

# UNCTAD III: End of an Illusion

## by J. Ann Zammit

### 1. UNCTAD CONFERENCES: IMPOSSIBLE OBJECTIVES

If history repeats itself, as the Marxist saying has it, first as tragedy, the second time as farce, then UNCTAD III certainly did its best to fulfill its historical role. In 1969, the first and founding UN Conference on Trade and Development, with Che Guevara and Edward Heath at the rostrum, certainly made history. The developing countries, many only recently freed from colonial bondage, made an historic challenge, demanding economic as well as political independence. UNCTAD II in New Delhi in 1968 was widely agreed to have been a tragic failure, though the hope for a generalised system of preferences perpetuated the myth of 'realistic achievements'. At UNCTAD III, held in Santiago this year, the delegates went through the motions of participating in an event of great importance, but the most perspicacious knew that they were only actors in a gigantic farce.

It takes no radical political insight to see the paradox of UNCTAD. The developing world pressed for it to be set up within the UN system, believing or hoping that their numerical preponderance organized in a block system would enable them to exert a powerful influence on the policies of the developed world. Yet in questions of trade and development sheer weight of numbers cannot force the rich countries to share what they have already secured or make them change a system which benefits them only too well. At UNCTAD III the rich countries merely reacted to the initiatives of others.

Moral pressure has also proved singularly weak in inducing the rich countries to accede to the demands of the poor, though it may have played some part in persuading them to actually participate in UNCTAD confrontations. However, little persuasion has been needed, since the apparent willingness to negotiate usually wins the approbation of public opinion and involves no commitment to change anything.

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Most of the developed capitalist countries, united in a caucus known as Group B, made it clear that they did not regard aid as a form of reparations. They considered that any possible injustice in the relationship between rich and poor had ended with independence and the close of the colonial era. While it was admitted that certain policies of developed countries might possibly have deleterious effects on the Third World's development possibilities, these were invariably regarded as marginal aberrations.

The rhetoric employed by Group B differed according to the various pressures put upon them at home. But in action they were almost invariably united in resisting the claims of the developing world. Nor was the process of rational discussion and debate of much service to the poor countries, since its principal effect was to reveal the basic contradictions that existed between them. It sowed divisions and confusion among the Group of 77, the one group which most needed to stand firm and united.

In addition to the oft-quoted differences of wealth, power and socio-economic structure, the Group of 77 (actually 96 countries) is also divided by important political and ideological attitudes. On the one hand there are the liberals who basically share the western capitalist philosophy. Believing in one world and a community of interests, they complain that their own problems derive from the fact that they have started a little late in the development race. A few marginal adjustments, they argue, a little sharing out, will remedy the situation. Recognising that moral appeals are insufficient, they now point out that it is in the interests of the rich developed countries to provide more aid and trading opportunities. They make this claim, not because of the drastic political or revolutionary consequences of not doing anything, but because they believe that more trade generates even more trade - benefiting the rich as well as the poor.

On the other hand, there is a growing, if small, number of countries who uphold a more radical vision of the world system, and explain the differences between rich and poor in terms of imperialism. President Salvador Allende of Chile, in his inaugural address, spoke up for those who see the intimate relationship between the economic system and politics. "The toil and the resources of the poorer nations," he pointed out, "pay for the prosperity of the affluent peoples. The economic, financial and trade system, as prejudicial to the Third World as it is beneficial to the affluent countries, is defended by the majority of the latter with fierce tenacity, through their economic might, their cultural influence and... through armed intervention."

The existence of these widely divergent political attitudes added to the difficulties of formulating a common initial position from which the Group of 77 could confront the industrialised countries. It also made it more difficult to maintain a unified stand in the long drawn-out negotiations with the Group B countries. For example, the majority in the Group of 77, eager to trade points with Group B on the monetary resolution, were quick to compromise on the more radical clauses of their original resolution which had dealt with world monetary reform and additional participation in the IMF by the developing countries.

