. The earlier separate standing committees on Commodities, Manufactures, Financing & Invisibles, Shipping, and Economic Cooperation among Developing countries were abolished. Among the three Commissions authorized to be set up, one was on "Enterprise, Business Facilitation and Development". A single Commission on Trade was set up which combined goods, services and commodities. Manufacturing was deleted from the vocabulary of UNCTAD. So was shipping. Finance did not

figure autonomously, and the work on finance for development, including external debt, was whittled away. The main emphasis in the terms of reference of all the Commissions was on technical assistance. Services were confined to trade-related service infrastructure.

A commensurate restructuring of the Secretariat was also mandated by the Midrand Conference and subsequently carried out. The number of Divisions was reduced from nine to four. The most significant change was the closing down of the Division on Finance. In addition, the Manufacturers, Commodities, Shipping and ECDC Divisions were also wound up. As in the case of the Commissions, both in the nomenclatures and terms of reference of the new Divisions, the emphasis was on domestic issues of development and on areas that lend themselves to the extension of technical assistance. In addition to the four Divisions, UNCTAD has been authorized to maintain an Office for the Least Developed among Developing countries (LDCs) and Land Locked and Island Developing Countries.

The colossal magnitude of the loss to developing countries as a result of the drastic trimming of UNCTAD's mandate brought about by the restructuring of the inter-governmental machinery and the Secretariat of UNCTAD can be grasped by the fact that each accretion in UNCTAD's mandate had involved prolonged major efforts to get over the resistance of developed countries. These hard won gains were sacrificed without anything in return, in these two sessions of UNCTAD Conferences.

The challenge at the Midrand Conference was seen by G77 and the secretariat as keeping UNCTAD alive. Major developed countries had threatened to walk out of UNCTAD and stop financing it unless it was transformed on the lines of their proposals. The Midrand Conference succeeded in saving UNCTAD at the cost of endorsing a change in its ethos, basic character and mandate.

In the subsequent reform process, the budget of UNCTAD was drastically pruned, and its staff strength heavily reduced. Consequently UNCTAD's core competencies have been virtually dismantled. In the initial years, UNCTAD used to attract the best talents among economists in the world, who used to come motivated by the idealism to serve the vast majority of mankind living in the developing world and to contribute to the shaping of a world economic order which was just, fair and equitable- a goal that was in the interest of both developed and developing worlds. Experts committed to such idealism have been sidelined or eased out of UNCTAD by a variety of means adopted for this purpose. The reoriented mandate and programmes, and the kind of environment it has created do not provide scope or incentive to attract new bright original talents committed to an ideal. This has increasingly turned the UNCTAD Secretariat into an uninspiring place.

UNCTAD has been brought to this pass as a part of the broader design of the dominant powers to prevent and neutralize challenges to the existing structures and systems, to maintain their control over them, and to discourage and disarm collective action by developing countries to bring about a change in the global economic power structure. They have, by and large, succeeded in fulfilling their mission because of the growing vulnerability of the developing countries and changes in the political power equations in the world. The decline of UNCTAD has coincided with and is a part of the general erosion of the Charter role of the United Nations in the economic field and the transfer of the responsibility of the UN in this field, to the Bretton Woods Institutions and WTO.

#### IV. RESCUE OPERATION IN BANGKOK AND SAO PAULO

Even during the period of adversity, with all its limitations of resources and personnel, UNCTAD was still able to play an important corrective role to the newly emerging views on trade and development. Thus, it showed that the structural adjustment programme of the World Bank and IMF were resulting in stagnation and retardation of growth in several developing countries. It highlighted the fact that the external debt overhang of developing countries crippled the development process, and that liberalization of capital markets and the instability caused by unregulated global financial flows posed a major threat for developing countries. It continued to advocate the critical role of state in development, to draw attention to the volatility and decline of commodity prices, and to warn that globalization was spawning greater inequalities among developed and developing countries.

Some of the ideological ground that was ceded in Cartagena and Midrand was retrieved to to a limited extent at UNCTAD X in Bangkok in 2000, in part due to the fallout of Asian financial crisis and the failure of Seattle, and at UNCTAD XI in Sao Paulo in 2004. The original mandate of UNCTAD was reaffirmed and the lurch towards the neo-liberal ideology was reversed to some degree. The discontents of globalization were articulated and the underlying principles of the existing order came in for severe questioning. But all this was only at the conceptual level. In practical terms, however, the changes carried out following the Cartagena and Midrand Conferences continued to determine the reality on the ground. Deliberations in the intergovernmental bodies of UNCTAD continued to remain a charade. The expertise left in the UNCTAD secretariat after the heavy budget cuts, was too meagre to cope with the restored and additional mandate given in the area of research and analysis. And UNCTAD's activities continued to be dominated by donor-driven technical assistance, which contributed to keeping the organization far apart from its original mandate.

