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Introduction

Strong views are now expressed both by Third World and developed market-economy countries (DMECs) on the present stalemate in the North-South dialogue. After a decade of negotiations which have had only marginal success in creating a more legitimate and development-oriented international economic regime, the whole North-South process is under critical scrutiny. The Brandt Commission and the Commonwealth Group of Experts have proposed improvements to the negotiating mechanisms in general while the US and the EEC have recently submitted proposals for reform of UNCTAD in particular. UNCTAD has been the central forum for the discussion of North-South issues in a formal group negotiating framework, and the discussion here relates mainly to that organisation.

There is much common ground in current analyses of what is wrong with the North-South dialogue. It is held that the dialogue is conducted basically between two large groups of nations, with the Third World Group of 77 (G77) (now comprising 120 countries) barely able to coordinate meaningful negotiating stances because of the increasing diversity of their interests; there is no G77 secretariat to work out trade-offs and shape a coherent agenda; there is inadequate coordination within the G77 as between issues and different negotiating fora; Third World countries' bilateral relations with DMECs and their multilateral approaches are inconsistent; and finally it is charged that Third World negotiators lack expertise.

The Sea-change in North-South Relations

When UNCTAD was established in 1964, incremental change seemed feasible. There was a mood for international economic reform and the creation of more legitimate international economic management institutions. Though the centre-periphery and 'dependencia' theories motivated some developing countries in proposing issues for negotiation, international

economic management was thought of in Keynesian terms and as a means of stimulating the underutilised capacities of the Third World.

A change came about in 1973 with the OPEC oil price rises. There was the rhetoric of confrontation and of the New International Economic Order (NIEO), and a belief in the possibility of radical and comprehensive transformation of international economic structures to suit the Third World countries. Now, ten years after this episode, it is back to moderation, incremental change and selective improvement at the pressure points. No serious thought is given to possibilities such as OPEC backing for other commodity producers to jack up prices (an idea current, for example, at the 1975 Dakar Raw Material Conference). The Third World is now again basically Keynesian in its demands; it has the Brandt Report as a basic text governing many policy proposals. It is now widely accepted that structural change will only be a gradual process and not brought about by declarations of the NIEO type.

The world has changed since 1964. Third World countries now account for 20 per cent of world output, and, with the centrally planned countries accounting for another 20 per cent, the need for universal international economic institutions to supplement the IMF, IBRD and GATT is not in any doubt. To that extent, UNCTAD has become a part of the establishment. But the monetarist and ideologically charged visions of international relations of a few powerful Northern governments now obstruct international economic reform, though a strong Northern constituency exists which believes in a Fabian pragmatism. There is a future for the North-South negotiations, if they are approached by the developing countries in a more realistic manner. Third World countries need to take note of their diversity, be more selective of issues, and appreciate that North-South negotiations do not take place in a vacuum but have to be intimately related to their total economic approach both at home and abroad. Solidarity among Third

World countries must also be based on a greater appreciation of the limits and the potential for economic collaboration among them. The fact of having all been ex-colonies will no longer do as the basis for collective action.

International Economic Policy and Domestic Management

A major reason for the failure of the North-South dialogue lies in the inadequate appreciation by most developing countries of the linkages between international economic policy and domestic economic management. Some Third World countries have used multilateral economic diplomacy to further their own bilateral interests as the developed countries do, but the large majority have failed to appreciate the significance of the link.

While Third World countries negotiate internationally for reform and change in sectors such as commodities, shipping, technology transfer and in the operations of transnational corporations, their domestic economic and political policies tend to be conducted without realising that they could introduce changes in their own practices in these sectors, which could then have an impact on the negotiations themselves. And if sets of Third World countries could act collectively in this respect the prospects would be immeasurably better. (To illustrate from the author's experience in Sri Lanka, in 1975 a paper was prepared as a first and cursory examination of the feasibility of India, Kenya and Sri Lanka withdrawing from the London Tea Auctions. All three countries had a major interest in building up their own auctions, and some evidence was available of collusive practices among a handful of buyers in London. The paper was not even submitted for consideration for fear that the trade would be upset! All this while Sri Lanka negotiates 'intensively' on tea in UNCTAD.)

