UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

UNCTAD AT 50

A SHORT HISTORY

1964 2014

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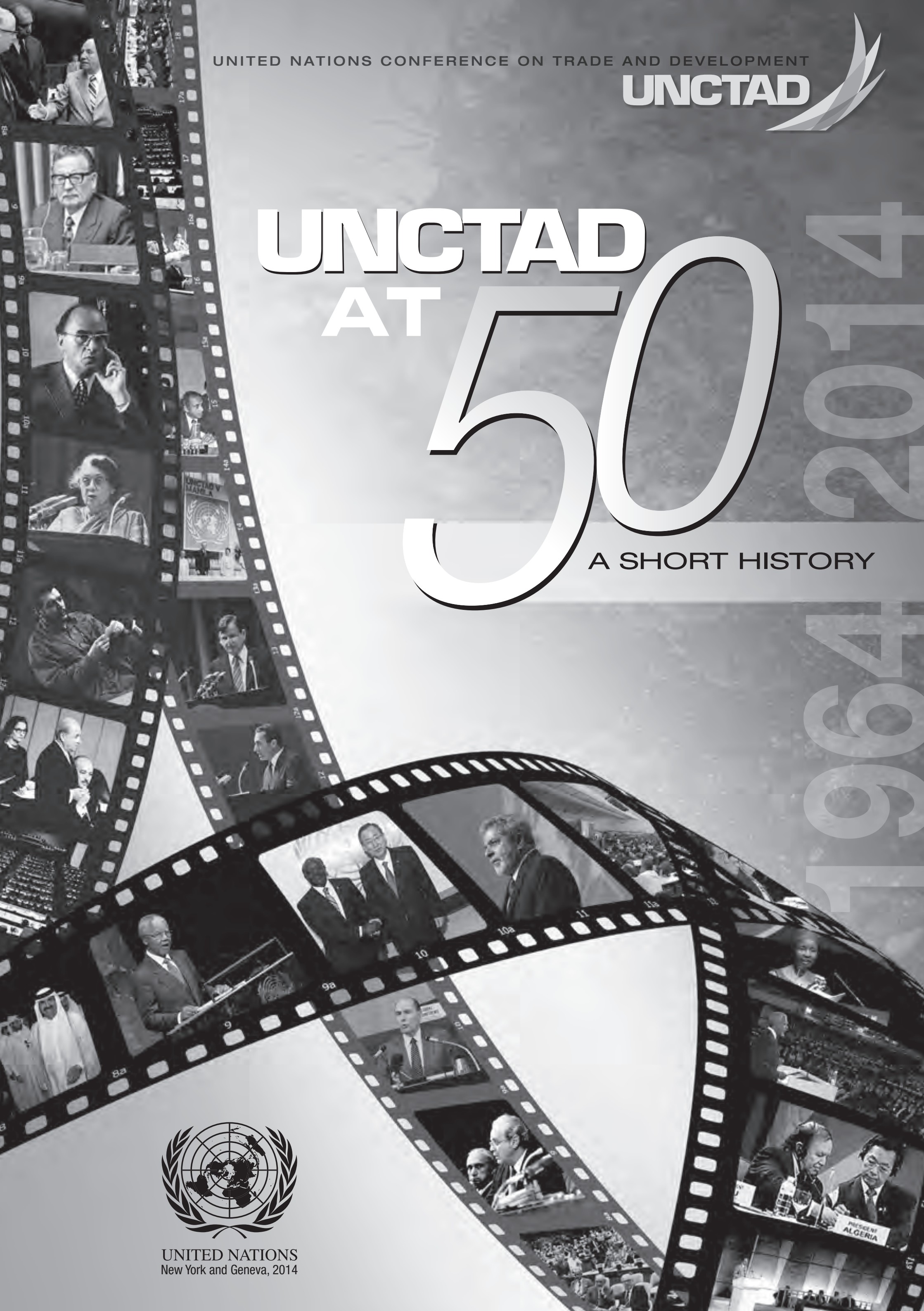

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FOREWORD

Mukhisa Kituyi, Secretary-General of UNCTAD

When we began planning the fiftieth anniversary of the United Nations Conference on Trade and Development (UNCTAD), the idea of writing a book about the organization arose. This would not be the first work on the history of UNCTAD – we had published books to mark the twentieth and fortieth anniversaries. Both of these earlier publications were written by officials working at the UNCTAD secretariat and, between them, covered the period up to 2004. To contribute a new and wider historical dimension, this time it seemed appropriate to take a different approach.