Besides, in spite of a reasonably thoroughgoing correction of the ideological tilt, most of the neo-liberal policy thrusts introduced in Cartagena and Midrand were also reaffirmed. In the Bangkok Plan of Action, it was stated that though globalization raises serious problems "it offers new perspectives for integrating developing countries into the world economy". The Plan of Action also underlines the importance for development of domestic factors such as democracy, rule of law, governance and the curbing of corruption. A reference to the importance of enterprise development has also come in.

However a principal thrust of the Bangkok Plan of Action is a questioning of the utility and the validity of the neo-liberal paradigm. The Sao Paulo Consensus also states that there is no automatic convergence of open economies, that there can be no "one-size-fits-all" approach to development, and that developing countries should have flexibility to choose policy measures best suited to their development. The Consensus also advises developing countries "to pursue a strategic and appropriately sequenced approach to liberalization after a careful analysis of the export potential in key sectors." The Bangkok Plan of Action asserts that trade liberalization must be consistent with development objectives. Its appraisal of the Uruguay Round agreement is also more balanced and realistic.

The two documents go into great details in bringing out the negative factors in the existing international trading and financial systems. All the problems faced by the developing countries in the international trading system have been listed. Among these, it is mentioned that the labour market liberalization has not progressed to the same extent as liberalization of capital. There is also a detailed treatment of the problems created by the agricultural subsidies of developed countries, and of commodity problems.



The issue of policy coherence has also been treated in a very different perspective. Instead of making “coherence” an excuse for UNCTAD to toe the line of IMF, World Bank and WTO, there is an emphasis on coherence of policies at the national and international levels. Instead of UNCTAD ensuring coherence with the policies of IMF, World Bank and WTO, it is urged to “cooperate with them closely in order to enhance synergies, consistency, complementarity and mutual supportiveness of policies to avoid duplication.”

The Bangkok Plan of Action spells out UNCTAD’s role as an organization “pre-eminently placed to examine the issues of finance, technology, investment and sustainable development and to build consensus for the reformulation of policies in a globalizing world from a development perspective”. The Action Plan goes into some details in its attempt at bringing back UNCTAD’s role in the area of finance. It says that with regard to finance and monetary matters, UNCTAD’s work should be to bring in a development perspective. Its focus should be on financing for development. UNCTAD should also concentrate on the debate on issues related to the strengthening and ongoing reform of the international financial institutions. Hence, special emphasis is put on analyzing the causes and effects of financial crises and contributing to the debate on measures for the prevention, management and resolution of such crises. However, when it came to implementation of this mandate, there were no practical steps taken and the action shifted to the Monterey Conference on Financing for Development and its follow-up.

In these two Conferences, UNCTAD was also given the mandate for work in the area of the protection of biological resources and impact of bio-technology on development, and undertaking analysis of the development dimension of IPRs, including the protection of genetic resources and folklore, and fair and equitable sharing of their benefits. It was given a mandate in the area of environment and development, covering almost all its aspects. It was also asked to bring out the implications of existing and emerging international trade rules for the development prospects of developing countries. Its jurisdiction to keep track of and analyze with a view to suggesting policy alternatives, trends in ODA and external indebtedness, was reaffirmed. It was asked to analyze the role of FDI in the development process. It was also encouraged “to further develop capabilities designed to assist countries to participate effectively in regional and inter-regional initiatives”.

The Sao Paulo Consensus introduces for the first time in any UN consensus document, a major new concept of interest to the South, and that is the significance for developing countries of adequate “policy space”. Paragraph 8 of the Consensus states, “It is for each government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraint imposed by the loss of policy space”. It is particularly important for developing countries to “take into account the need for appropriate balance between national policy space and international disciplines and commitments”. Yet, it should be noted that “policy space” remains a contentious issue as certain powerful countries refuse any reference to the concept in UNCTAD.

Another interesting concept introduced in Sao Paulo was that of “the new geography of trade”. The document “the Spirit of Sao Paulo” says in paragraph 13:- “.....a significant source of global growth is being generated in the South. This new development is contributing to creating a new geography of world trade”

Yet another interesting feature of the Sao Paulo Consensus is its emphasis on the dynamic sectors which “represent new and emerging trading prospects for developing countries”. The Consensus states that enhancing the participation of developing countries in such sectors is important in realizing development gains from international trade.

Thus in Bangkok and Sao Paulo, UNCTAD was given a highly ambitious agenda, but no additional resources or professional staff to cope with it. It is difficult to resist the conclusion that the developed countries calmed the developing countries by offering to UNCTAD a broad-based mandate with one hand, while taking away with the other its ability to deal with any serious problem.

## V. CONTINUING VALIDITY OF UNCTAD

The rationale of UNCTAD is founded on the questioning of the *status quo* in the world economic order and seeking the transformation and democratization of international economic relations. This is understood to require pluralism in thinking on economic policy issues, empowerment of the South and placing development at the centre of the multilateral arena as a priority concern of the international community. These goals remain valid today. And so does the continuing role of UNCTAD.