At the present moment the resolutions of the Group of 77 represent the lowest common denominator. From their point of view, the resolutions constitute quite reasonable demands. The rich countries find them exaggerated, biased or misplaced, but not wishing to be seen to be outrightly selfish or stubborn, they tailor their tactics accordingly. In UNCTAD III, the attempt to deflect Third World demands included a masterly show of rich world paternalism, particularly on resolutions of the Group of 77 which struck too closely at the rich world's interests. Britain, in particular, assuming the guise of staunch defender of world equality, acted as a principal protector of Western capitalist interests. The resolution on debt servicing, the British delegation warned, carried with it "a danger of considerable inequity for the developing world itself." "Some developing countries might benefit more than others," Britain bemoaned when presented with the Group of 77's ideas on the SDR link. "The poorest among the less developed countries would suffer," the British delegate announced gloomily, if the IDA soft loans resolution were to be approved. Any idea of a 'technology bank' was "nonsense... and won't be of any use to them." Timely warnings of this nature went unheeded by those who had tabled the resolution, and who in ignorance of their own best interests had pressed ahead with their demands. "Lack of time" and other such excuses were pleaded regretfully to explain Group B's negative votes, its abstentions and its inability to reach agreement on the texts provided by the Group of 77.

Britain's 'co-hardliners' were the United States, Australia, New Zealand and Canada - though the United States seemed to play a relatively restrained role in committee sessions. Behind the closed doors of Group B meetings, however, strong and blunt 'leadership' was often exercised. It took some weeks and several bold interventions before the U.S. delegates in the monetary committee learnt that what the United States said did not automatically stand for the whole of Group B - in particular for the smaller North European and Scandinavian countries and the poorer and less powerful Mediterranean states.

On questions of foreign investment or anything touching private enterprise, the United States quickly jumped into action whatever the scenario, fearing perhaps that on this score its erstwhile allies were insufficiently resolute. For example, there was an innocuous preambular paragraph to a Group of 77 Resolution on Financial Resources, which mildly observed that "... the purpose of direct foreign investment is to obtain economic profits and that suppliers' or purchasers credits are basically intended to promote exports from the countries granting them." The United States considered this phrase to be very offensive. So much so, that at one point the US delegation threatened to insert another subsequent preambular in this "unbalanced resolution" which recalled and emphasized the benefit bestowed by foreign private investment. Not even the insertion of the word 'primarily', to make profit-seeking a less exclusive motive for foreign investment, was sufficient to appease US discontent. Another Group of 77 Resolution, on Foreign Private Investment and Outflows, was also considered "unbalanced" because it lacked any mention of the benefits, in terms of employment and technology, of foreign investment. The United States refused to contemplate any recommendation which even hinted at the possibility of interference with its own private enterprises. In considering what developed market economy countries might do to help facilitate an accelerated transfer of technology to developing countries, the United States found unacceptable the idea that these countries "should provide incentives to their enterprises to facilitate an accelerated transfer of patented and non-patented technology... and to employ wherever possible local labour, experts, technicians and raw materials." To provide incentives implied undue interference with private enterprise which, delegates were told, was something the United States would never tolerate. The Group of 77 finally had to accept a nonsense wording in which developed countries were "to endeavour to provide possible incentives to their enterprises."

UNCTAD III produced no decisions to make immediate and substantial changes in trade, aid or monetary matters which would benefit the developing countries, for, without a counter-offer or concession or credible threat, the UNCTAD confrontation mechanism cannot be expected to produce significant results.

## 2. THE INBUILT DIFFICULTIES OF UNCTAD CONFERENCES

UNCTAD does not operate by majority rule. No matter how large the majority which approves a resolution in plenary session, a negative vote, or an abstention or a formal reservation entered into the record, means that the resolution is not binding on countries which so register their dissent. Moreover a resolution which calls for action by Group B governments and on which a Group B country casts a

positive vote is not legally binding but represents agreement to make an effort to execute the resolution's provision. This is why both Group B and the Group of 77 struggle hard to find compromise wording and an agreed text which will receive an unanimous vote in plenary. The Group of 77 knows well that action on a resolution by Group B will only result if Group B has registered an unqualified positive vote, while Group B's knowledge that it is not committed by a positive vote makes it easier to adopt a cooperative approach. Unanimity or acclamation therefore usually indicates that a Resolution is innocuous and unimportant, with few stringent obligations. A perfect example from UNCTAD III is the resolution on "Special Measures for the 25 Least-Developed Countries". Adopted without dissent, it was hailed as one of UNCTAD's greatest achievements. In fact it commits no one to any new trade or aid measures.