By seeking an author outside the organization, it would be possible to offer an independent assessment of UNCTAD's origins, the way in which it has evolved and the international events and geopolitical forces that have helped to shape it. An external voice could be more impartial, both in choosing what to cover and in how to broach the sensitivities inherent to any history. Moreover, a non-institutional view could make the book more interesting for those less familiar with the internal workings of the United Nations and the multilateral system.

In John Toye, who graciously accepted to write the book, UNCTAD found an author who is both a renowned development economist with many years in academia and has some first-hand knowledge of the organization, having worked briefly at the secretariat. Mr. Toye's research and publications encompass themes and areas closely related to UNCTAD and its work, most notably the political economy of development, international economic institutions and the history of economic thought. He is co-author, with his son Richard, of *The UN and Global Political Economy: Trade, Finance, and Development*, part of the United Nations Intellectual History Project Series, which included an account and historical analysis of UNCTAD's creation and development.

While Mr. Toye met representatives of UNCTAD member countries and secretariat officials, past and present, when preparing the book, this volume very much represents his own personal vision. It is neither a negotiated document nor an official history. In the introduction which follows, Mr. Toye sets out the rationale for the book's content and structure, as well as the constraints he faced. Undoubtedly, individuals within and outside UNCTAD will disagree with some of Mr. Toye's views, methodology, choice of issues and analysis. Through the years, though, UNCTAD has acted as a forum that brings together people, countries and organizations with differing views and experiences. This has resulted in a richness of thought that is part of UNCTAD's history. The decision to publish an independently written book is very much in this spirit.

The value of independent thinking and debate has been a hallmark of UNCTAD, since that day in June, 50 years ago, when a confident South gathered in Geneva to push for major reforms to the multilateral framework that governed the post-war global economy. As Mr. Toye aptly describes it, the first Conference was "a drama of global collective bargaining between rich and poor nations".

By creating UNCTAD and its secretariat, the 1964 Geneva Conference added a permanent institutional fixture to the multilateral landscape with a responsibility "to formulate principles and policies on international trade and related problems of economic development", as noted in the Conference's outcome document. Moreover, and signalling a move beyond the principles that had previously led to the establishment of the Bretton Woods institutions and the General Agreement on Tariffs and Trade (GATT), it was agreed that "economic development and social progress should be the common concern of the whole international community and should, by increasing economic prosperity and well-being, help strengthen peaceful relations and cooperation among nations".

The UNCTAD that Mr. Toye describes was founded in a different world than we live in today. In those days, trade was the principal source of unsustainable, systemic imbalances and asymmetries in the world economy. Trade perpetuated a skewed and biased international division of labour. Newly independent countries relied on exports of raw materials to their former colonial masters and, in turn, imported high value added manufactured goods from them. This relationship between core and periphery maintained a sharp distinction between North and South. It raised doubts that political independence alone could provide the former colonies with the economic freedom they needed.

With the founding of UNCTAD in 1964, the universal membership of the United Nations explicitly embraced for the first time an inclusive and forward-thinking development perspective. Since then, the United Nations family has built on this vision, notably reaffirming it in 2000 in the landmark Millennium Declaration. The Declaration recognized that "only through broad and sustained efforts to create a shared future... can globalization be made fully inclusive and equitable. These efforts must include policies and measures, at the global level, which correspond to the needs of developing countries and economies in transition and are formulated and implemented with their effective participation".

From its creation, in working with our member States, we at UNCTAD have striven to build a world economy that serves the interests of all. We have pursued this goal through analytical research and innovative policy proposals, through intergovernmental negotiations and consensus-building and through technical cooperation with developing countries and countries with economies in transition to support their efforts to benefit from globalization.

Today, old distinctions between North and South, and indeed between East and West, have blurred. Some developing countries have emerged to become global players and some countries have transitioned economically; at the same time, some industrialized nations have slumped into prolonged crisis. Other developing countries, such as the least developed countries, the landlocked developing countries and the small island developing States, face stagnating development prospects and vulnerability that hold back their aspirations.