UNCTAD placed development at the centre of the concern of the international community. After a brief eclipse when liberalization and globalization were drummed up as synonymous with development, development has once again climbed to the centre stage. The document “The Spirit of Sao Paulo” states: “In spite of the efforts at the national and international levels to promote growth, development remains the central issue in the global agenda. The contrasts between developed and developing countries that marked the world in the early 1960s, are still present today. In fact the gap between them has increased in many respects. While globalization has posed challenges and has opened up new opportunities for many countries, its consequences have been highly unequal between and within countries”.

There is an increasing realization that liberalization and globalization cannot be ends in themselves, they can only be a means to development. Empirical evidence has shown that the neo-liberal paradigm has failed to deliver development in an overwhelming majority of the countries where it has dictated policy options. As a matter of fact, many countries which pursued this paradigm came to grief. Several of them have gone through a process of deindustrialization, while others were plunged into financial crises which destroyed the welfare gains of decades. In many of these countries, the underprivileged classes faced further marginalization in society and the social gains during the early period of their independent nationhood were virtually wiped out. It has also been demonstrated that growth does not derive from merely giving a free hand to market forces, but mainly from the development of human resources, building the requisite infrastructure and structures of production, and creating institutions which can improve and sustain human development and production structures. In fact, experience has shown that the latter is the pre-condition for the market to deliver the goods.

The imbalances which UNCTAD set about to reduce are not only persisting but have acquired larger proportions. The gap between developed and developing countries has widened and the asymmetries have become larger. Global imbalances continue to remain the biggest obstacle to development, and one of the main sources of social and political instability and conflict between and within countries, and thus also a threat to peace and security.

Some of the principal concerns of UNCTAD at the time it was established, were commodity problems, resource flows, external indebtedness, agricultural protectionism, non-tariff barriers, technological gap and asymmetries of different kinds. The efforts made by the international community over the last 50 years to make a dent on these problems have not been of much avail and these problems continue to plague the world economy and international relations and, hence they continue to remain on the international agenda. This is another reason why UNCTAD is still relevant.

Today, international issues have become more inter-related and hence more complex than before. Solutions to such complex issues cannot be applied uniformly to all countries and all situations. They call for the exploration of alternative routes, development of alternative approaches and strategies and different phasing and sequencing of implementation. UNCTAD is the best place and forum to explore such routes, devise such strategies and plan out such phasing and sequencing.

UNCTAD still remains unique and has mandates and jurisdiction which no other organization in the UN system has. It is the only organization explicitly mandated to analyze and discuss inter-relationship between trade, finance, technology and development. It has been the principal source of new ideas in the realm of finance and even today it has a mandate to pursue issues in this area. It is the preferred body in the UN system to collect data, issue reports and provide a platform for discussing the issue of investment. The only regular global report on World Investment is published by this organization, though a fresh review of this report is needed to ensure that it deals with development dimensions of FDI.

The UNCTAD Commission on Investment, Technology and Related Financial Issues is the only inter-governmental body within the UN to deal with investment and related matters. UNCTAD also has the mandate to analyze on a continuing basis, the development dimension of international investment agreements.

UNCTAD is also the nodal centre in the UN on trans-national corporations and on science and technology for development. It is the organization concerned with the “UN Set of Multilaterally Agreed Equitable Practices and Rules for the Control of Restrictive Business Practices”. The Set was negotiated in UNCTAD which organizes the quinquennial review of all aspects of the Set.

After the Cartagena Conference, the unit at the UN Headquarters on Science and Technology was transferred to UNCTAD. Though its inter-governmental counterpart, the Commission on Science and Technology for Development continues to function as a subsidiary body of the Economic and Social Council, it is serviced by UNCTAD. UNCTAD is no longer engaged in norm-setting in this area.

No other organization has been as deeply involved and for as prolonged a period as UNCTAD with regional integration considered as critical for ensuring the efficiency of import-substitution growth strategy, particularly for smaller developing countries. Until a few years ago, UNCTAD was the best repository of expertise in this area among all UN organizations. It has a valid mandate to analyze trends in the development of regional and sub regional groupings and provide advisory and analytical support to such groupings.

Earlier, UNCTAD used to have a full fledged division on economic cooperation among developing countries. One of the important instruments of such cooperation, i.e. the General System of Trade Preferences (GSTP) was negotiated under the aegis of UNCTAD. It is providing support to the third round of negotiations under GSTP, which commenced following a decision taken at the Sao Paulo Conference.

Finally, UNCTAD is the principal organization of the UN system to undertake research on economic problems of the LDCs, Land Locked Countries and Island Developing Countries. It issues regular reports on these subjects, and prepares documents suggesting policy approaches to dealing with their economic problems, apart from providing them technical assistance.

This picture depicting the unique position of UNCTAD will not be complete without referring to the UNCTAD's flagship intellectual output i.e. the Trade and Development Report (TDR). This is still the most important vehicle for challenging, though now in a subdued, circumspect and qualified manner, the dominant neo-liberal paradigm of development. It is therefore no surprise that the TDR has been under attack for sometime.