It is important for countries to look at the entire range of domestic policies to discover the points at which they might have an impact on key international economic negotiations and for them to enquire into the feasibility of instigating changes, even at the margin, on their own or in cooperation with other Third World countries or even with sympathetic Northern governments. It is this type of change that will generate the pressure for reform of the present international economic regime. To illustrate, again, a large number of developing countries import the same types of pharmaceuticals, tractors, fertilisers; if even two or three countries collaborated, reduced prices through bulk purchasing might be feasible. That could be ECDC in practice.

The question is why policy-makers in Third World countries have not so far been inclined to act in this way. There are obvious 'interest group' reasons: many commercial and political groups profit by present practices. But this is usually not a sufficient reason, as it could in many cases be proved that these groups would benefit by change.

There is another possible reason. Domestic policy-makers, most importantly those dealing with monetary and financial matters, are concerned with the daily demands of economic management and feel they have no time to engineer structural change in the international economy through domestic policy manipulation. They are encouraged in this by the two international institutions which have an overwhelming impact on domestic economic policy-making in the Third World — the World Bank and the IMF.

These two institutions are as much in the business of policy advice and technical assistance as in the provision of finance. The huge resource flows they dispense have become a lever for influencing policy in the developing countries. The Economic Development Institute of the Bank is the training ground for thousands of Third World policy-makers, who are steeped in an economics which makes them feel that UNCTAD's ways are rather strange. For the Bank and the IMF hold that everything that is wrong is due to incorrect economic management at the domestic level. The Bank and the IMF take international economic structures as given: their concept of policy failure does not extend to the external sector. Thus, an IMF or Bank report will not suggest, for example, that Kenya, India and Sri Lanka should get together and observe more closely the operating practices of the London Tea Auctions. Policy advice of this negative type, omitting certain areas from consideration altogether, does not, however, lack effect on Third World governments' actions at the international level. The Bank and the IMF *do* influence the international as well as the domestic policy of Third World governments — towards the maintenance of the *status quo* in the international economic system. While UNCTAD talks of international reform, the Bank and the IMF are effectively pushing Third World governments in the opposite direction, away from any consideration of changes at the international level.

The Bank and the IMF are controlled by a small number of developed nations averse to international structural change so it is not surprising that it is not within these institutions' mandate to explore the linkage between domestic policy and international structural change. It falls to agencies like UNCTAD to provide that alternative view to policy-makers. At the Third World country level, IMF/IBRD advice needs to be blended with prescriptions from UNCTAD and

elsewhere to construct a comprehensive and coherent economic policy comprising domestic and international issues together. If the North-South dialogue is to be improved, a first requirement is not so much to improve Third World countries' negotiating ability in a forensic sense, but to improve the policy perceptions of their officials and policy-makers.

The Coordination Problem

A complaint that has come up constantly in North-South negotiations is the deficiency of coordination between agencies on identical issues. The Third World has argued for a global round of negotiations within the United Nations for reasons of legitimacy, universality, issue coordination and comprehensiveness. The DMECs on the other hand insist on the continuation of dispersed negotiations in the fora they control, and argue for specialisation of function of the different agencies.

The debate on this question has reflected developing country governments' approach to North-South negotiations and the disjunction between international and domestic policy concerns noted above. Within these governments, each ministry and agency tends to relate to a particular international institution. Relations with UNCTAD and the GATT are the preserve of ministries of trade; the IMF and IBRD are the province of ministries of finance and central banks, FAO, IFAD and WFC of ministries of agriculture, UNIDO of ministries of industry and WHO of ministries of health. The most crucial of these relationships is that of the IMF and IBRD with ministries of finance and central banks, since it is in these ministries that major domestic and external economic policies are determined. The only way in which issues of international structural change can be introduced in a coordinated, policy-oriented fashion is by the realisation on the part of ministries of finance and central banks that their bargaining power with IMF/IBRD would be greatly enhanced if agencies such as UNCTAD, FAO, IFAD, WHO and UNIDO were used for policy advice concerning the international dimension of domestic policies.

