

Editorial Introduction

UNCTAD is celebrating this year the 20th anniversary of its foundation, but the atmosphere is not entirely congratulatory. In the anti-internationalist mood current in important sectors within the industrialised countries, notably in the United States and Britain, the fundamental ideas of the United Nations organisation as a whole are being questioned. The governments of these countries, furthermore, are strongly anti-interventionist in outlook; UNCTAD, as the UN agency mandated to negotiate and oversee changes in international economic arrangements, is, not surprisingly, a particular focus of criticism. The prolonged recession undergone by the OECD countries over the past five years has helped encourage nationalist economic tendencies and bolstered opposition to reforms of a redistributive character in the international economy.

In this climate the reasons for the emergence and for the continuing relevance of UNCTAD need to be re-stated. UNCTAD was in the first place a response to the feelings of developing countries that existing international arrangements and institutions did not give sufficiently serious consideration to the problems of economic development experienced by the poor countries. The notion that, if left to its own devices, international trade would have an equalising effect on inter-country income disparities had been forcefully criticised by Prebisch and Singer in their seminal contribution in the 1950s. By 1963 the developing countries were calling for the introduction of a dynamic international policy that would allow 'international trade (to) become a more powerful instrument and vehicle of economic development', and would recognise that present trends, far from assisting developing countries to promote the expansion and diversification of their economies, 'frustrate their efforts to attain more rapid growth' [General Assembly 1963].

But UNCTAD was also the expression of a growing concern with the fact that there was no single institution in charge of formulating and implementing

international policy in the field of trade, comparable to the International Monetary Fund and the World Bank in the fields of money and of investment and aid. Such an institution had been envisaged in the Dumbarton Oaks Conference of 1944 and formally proposed four years later in the Havana Charter of 1948, as the articles in this *Bulletin* issue by Singer and Ashiabor indicate. But the Charter was never ratified and the General Agreement on Tariffs and Trade (GATT) was fundamentally different in scope, approach and representativeness. That the crucial area of trade in the world economy should not continue to fall outside the domain of international management was thus the other central concern behind the emergence of UNCTAD.

Events since 1964 have shown the continued validity of this dual rationale. While the original Prebisch-Singer thesis has been the subject of much criticism and revision on both theoretical and empirical grounds, the most up to date scholarly assessments of the impact of the traditional pattern of trade and specialisation on the developing countries confirm its incrementally *inequalising* effects [Sprao 1983; Thirlwall 1983]. Research has further refined the analysis of these inequalising effects by linking them to imperfections in international markets, notably the presence of large multinational corporations and their monopoly control over technology, and to the interactions between trade, finance and the location of productive activities. Some developing countries have broken out of the trap by changing the composition of their exports and building up their industrial capacity, but most of those which have not done so are worse off relatively — and in a few cases even absolutely — than they were in 1964. The main group of countries which have prospered against the odds have managed to do so by exploiting their market power as major producers of one particular commodity, petroleum.

At the same time, the oil price crisis of the first half of the 1970s; the subsequent instability in commodity prices and their eventual collapse in the 1980s; the

slowing down in the expansion of world trade, culminating in an actual fall in world exports in 1982; and the strong protectionist tendencies that have emerged as the only response to the growing crisis, all reinforce the case for a concerted effort on the part of the international community to introduce a more rational management of the world trade economy, and one that, furthermore, should take particular account of the needs of the poorest countries.

It is not, therefore, a matter of a blind ideological belief in the superiority of man-made regulations, mimicking in reverse the doctrine of anti-interventionism. UNCTAD is not out to overturn freely working markets, for, broadly speaking, international markets do not function according to the precepts of perfect competition. All OECD countries operate a plethora of protecting and subsidy schemes, the EEC's Common Agricultural Policy being only the most extreme example. Of course, these have consequences for world trade. With Japan now emerging as the new champion of free trade — as befits its status as the world's most successful trading nation — the many ways in which countries outwardly devoted to free trade and perfect competition in effect restrict trade will perhaps come to be more widely known. UNCTAD's remit is to modify the constraints on trade already in existence in the direction of greater efficiency, equity and the promotion of economic development.

This issue of the *IDS Bulletin* attempts to evaluate the history of UNCTAD's performance since its inception and the way forward in respect to its fundamental objectives. UNCTAD's distinctive character within the United Nations system as a negotiating rather than aid agency does not make it easy to evaluate its record. Nevertheless the contributions are not uncritical of UNCTAD's activities. It is noteworthy in particular that the two articles in the final section dealing with its future overall programme, the authors of which both have a professional affiliation with the organisation, argue for modifications in negotiating processes and procedures which could alleviate some of the inflexibility in the present group system. It is not always appropriate to approach particular issues by trying to secure agreed group positions in international negotiations: however precisely the negotiating issue is specified, national interests cannot be expected to be the same across its varied aspects and dimensions. The greater emphasis on South-South cooperation and trade advocated by McIntyre is one way of avoiding the rigidities of the system through intra-bloc negotiations. And de Silva's emphasis on the need for countries to harmonise their domestic with their international economic policy also argues effectively for a more pragmatic multilateral approach.