Unfortunately, most of the above mandates and unique roles of UNCTAD today exist only on paper. The organization is not being allowed, under pressure, and through threat of or actual denial of resources, to carry them out. Some of them are now carried out in a routine manner. As a result, they do not have much impact either intellectually or practically in influencing policies. Some of the functions are fragmented between the UNCTAD Secretariat in Geneva and the U.N. Headquarters Department of Economic and Social Affairs.

## VII. THE CASE FOR REVITALIZING UNCTAD

It is necessary to breathe new life into these wide-ranging and unique mandates and revive the roles and functions of UNCTAD to their full potential. They are essential to the interest of developing countries and the international community as a whole. And there is no other UN body which has either the mandate or the *locus standi* to discharge these mandates and carry out these functions.

The present is the propitious time for reinventing UNCTAD as the chosen body of the United Nations for discharging its overarching and holistic functions under the Charter in the economic field. There is widespread resentment among developing countries against the discontents of globalization and the utter ruin brought to the economies of several of these countries by the indiscriminate imposition of the policies of liberalization. These countries are looking up to the UN system to provide fresh thinking and suggest alternative approaches for tackling the structural problems of development. UNCTAD is the organization in the UN system mandated to and capable of coming out with such thinking and alternatives. The developing countries have now realized that their economic problems cannot be resolved within the framework of globalisation and liberalisation. They can be dealt with only under the rubric of development, which is the domain of UNCTAD in the UN system.

In the last few years, the developing countries, particularly the LDCs, have come to realize that opening up their economies to foreign goods, services and investments has not really helped. They are, therefore offering resistance to further liberalization. They are afraid, this would result in further deindustrialization and pre-empt the prospect of the development of service industry. That is why at the Hong Kong WTO Ministerial Meeting, they so strongly resisted yielding ground on negotiations on NAMA and Services.

The developing countries have put the developed countries on the defensive on the issue of domestic agricultural subsidies. Very little is likely to happen in WTO unless there is a movement on this front. In services, developed countries seem to be interested mainly in prying open the markets of developing countries. They have offered very little by way of liberalisation of services which are of export interest to developing countries. Besides, today, trade liberalization is taking place more regionally and sub-regionally under economic integration groupings, than multi-laterally under WTO. UNCTAD has a specific mandate and has played a longstanding role in the area of sub-regional and regional integration.

These developments have exposed the limitations of WTO whose domain is fast shrinking, partly also because of its failure to be the arena for rule-making on non-trade related issues like investment and competition policy. The debacle at Seattle and Cancun and the near failure of the Hong Kong Ministerial Meeting are the symptoms of this general malaise of WTO. This provides an opportunity for UNCTAD to resume its leadership role in the field of trade and development.

The developing countries are also increasingly becoming conscious and realizing the adverse consequences of the space for macro-economic policy making that they conceded during the last quarter century, when they implemented structural adjustment programmes and followed the policy of stabilization and liberalization. They want to regain as much of this lost space as possible and weigh the pros and cons before conceding further space. UNCTAD is uniquely placed to advise and help them in making this critical choice.

The revitalization of UNCTAD very much depends upon the unity, dynamism and the sense of purpose of the Group of 77. The recent effective functioning of some of the groups of developing

countries within the forum of WTO is a good augury for imparting greater dynamism and sense of purpose to the Group of 77. The G-20 and G-33 have functioned effectively in WTO mainly because of the perception of the countries, members of these groups, of the threat posed to their economic interest by the aggressive stance and the rigid positions of developed countries. These groups joined with G-90, consisting mostly of LDCs, and formed the wider G-110 to safeguard their interest. The developing countries should realize that the most effective means of safeguarding their interest is to confront the dominant ideology moving WTO and developed countries individually as well as collectively, and to put forward alternative ideas and policy approaches. UNCTAD is the only multilateral forum where such a task can be undertaken.

## VII. SUGGESTIONS FOR REVITALIZING UNCTAD

### *A. Need for alternative views and intellectual pluralism*

The first and the most important precondition for revitalizing UNCTAD is to recognize the need for alternative views on economic policies from a development angle. There is no development strategy or policy which can be applied to all regions and all countries, in all circumstances. Much depends upon the vantage point from which the problems are viewed. UNCTAD has played a commendable role by way of putting forward developmental policies and strategies which are different from those supplied by the Bretton Woods institutions. The latter views essentially reflect the interests and priorities of developed countries. Since the early 1980s, all other organizations of the UN system, including UNCTAD, have been obliged, under pressures of different kinds, to reflect this dominant view, even if there is enough evidence to show that this has greatly jeopardized the interests of developing countries. The case is now much stronger than before to resurrect pluralism in the international economic system. UNCTAD is in the unique position to undertake such a task.

### *B. Civil society organizations and UNCTAD*

Since UNCTAD has been forced to conform to the dominant view on development policies, the role of providing alternative views has been played by civil society organizations (CSOs), many of which have developed their own research capabilities on international economic issues. The CSOs have thus replaced UNCTAD in the most crucial area of its activities.