To illustrate this, consider the situation of a Ministry of Finance of a developing country concerned with relaxing the conditionality requirements of the IMF and enlarging the Compensatory Financing Facility. UNCTAD too is concerned with these questions. The Ministry of Finance could use UNCTAD as a think-tank, as a pressure group, and even to negotiate for another Facility outside the IMF, all with the idea of building up pressures for change within the IMF. The dispersed nature of negotiations could be exploited as a source of strength provided negotiating positions were all related to domestic priorities and coordinated

at home. UNCTAD might also be asked for policy advice by a Third World government negotiating with the World Bank on commodity issues — for example concerning the impact of devaluation on rubber producing countries. Or take the WHO: how many ministries of finance in the Third World have ever looked at WHO prescriptions on pharmaceutical policy as an aid to rationalising expenditures on medicines?

The failure to coordinate at country level is only partly the outcome of the machinery of government. It is also the product of an inadequate awareness of the intimate and cross-fertilising relationship between domestic and international policy. UNCTAD, in particular, must beard the IMF/IBRD lions in their own hunting grounds — the ministries of finance and central banks in the Third World. There is no doubt a problem of resources, but resource limits are at times a result of perceptions of priorities which need periodically to be reassessed.

The Future of UNCTAD

UNCTAD is a comparatively small international agency with a regular annual budget of around \$30 mn and a professional staff of 250. Compare this with the World Bank, which has 2,500 professionals and an administrative and research budget nearly 20 times that of UNCTAD. Unlike the IMF and the Bank, whose agendas and range of functions and tasks have burgeoned over the last four decades at the behest of DMECs, those countries have frowned upon any and every enlargement of UNCTAD's tasks and functions. The world economy is not static, and new issues arise which UNCTAD must concern itself with if the effects on development of the changing world economic structure are to be continually monitored. Talking of original mandates alone will not do; the IMF and the Bank are undergoing dramatic changes (consider the IMF's novel role on the debt question) and so should UNCTAD's to cope with radically new situations.

UNCTAD must remain basically a negotiating forum. Given a broad definition of the term, UNCTAD will have three functions. It undertakes all three functions now, but their relative weight might have to be somewhat different in the future. The three functions are (i) negotiations in the narrow sense — organisation of meetings, provision of documents and ancillary servicing; (ii) research on trade and development issues; (iii) technical assistance to Third World countries in policy formulation. All three elements are integral to the North-South negotiating process.

When reference is made to a stalemate in North-South deliberations, it means that productive outcomes are not forthcoming from the incessant series of meetings

all over the globe. That characteristic of the negotiating process might have to be played down over the next few years. What is now urgently needed is a greater focus on identifying common interest country groups and introducing greater country specificity in research and policy advice. In respect of the latter task, World Bank country economic memoranda could be taken as a model, but focused on international economic policy. Technical assistance would play an integral part in informing policy-makers of the results of these studies, and in helping countries to construct comprehensive national economic policies covering both domestic and external issues.

Conclusion

The North-South dialogue should not be viewed as a self-contained exercise in the unfolding of a grand design, based on economic theory and so-called 'political will'. It is a day-to-day process which should be part of the whole set of policy concerns of Third

World countries. The World Bank and the IMF have reduced the apparent feasibility of this kind of approach to international policy-making by their almost exclusive concern with domestic economic management, and their almost total silence on the possibility of engineering even marginal changes in the external economic environment. In principle UNCTAD has a complementary role to the Bank and the IMF in providing policy advice. Third World policy-makers should be more aware of the potential of using parts of the UN system other than the Bank and the IMF, particularly UNCTAD itself, both to bargain with these two powerful agencies and to improve the coherence of their own economic policies. Reform of the international economic regime is more likely if governments' positions were based in this way on integrated national and international economic policy imperatives, and not exclusively based on reference to some previous resolution arrived at by the G77, Non-Aligned Movement or in the UN, which expresses a common desire for change couched in most general terms.