Hardly a single Group of 77 Resolution escaped major modification and substantial watering-down in the weeks of arduous 'negotiation'. Even when finally presented to the plenary as "compromise" resolutions, they often encountered Group B opposition or abstention. Frequently they were rendered almost valueless by the practice of some Group B countries of making a speech 'explaining' their vote.<sup>1</sup>

Moreover, the mechanics of an UNCTAD conference and the size of its agenda are other inbuilt difficulties which work to the disadvantage of the majority of developing countries. UNCTAD III had six main Committees and three Working Groups, each responsible for one of the main issues under discussion. Each Committee had a Contact Group and other formal or less formal subgroups. In addition, each of the main blocs - Group B, the Group of 77, etc. - had their own plenary sessions as well as regional sub-groups and sub-groups for each Commission and working party. Towards the end of a summit-level "Aconcagua" negotiating group with sub-committees was set up to work with UNCTAD's Secretary-General, Perez Guerrero, to resolve issues on which the various committees and working-groups had been unable to reach agreement. After the first few days of lengthy and for the most part unenlightening speeches in plenary, the number of committee and sub-group meetings increased rapidly. Almost until the end of

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<sup>1</sup>For a brief survey of the agreements and disagreements in UNCTAD III's six Committees and three Working Groups, see V. Walker-Leigh, "Was UNCTAD a failure?" *The World Today*, Sept. 1972, Vol. 28 no. 9. Royal Institute of International Affairs, London.

the Conference there were several dozen parallel or overlapping sessions to be attended both day and night.

This presented few problems to the rich countries. They maintain large bureaucracies working full-time on most issues under discussion in UNCTAD. They could well afford to send large delegations of well-briefed delegates and experienced conference-mongers able to find their way through this maze. A few larger developing countries, especially in Latin America, manage to do the same. But for the majority of developing countries the task is an impossible one. With delegations totalling two, three, or even six, it requires a super-human effort to keep up with the work of even two committees. The small, poor countries cannot hope to participate on the same terms as the larger or richer ones. Their participation is inevitably less effective and the important side-benefits, in terms of learning and experience, are reduced.

This situation not only works to the disadvantage of the individual developing country but it also tends to weaken the position of the Group of 77 as a whole. People from small delegations who have to attend sessions outside their main area of experience are often reticent about intervening or mistakenly divert the main business because of lack of familiarity with the technical details or the previous discussions in that committee. By the final sessions of UNCTAD III, during which resolutions were reaching voting stage in plenary, the delegations of many small developing countries had already left. Far fewer than the full complement of 96 votes (Group of 77) were registered on most of the last resolutions, and the absence of many developing country's delegates prevented the Group of 77 from implementing their threat to revert to their original monetary resolution during the final session.

### 3. UNCTAD's FALSE IMAGES

Perhaps the real farce of UNCTAD conferences is the mystification process they entail. While to public opinion in the world at large the rich developed countries are still portrayed as keen and willing to engage in negotiations to 'help' the poor, in the developing countries a similar and perhaps more serious process of mystification is taking place.

The delegates to UNCTAD from the developing countries are almost invariably part of their country's bureaucratic élite - if not actually from the economic and power élite. Their participation in UNCTAD not only reinforces the power of this élite, but also distorts the nature of the problem between rich and poor.