However, because of obvious limitations relating to resources and priority, with a handful of exceptions, the research work done by CSOs is often not rigorous and scientific enough to carry conviction with neutral observers and right-thinking intellectuals and policy-makers in the North. The resumption by UNCTAD of its earlier role of advancing alternative views through its work of research and analysis can bridge the gap that has developed in intellectual pluralism and lend coherence, greater rigour and rationality and hence credence to the work of the CSOs in this area. This will also enable UNCTAD to resume its role of giving greater voice to and generally empowering the developing countries in negotiations of international economic issues.

### *C. Revival of UNCTAD's negotiating role*

The original mandate of UNCTAD unmistakably includes its playing a negotiating role. The distinction that has recently been drawn between negotiations and consensus-building is erroneous and deliberately designed to deprive UNCTAD of its negotiating role. For consensus-building itself calls for negotiation. The distinction is really in the kind of text that is being negotiated. This can be either in the nature of norms, principles and guide lines or legal instruments. UNCTAD has the mandate to negotiate both these categories of texts and this authority should not be allowed to be diluted. Though several legal instruments have been negotiated within the forum or under the aegis of UNCTAD, the main achievements of the organization in this realm lies in negotiating texts which can be regarded as

broadly falling in the category of soft laws. In recent years, even this indispensable role of UNCTAD has been severely curtailed. UNCTAD must be allowed to resume this role in a full-fledged manner.

The developing countries have been partly responsible for the erosion of the negotiating role of UNCTAD in the realm of soft law making. They have taken to WTO issues like financial resources, debt, commodity problems and transfer of technology which are not amenable to treatment under the contractual framework of WTO. On these issues, all the concessions to be made are by developed countries, which are not expected to agree to regimes in these areas offering possibilities of retaliatory action. The only possibility that exists for developing countries to prod developed countries to move forward in these areas is by exerting political and moral pressure which is the precise purpose of soft laws.

It may be argued that these issues have been put on the WTO agenda in order to develop negotiating leverage with developed countries. But the fact is that it has worked the other way round in that it has permitted developed countries to offer verbal concessions, in the form of mere words as was done under the Doha Development Agenda, in order to wrest substantial concessions for liberalization from developing countries. Moreover, the discussion on these items has been used as an opportunity for causing splits in the ranks of developing countries. Besides, developing countries have found themselves over-stretched in WTO because of the need to deal with issues coming within the contractual framework of WTO as well as those on which, in the very nature of things, no action can be taken there. In the process, the developing countries have ended up contributing unwittingly to the design of developed countries to take away the negotiating role of UNCTAD.

Therefore, one of the important steps that developing countries can take in order to restore UNCTAD's negotiating role, is to confine rule-making on development issues to UNCTAD and not to dissipate their time, energy and resources in discussing them in WTO. Among the items which can be taken up for developing soft laws in UNCTAD are competition policy, investment issues, conduct of trans-national corporations and transfer of technology. Besides, several of the items listed under other categories in this section can also be taken up for soft law making.

As regards negotiation of legal instruments, UNCTAD may explore the possibility of negotiating market regulating agreements on some of the commodities which are subject to severe and frequent price fluctuations as well as decline in prices.

UNCTAD should also substantively backstop and provide the forum to developing countries for discussing and elaborating among themselves their common positions on issues under negotiation in the WTO, World Bank, IMF, WIPO, etc. The gap in this area has also been filled by the CSOs, but often not very effectively and convincingly.

Finally, the distortions that have been introduced, at the behest of major powers, in the procedures of the inter-governmental machinery of UNCTAD, diluting their negotiating function, must be removed. A disconcerting development in this regard has been the conversion of the sessions of the Trade and Development Board and those of its subsidiary bodies and expert groups, into seminars where experts from outside and agency representative are invited to give lectures. This is mainly designed to dilute the negotiating and representative character of these bodies. If they are to be real negotiating forums, then there is no scope for them to delve on something else.

#### ***D. Taking an over-all integrated view of global economic issues***

One of UNCTAD's advantages and unique features in the early days was the fact that it carried out an integrated analysis of key issues on the agenda of international cooperation, within a comprehensive conceptual framework. Such analysis, which was mostly reflected in the Secretary General's Report to

the Board and UNCTAD Conferences, and in the annual Trade and Development Report of UNCTAD launched in 1981, served as the basis for inter-governmental discussions, deliberations and actions.