UNCTAD: its organisational structure

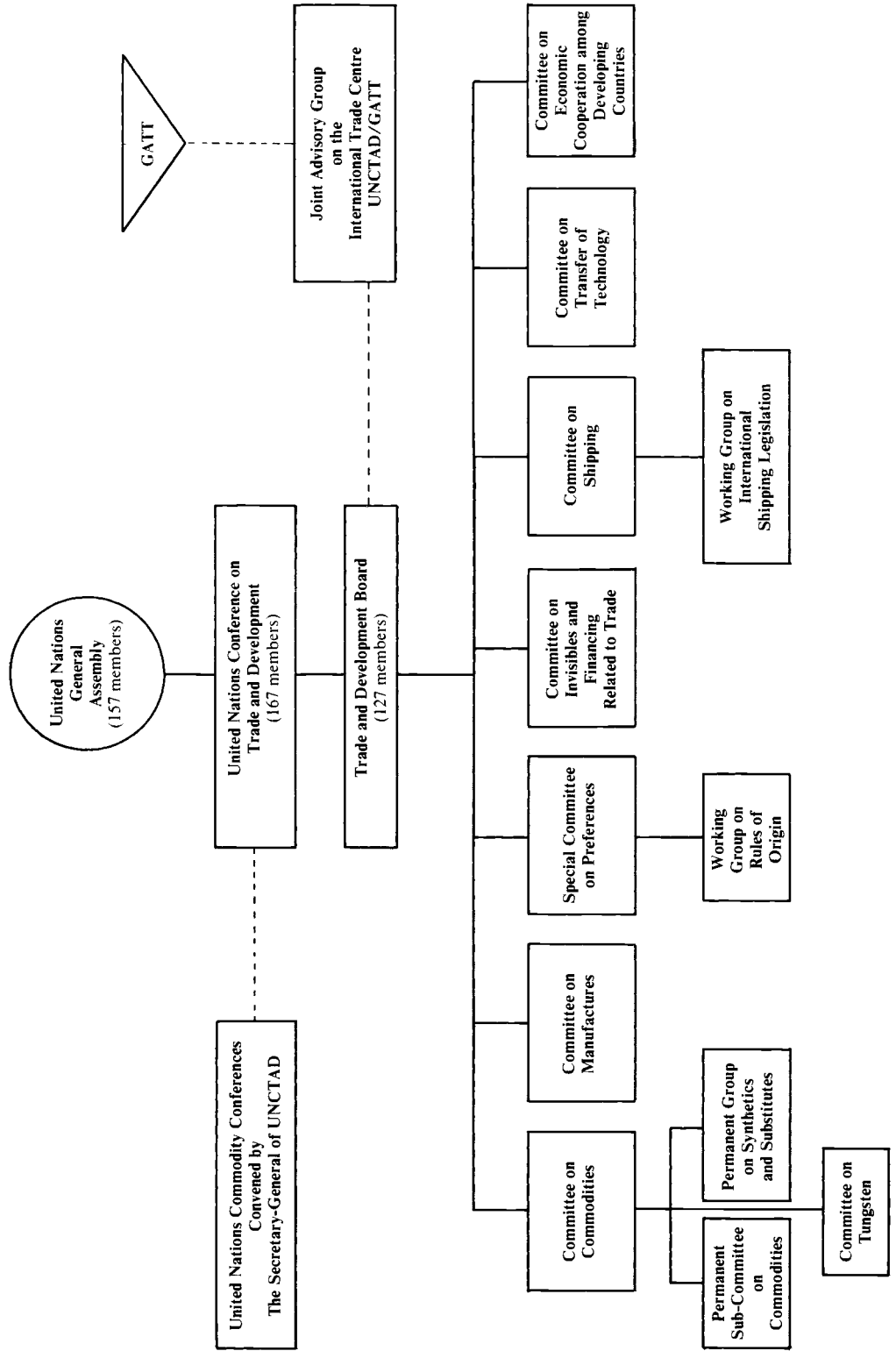


Chart of the UNCTAD Secretariat