Rather conservative gentlemen from developing countries can make nationalistic, anti-imperialist or anti-rich country speeches in UNCTAD (though this is not reflected in the resolutions), thus misleading the population at home about the real nature of the bureaucratic élite from which they spring. Moreover, the UNCTAD exercise perpetuates the emphasis on foreign obstacles to national development and justice for the masses, at the expense of concentrating on national obstacles and national potential. How many of the developing country delegates to UNCTAD favour national development policies which would really improve the situation of the masses at the expense of their own standards of living and perspectives? One suspects very few. Actual involvement in long days and nights of negotiating, countering the resistance of Group B countries, creates a natural tendency to see a minor concession in the wording of a resolution as a substantial achievement, or even a major victory. This, and the fact that UNCTAD is designed basically to discuss the rich-poor relationship, conveniently tends to place emphasis on the external obstacles to development, while not advocating really major changes in the current framework of relations between the rich and poor countries. The continuing refusal of developed countries to modify these relationships, and their repeated emphasis on the responsibility of developing countries for devising and operating controls over foreign investment and other flows may eventually goad cynical UNCTAD delegates and lead governments into re-examining these relationships. Hopefully, it will encourage them to look to themselves individually and as a group to solve their development problems.<sup>1</sup>

#### 4. THE FUTURE OF UNCTAD

Whether the disaster at Santiago will prevent the holding of one more absurd repeat performance of an UNCTAD conference one cannot tell. There are signs that the Group B countries are becoming increasingly doubtful about the usefulness of such jamborees. What was once a useful public relations exercise now has its own inbuilt dangers.

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If one is to judge by UNCTAD III, developing countries cannot expect much UN channelled assistance in this task. For example, the Group 77's request for an UNCTAD advisory service in their Resolution on the transfer of technology, was firmly opposed by Group B and in particular France, Japan and Britain, fearing, no doubt, that developing countries might learn how to bargain with foreign investors and technology suppliers.

There are increasing, if still weak, divisions within Group B. Fortunately for Group B, and unfortunately for the developing countries, the internal differences are haphazard - there is as yet no clear pattern of polarization on any set of issues. Therefore, with the exception of Group B's own less-developed countries along the Mediterranean, Group B still effectively stonewalls any advance by the Group of 77. Of course, a time may come when the developing countries find it possible to exploit the differences within Group B. Today it appears remote, while the United States, Britain, Europe, Canada, Japan, Australia and New Zealand, continue to uphold their basic capitalist philosophy. Further progress in developing common policies in the European Common Market will also render such a tactic more difficult. Moreover, present evidence suggests that the progressive countries which refuse to tow the hard line are more likely to be the smaller, less powerful European countries, such as Sweden and the Netherlands. Although their efforts are to be highly welcomed, the impact will not be great.

Group B's interest in UNCTAD has been waning as it notes with alarm that the UNCTAD Secretariat constitutes an increasing threat to the interests of the developed world. The Secretariat has built up a reputation for working hard in the interests of the developing countries both between and during UNCTAD Conferences. Group B now often accuses the Secretariat of not asking the right questions, and of producing 'biased' and 'sloppy' analyses. UNCTAD studies which provide an 'incorrect' or critical view of the present rich-poor relationships, Group B argues, give substance to 'false' or 'impossible' demands, raising developing countries' expectations unrealistically.

It would now be in the interests of the developing countries to ensure that UNCTAD's energies are not in future channelled into one fruitless public confrontation. This is not to suggest that UNCTAD's responsibilities should be transferred to ECOSOC, as some Group B countries have advocated, but rather that the nature of the confrontation should change.

In fact no one was left in any doubt at Santiago that the Group of 77 wanted UNCTAD strengthened. Some of the most controversial resolutions, fiercely contested by Group B, sought to associate UNCTAD with GATT and the IMF in order that the voice of the developing countries might more adequately be heard in those institutions. One Group of 77 resolution, dealing with monetary affairs, stated that in view of the inter-dependence between problems of trade, development finance and the international monetary system, "inter-governmental or other machinery should be set up to examine the inter-relationships between the decisions being taken as well as courses of action which



each of these three organizations decides to pursue". The intention was that this would place UNCTAD in an authoritative position to represent the views of developing countries in GATT and IMF. Such proposals met the firm resistance of Group B. Even the accepted compromise, that UNCTAD's Secretary-General should consult with IMF and GATT and report to the meeting of the Trade and Development Board in October on ways in which coordination could be effected, was rendered meaningless by the qualifications of Group B. In their view, the resolution must in no way prejudice the independence of GATT or IMF or result in new inter-governmental machinery.