Today this kind of analysis is nowhere present in the UN system. This needs to be revived, both at the level of research and analysis conducted by the secretariat and through the inter-governmental machinery. Therefore, UNCTAD should once again become the institutional focus for an integrated approach to international development cooperation. Various sectoral or area specific issues that are today debated in an isolated fashion in different organizations of the UN system should be pulled together by UNCTAD for an analysis on an integrated basis. The themes that lend themselves to such an analysis could be:

- (a) Globalization in all its aspects- its potential and discontents, its features of marginalization and homogenization, its tendency to impose uniformity of policies, its trait of being policy-driven and an instrument of domination by the powerful and dominant countries and interests from the North.
- (b) The energy issue in all its aspects.
- (c) Environment, trade, food, bio-safety, sustainability and the role of IPRs.
- (d) Provision and management of international public goods, resources of global commons (sea bed, space), international regulatory mechanisms for global commons, provisioning of international public goods and services.
- (e) An integrated analysis of market manipulation and failures, and the means to cope with them, including financial crises, commodity market failures, agricultural protectionism, and restrictive business practices.
- (f) An analysis of the imbalances and inequities in the international trading and financial systems. This could cover most of the “implementation issues” being discussed in the WTO. Today, inequities and imbalances are not only the traditional ones, but principally those that arise from the regimes and agreements put in place recently. A discussion in UNCTAD within an integrated conceptual framework, on the issue of inequities and imbalances can be of great help in preparing the empirical and theoretical ground and mounting pressure for the revision of these regimes and agreements.
- (g) A new International Trade and Development Convention, updating and codifying exceptions to the rules made for making the world economic system just and equitable and the international economic environment, supportive of development. This could integrate within a unified conceptual framework, elements from the rules relating to preferences, other affirmative actions in favour of developing countries as in Part IV of GATT (1994), Charter of Economic Rights and Duties of States, instruments and principles for commodity market organisation, and various codes of conduct to guide international economic relations.
- (h) A regime for Special and Differential Treatment (S&DT) for developing countries in the global trading, financial and monetary systems. It could deal with measures to protect the developing countries from the perils of indiscriminate and premature liberalization and those designed to support the efforts of these countries to accelerate development by using the needed trade and investment policies.

The above list is not exhaustive. It is also conceded that some of the above themes overlap with each other. The idea is to choose two or three of them to begin with, which could be the basis for UNCTAD



mounting a major effort in research and analysis and organizing inter-governmental discussions based thereon.

UNCTAD has a well established advocacy role. Its integrated approach to dealing with the problems of development has been of great help in enabling it to play this role. This approach should be revived to rally developing countries behind a reinvigorated UNCTAD and generally for promoting international cooperation for development.

#### ***E. UNCTAD's role as a centre for harmonizing trade and development policy***

UNCTAD has been assigned the role for harmonizing trade and development policy in terms of resolution 1995 (XIX). It used to play this role in its early period when it had the cooperation of developed countries in discussing the implications of their policies, for the development of developing countries and for the global economy. After the early 1980's, developed countries pulled their own macro-economic policies out of UNCTAD's agenda. These countries have been co-ordinating their macro-economic policies in their own exclusive groupings, such as G-7 (now G-8). They have every right to do so. But the international community, particularly the developing countries, have the right to discuss the implications of developed countries' policies, in particular for their own economies. According to the Charter, this role is assigned to the UN Economic and Social Council (ECOSOC). ECOSOC should be enabled to start discharging this legitimate Charter function, and UNCTAD should provide substantive support to ECOSOC for this purpose.

#### ***F. South-South Cooperation, including GSTP***

Since its early days, UNCTAD has remained a well established place in the UN system for following developments, developing ideas and approaches and generally assisting developing countries in South-South cooperation. Recent developments call for infusing new life into UNCTAD's activities in the area. The developing countries have acquired a growing strength in the world economy and trade. During the past decade, the average trade:GDP ratio of developing countries grew from 40% to 60%. Their share in the world trade increased from 24% to 33%. Their share of world trade in Services increased from 19% to 23%. With an increase in their share of world output and diversification of their economies, the scope of trade among themselves has greatly expanded. This is reflected in South-South trade flows which now account for 43% of all exports from the South. Some developing countries are emerging as regional or global locomotives of trade and economic growth. These factors are shaping what has now come to be known as the "new geography of international trade".

These new trends and developments were very much in the minds of the developing countries when they decided in their meeting in Sao Paulo, coinciding with UNCTAD XI, to launch the third round of GSTP negotiations. UNCTAD is providing support to this process.

It has been estimated in an UNCTAD report that if developing countries agree to reduce their average tariffs applied to each other by 50 % in the current GSTP Round, this would generate an additional \$ 15.5 billion in trade. The report also states that the LDCs will gain more from preferential tariff liberalization under GSTP than under MFN liberalization under NAMA. Concessions to LDCs under GSTP have the advantage of legal security and predictability because GSTP is a contractual agreement among members and is also consistent with WTO rules. GSTP provides for special treatment to LDCs. It will be a development of great political and economic significance if under this provision, more developed among developing countries like Brazil, China and India, accord non-reciprocal, duty-free and quota-free access to almost all exports of the LDCs to their markets. Among

others, it will be a major factor consolidating the unity of developing countries recently forged in G-110.