The *Bulletin* starts with a general assessment of UNCTAD's performance and descriptions of its emergence and overall programme. The first paper by Alan Lamond gives a brief account of UNCTAD's activities in its 20 years of existence. This is followed by contributions from Sidney Dell and Hans Singer, both of whom were intimately connected with UNCTAD's establishment: Dell on the organisational side and Singer as one of its intellectual founding fathers. Dell accordingly describes the genesis of UNCTAD in the organisational context, while Singer assesses the influence of economic ideas current at the time, notably Keynesianism. Maizels explores what might be called the operating conditions of UNCTAD, explaining the philosophical base of the negotiating positions of the two main blocs, but noting that the realities of economic power are a truer guide to the progress of past and future negotiations. The section concludes with Gallis-Quednau's assessment of the influence of non-governmental organisations on UNCTAD's policies and negotiations.

The largest section in this *Bulletin* comprises seven papers dealing with the main sectors where UNCTAD has been mandated to initiate discussions and promote negotiations wherever possible. The organograms of UNCTAD's structure and functional divisions reproduced at the end of the issue illustrate how the organisation has been built up to deal with the major areas of commodities, manufactures, and money and finance, though it extends also to deal with many other related issues. On each of the three main topics we include two papers, the first by a senior UNCTAD staff member, the second by an 'outsider'. In general, the first of each pair records the history of UNCTAD's sectoral initiatives and actions and the outcomes of international negotiations, while the second appraises the issues in a wider context and casts a more critical eye over UNCTAD's record. There is also a short additional paper on technology by Surendra Patel who combines the two functions, being recently retired from the organisation.

The first of the papers on commodities, by Alex Ashiabor, recalls the longstanding attempts by governments to manage international commodity trade and describes the evolution of UNCTAD's commodity programme and the results it has achieved so far. Fortin, in the next contribution, is not the first to note the paucity of concrete achievement in this area. He attributes it to the domestic constraints limiting governments' freedom to reach agreement in negotiations and to certain misconceived emphases within UNCTAD's Integrated Programme, especially in relation to long term structural changes in the world economy. Also, the potential benefits to developing countries of the central element in the Integrated Programme, the proposals for price stabilisation,

appear to have been overestimated, which may explain why developing countries have not pushed harder to implement it.

Colin Greenhill describes the agreements on different aspects of trade in manufactures that have been negotiated under UNCTAD's auspices and the evolution of UNCTAD's concerns in this area. The early Generalised System of Preferences, which Prebisch saw as crucial to developing countries' prospects for exports of manufactures, has perhaps been the most notable achievement so far, though its importance to developing countries has diminished over the years as the average level of world tariffs has been brought down. Ajit Singh's paper is a wide-ranging discussion of the growth of industrial capacity in the Third World and of the impact of the world recession on the economies of countries in the course of industrialisation. The impact has varied; some countries, especially in Latin America, have been very hard hit. Singh argues that this is because their industrial structures are highly import dependent. UNCTAD's concern from the beginning with trade in manufactures stemmed from Prebisch's belief that inward-looking industrialisation was a dead-end; he certainly did not think simplistically that industrialisation *per se* was a guaranteed recipe for sustained economic development. Singh makes the extended point that even the capacity to export manufactures is an inadequate criterion. The key to autonomous development rests in his view on the creation of a competitive industrial structure which is not highly import dependent and is therefore less vulnerable to the downward fluctuations in world trade.

In the first of the papers on money and finance, Roger Lawrence notes that the limitations of UNCTAD's operational mandate in this field have certain advantages from the point of view of member countries. A number of proposals for financial instruments favourable to economic development have first been raised in UNCTAD, where governments are free of the pressure to proceed to immediate negotiations, and then taken up and finally implemented by other international agencies. Like Singh, Lawrence is also concerned with the damage wrought on many developing economies by the way in

which the international monetary and financial system has operated in recent years. He suggests that it is partly through UNCTAD's influence that the realisation has grown in the international community, especially within the OECD countries, that improvements in the functioning of the systems of international trade, money and finance hold the key to better performance of national economies both developing and developed. It still remains of course for this changed perception to manifest itself in concrete agreements, whether arrived at in UNCTAD or elsewhere. Reginald Green agrees that UNCTAD has had some influence on the conceptual side, but he puts more emphasis on the value of the technical assistance work that has been done in this area. Finally, Patel — who writes in an almost dual capacity as a long-time UNCTAD staff member recently turned outsider — recounts UNCTAD's activities in the field of transfer of technology. He believes that the many technology institutions set up in developing countries in the past 14 years and the attention now paid to the development of technological capacity, both human and material, are due in large part to UNCTAD's influence. Like others, he credits UNCTAD also with improving the climate of world opinion in favour of the need to reform international systems for the promotion of economic development.

How far UNCTAD has managed to give expression to such enlightened views in the past and how important its contribution has been and could yet be in furthering the cause of economic development in the international economic system we leave the reader now to judge on the basis of this collection of papers.

References

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- Thirlwall, A. P., 1983, *Growth and Development*, Macmillan, London