If the strengthening of UNCTAD as an institution was not immediately possible, nor the recognition of UNCTAD as the machinery through which the Group of 77 could participate in the co-ordination of new trade and monetary policies, UNCTAD III did provide the occasion for the Group of 77 to marginally improve their position in other important institutions and bargaining areas.

The resolution on the international monetary system, drafted by the countries of the Group of 77, aimed among other things at strengthening their participation in the IMF. Reforms were required, they said, which would take their particular interests into account. The entire international community should take part in decision-making, not just the Group of Ten. Some countries - Algeria, Chile, Peru, Sudan and Tanzania - argued strongly for the holding of a new world monetary conference, a proposal that was also upheld by Malta and China, appearing at UNCTAD for the first time. But the Group of 77 as a body merely recommended that until a more globally representative institution evolved, "the role of the IMF should be re-established and strengthened... as the main forum for debate and institution for effective decision-making."

Since the IMF itself was not in question, the Group B countries seemed quite happy to accept a form of words that would give the developing countries more say in its deliberations. The final compromise resolution recognised the desirability of a more satisfactory system of monetary cooperation with the widest possible participation of developed and developing countries.

In fact, this meant the creation within the IMF of the Group of 20. But this will not necessarily reduce the influence of the Group of 10, especially if the developing countries fail to improve their coordination well beyond that achieved at the meetings held before the Santiago UNCTAD - at Lima by the Group of 77, and at Caracas by the Group of 24 (the Finance Ministers of the Group of 77).

Another minor achievement of UNCTAD III was that it slightly

improved the bargaining position of the developing countries at the forthcoming trade negotiations within GATT - without their being committed to join it. In the resolution dealing with the participation of the developing countries in the GATT negotiations, the Group of 77 secured the inclusion of ten principles which should govern the negotiations. The resolution also stated that "special techniques, modalities and ground rules should be set up for all developing countries' full and continuous participation."

In addition, UNCTAD's own efforts to expand trade were not to be delayed by GATT negotiations. And, in spite of Group B pressure for its inclusion, the final resolution did not mention developing country membership of GATT. The Group of 77 announced subsequently that they planned to form a coordination group in Geneva to prepare for the GATT negotiations and to formulate a joint approach. It was established in July.

It is to be hoped that the latter move heralds a more serious attempt on the part of the Group of 77 to prepare the ground more thoroughly for future rounds of negotiations, perhaps taking their cue from the O.E.C.D. which acts as a permanent secretariat for the rich Western countries. Preparation and coordination by the permanent representatives in Geneva, following on short working conferences like the Lima or Caracas one, is no substitute for a more specialized permanent mechanism.

The establishment of such a mechanism would be of immense importance to the smaller and poorer developing countries, who can neither maintain a constant and wide-ranging research effort and diplomatic network, nor afford to send a large delegation to the present marathon conferences. Through such a "Group of 77 Secretariat" the development countries could work out more fruitful ways of negotiating over the issues with which they are concerned, steering away from the long expensive all-purpose confrontations in which, in spite of the noise and drama, they cannot hope to achieve success. If bargaining sessions were on single big issues, for which the developing countries were better prepared than they are for the present UNCTAD Conferences it would be possible to see whether 'reasonable' men are correct when they argue that it is possible to gain significant concessions from the rich countries. After all, it would then be much less easy for the rich developed countries to reject developing country requests with polite laments like "if only we had had more time", or "if only the resolution had been more balanced", or that "it should be discussed in another forum."

Nevertheless, whatever adjustments are made to improve the bargaining position of the developing countries, they are in effect

ten years too late. International bargaining of the UNCTAD kind is not likely to retain its present importance. Political differences among the developing countries are likely to increase, and their views concerning their relationship with the rich industrialized world will so divide them that it will be impossible to formulate unified demands. An increasing number of radical developing countries will move towards a more restricted relationship with the developed world, while the larger, more powerful and less radical developing countries and regional groupings will find it easier to strike their own bilateral bargains.