### ***G. UNCTAD in Technical Assistance***

UNCTAD's foray into technical assistance has been a negative development. It has been at the cost of its negotiating role and its research and analysis work. The UNCTAD's TA like all other TAs in the UN system is donor-driven. This has given the donors the leverage to drastically remould UNCTAD's other functions in the direction of their interest.

UNCTAD would have been better off without its own TA as was the case in its early years. But at this point of time, it will be unrealistic to suggest that UNCTAD should give up its TA programmes altogether. It is, therefore, suggested that UNCTAD should drastically trim its TA activities, confining them to assistance for policy formulation in areas under UNCTAD's jurisdiction and related intimately to its research and policy analysis work. UNCTAD should leave all other kinds of technical assistance at the country level in trade and related matters, including the development of trade infrastructure, to other agencies, particularly ITC. UNCTAD should, of course, continue to play its advisory and managerial role in ITC.

The policy-oriented TA of UNCTAD should include advice in the formulation of trade policy, debt management, designing national legislations to give effect to IPR obligations and for otherwise using flexibilities in trade rules. UNCTAD should generally follow a top-down approach rather than a bottom-up one in providing TA. This will mean that TA will be given for assisting developing countries for giving effect to policy decisions taken in UNCTAD and related forums rather than it originating *sui generis* from the country level. The assistance that UNCTAD had given to developing countries during the Uruguay Round of Trade Negotiations was a good example of a top-down approach to providing technical assistance. Above all, the developing countries should insist that the reoriented TA of UNCTAD should be financed out of the regular budget, while voluntary contributions from developed as well as developing countries should form an integral part of the overall resources available to UNCTAD for technical cooperation.

### ***H. Aid for Trade***

UNCTAD should not climb the "aid for trade" bandwagon on which there is a lot of discussion in various U.N. organisations. "Aid for trade" initiative is designed to hoodwink the developing countries and exploit their vulnerability to push and legitimize the neo-liberal agenda on trade. A principal component of this scheme is to offset adjustment costs incurred by developing countries for their accepting and implementing developed countries' demand for trade liberalization. The other component is assistance for creating export-production capabilities and trade related infrastructure. It is impossible to distinguish this latter type of assistance from development assistance per se. The initiative is, therefore, only an effort to rebrand development assistance to make it appear more attractive and hide the shortfalls in living up to the ODA target. Besides, there is no reliable yardstick to verify the claim regarding the additionality of aid-for-trade, other than relating it to the existing level of ODA flows.

### ***I. Domestic measures for development vs. external environment for development***

A major distortion that has taken place in UNCTAD's functions is its almost exclusive concern with domestic development policies of developing countries at the cost of the neglect of the external factors for development. This shift has been brought about through a concerted campaign by developed countries. It will be neither possible nor desirable to reverse this trend and exclude domestic measures altogether from UNCTAD's agenda. For, domestic measures are critical to development and even the efficacy of international measures depends on the adoption of commensurate domestic measures. That is why even during its hey day, UNCTAD's agenda contained domestic measures. For example, measures for the mobilization of domestic resources, domestic measures for diversification etc. were included in the Final Act of the First UNCTAD. What is needed is the restoration of the balance that has now tilted heavily in favour of domestic measures. This purpose will be served by taking out of UNCTAD's agenda, contentious and motivated items of domestic measures, and UNCTAD devoting more time to discussing and negotiating on measures designed to make the external environment and institutions supportive of development.

### ***J. UNCTAD in the area of finance***

Financial flows have emerged as the most important phenomena in the global economy both as a positive and a negative factor. As a matter of fact, growth of economies from the beginning of the 1990s has been fuelled more by financial flows than by trade flows. A major disability of UNCTAD has been the virtual embargo put on the discussion of financial matters in its forums and the dismantling of its research and analytical capability in this field. This condition needs to be urgently ameliorated. The earlier functions in this area should be fully restored to UNCTAD. Besides, it should contribute to the ongoing debate on the building of a new international financial architecture. In the evolving international financial system, it will be necessary to:

- i. ensure the full participation of developing countries
- ii. improve the response capabilities of the system in case of emergencies
- iii. permit greater flexibility and autonomy to developing countries in the management of capital inflow
- iv. reform the monitoring and regulatory systems
- v. consider the creation of additional liquidity, generating resources for development, regional arrangements for capital control, regional common currency and regional reserves for meeting emergency situations.

The ideological framework within which the debate on this subject has been taking place has kept most of the above issues out of consideration. It is, therefore, extremely important to involve UNCTAD actively with this debate to safe-guard the interest of the developing countries. Restoration of UNCTAD's earlier role in matters of finance will call for a manifold increase in its research capability.

### ***K. UNCTAD and UN reforms***

The reforms of the UN that have been going on for the last 25 years, have been designed mainly to weaken the UN system and enfeeble the position of the developing countries in it, in order to make it subservient to the interest of major powers. This purpose has by and large been served. Among the U.N. bodies, UNCTAD has been the worst victim of this process. UNCTAD was drastically enfeebled and diminished in Cartagena and Midrand. The Secretary General of UNCTAD had stated at UNCTAD X in Bangkok in 2000 that no other UN body has been subjected to a reduction in budget, to the extent that UNCTAD was. Therefore there is nothing positive that UNCTAD can expect from the ongoing UN reforms. In fact, the future unfolding of the ongoing reform process will only further weaken the UN system and UNCTAD. In particular, the economic agenda of the UN to deal with the structural problems of the world economy and the international environment for development will be further narrowed.

There is really no point in the developing countries joining issue with the developed countries on the reform process. Their only response should have been -- and still is -- to present their own proactive agenda for UN's restructuring. This background paper presents a blueprint for such an agenda as far as UNCTAD is concerned. The developing countries should pro-actively push this agenda rather than reacting defensively to the agenda for reforms set by others.

In the ultimate analysis, the battle for preserving UNCTAD is inextricably linked with the bigger battle to restore to the United Nations its holistic role and functions under the Charter in the economic field. The outcome of one depends on the success or failure of the other. Pursuing a pro-active agenda for revitalizing UNCTAD offers, probably, the last chance to regain the lost terrain and restore the primary role of the United Nations in the economic and social sectors.

### ***L. Securing UNCTAD's mandate***

A major task for the South in the context of the ongoing review of the role and functions of UNCTAD, should be to ensure that there is no dilution or abridgement of the existing mandates of UNCTAD. It would be futile to get involved in yet another exercise of the restructuring of the UNCTAD intergovernmental machinery or the Secretariat. What is really important is to bring about a paradigm shift in the nature and orientation of the deliberation in the intergovernmental bodies of UNCTAD and in the research and policy analysis work of the Secretariat, and in the TA programmes. For this, it will be absolutely necessary to seek the provision of adequate financial resources, mainly from the regular budget.

### ***M. Role of the Group of 77 in reinventing UNCTAD***

The leveling of the playing field in international economic relations and negotiations should be an essential objective of international development policy. UNCTAD should therefore resume its earlier role of providing support for a stronger and more efficient action on the part of developing countries, as this is an essential condition for leveling the playing field. This is a contribution which this organization must make to balance the organizational support that the developed countries get from the OECD, World Bank and IMF in global negotiations with the South. Not assisting the South, the markedly weaker partner, amounts to *de facto* helping the North, the stronger and the dominant partner and consolidating the asymmetrical playing field. This is hardly consistent with the true spirit of the mandate of UNCTAD.

The support for collective capacity building and empowerment of the South can take a variety of forms, ranging from giving substance, through the provision of data, empirical evidence, theoretical arguments and conceptual framework, to the demands of the South, to providing organizational and logistical support for the effort of the South to formulate their common positions and otherwise prepare for negotiations. Improved capacity and empowerment of developing countries would result in more productive negotiations and balanced outcome, which will be of benefit to the North also.

Since the developing countries have so much at stake in UNCTAD, the onus of pushing a proactive agenda lies on them. The Group of 77 should therefore, as the first step, adopt the platform on the institutional revival of UNCTAD, and then begin to advocate and press for its adoption and implementation in the relevant organs of the UNCTAD as well as the UN General Assembly, regardless of the likely negative early response from major powers.

The implementation of this package ultimately depends on the availability of financial resources. The Group of 77 should insist that the requisite resources must come from the regular budget. It is through the manipulation of budgetary, administrative and personnel policies that the major powers have brought about the present state of UNCTAD. If the developing countries want to reverse this trend and reinvent UNCTAD, they will have to make concerted efforts to influence policies in the reverse direction precisely in these domains. They will have to make coordinated bids to influence budgetary, administrative and personnel policies in the relevant bodies of UNCTAD and in the Fifth Committee of the General Assembly. In this, the developing countries whose economies have done exceptionally well recently will have to assume special responsibility. The campaign of the G-77 to reinvent UNCTAD should go some way towards consolidating their own unity and cementing their coherence.

## **VIII. CONCLUDING REMARKS**

Developed countries have made a concerted effort to change and dismantle UNCTAD over a period of nearly 15 years. It may take the developing countries many years to revive and reinvent the organization. But, UNCTAD must recover its voice and regain the support and respect of developing countries who have identified with it and its mission for decades. There cannot be a more opportune moment than now to begin a campaign to restore the pre-eminence of UNCTAD and bring it back to the forefront of multilateral effort to deal with the current complex global development challenges and build a stable, viable and genuinely democratic international community. UNCTAD's broad mandate is singularly suited for a new age where promoting development, democracy and equity is one of the principal challenges and pre-conditions for a peaceful and cooperative world.



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Paper 4 -- The Potential Impacts of Nano-Scale Technologies on Commodity Markets: The Implications for Commodity Dependent Developing Countries (November 2005)

Paper 5 -- Rethinking Policy Options for Export Earnings (April 2006)

Paper 6 -- Considering Gender and the WTO Services Negotiations (April 2006)