In this heterogeneous world, the need for renewed multilateralism has never been greater. UNCTAD's work has evolved over its history from a focus on North–South relations and problems, to today's greater emphasis on interdependence between countries and between economic sectors. Problems and challenges now cross borders and disciplines with tremendous speed and ease. We face cataclysmic threats to the global commons, including from climate change, from the financial, food and energy crises and from other dangers, such as conflict and deadly diseases.

These truly global problems – spurred on by our interdependent and interconnected lives – cry out for global solutions and for the provision of truly global public goods. In my mind that is what the multilateral system must be designed to deliver. And so, today we are asking again, as our predecessors did at UNCTAD's first Conference in Geneva, are the structures designed to govern the global economy really "fit for purpose"?

UNCTAD's fiftieth anniversary falls at time when, once more, the global economy needs rebalancing and its governance structure, redefining. This year – 2014 – marks an important moment in the multilateral system and offers the international community the chance to reflect on its origins and on our collective accomplishments and shortcomings. A serious discussion of how the United Nations system will make itself "fit for purpose" to meet the substantial challenges that we face as a world is now under way. This process goes hand in hand with establishing an ambitious development agenda that goes beyond 2015, when the deadline for achieving the Millennium Development Goals is reached.

Our anniversary celebrations provide the opportunity to consider how best to position and equip UNCTAD to achieve results that serve this broader development agenda over the many years to come. I have made strengthening UNCTAD for the post-2015 landscape a key priority since taking office as Secretary-General in September 2013. Agreeing and implementing a far-reaching blueprint for renewed multilateralism will require unprecedented commitments on the part of all stakeholders.

How can UNCTAD contribute to building a broader multilateral agenda? The fiftieth anniversary is an opportunity to take stock of how and where UNCTAD has made a difference. Mr. Toye provides his own assessment, and the two previous UNCTAD historical publications I have mentioned catalogue our successful, and not so successful, initiatives and programmes. This is not the place to pick over that history but it is clear that our biggest successes in support of development goals have been achieved when our three institutional engines – research and analysis, consensus-building and technical cooperation – have all been firing at the same time. We have been most effective when our research, our consensus-building efforts and our technical cooperation activities all pushed in the same direction. Bold ideas require political support and technical expertise to help them adapt to local conditions.

When that has happened, UNCTAD's impact has been palpable. That was true of our efforts to amend the GATT rules to meet the specific challenges of developing countries in the 1960s and 1970s, to ease short-term financing constraints through the creation of the special drawing right (SDR), to establish a 0.7 per cent aid target as the basis for more effective development cooperation, to identify the special challenges of a group of least developed countries and advance their interests, to pursue debt relief and advance more predictable rules for managing debt crises, to implement a code of conduct for liner conferences and to promote trade facilitation including among developing countries.

These contributions continue to resonate across today's development landscape, even as UNCTAD's own role has evolved. A truly integrated framework – both internally and within the broader United Nations system as a whole – will ensure a lasting relevance for UNCTAD.

The challenges facing all countries are, if anything, even tougher today than they were 50 years ago. Back in 1964, an ambitious growth target, adequate finance for a faster pace of investment and the balance of payments constraint framed much of the development policy debate. This was already understood to require much stronger support from the multilateral trade and financial institutions than had previously been forthcoming. Today many more goals and targets have been added to the drive for inclusive and sustainable development, and the threats, as described above, have multiplied. No country, and certainly not developing countries or countries in transition, can hope to meet these goals, targets and threats alone. International cooperation and action are essential.

Fifty years ago at the first session of the Conference (UNCTAD I), developing countries insisted that development cooperation and international action should not be promoted as an act of compassion or charity, but on the recognition that building a vibrant developing world was also to the advantage of richer countries, by expanding trade and investment opportunities. This is what we mean when we still call for “prosperity for all”. Within a genuinely multilateral context, development can be a win–win for all participants. It is my sincere hope that we can maintain an open and constructive spirit of dialogue among all countries, as we work towards the sustainable future that we all want. Fifty years of UNCTAD history has taught us the value of bold thinking, open dialogue and purposeful cooperation.

We at UNCTAD would like to thank Mr. Toye for producing this stimulating and readable book, particularly given the relatively short time frame. We hope it serves to encourage debate and thinking about UNCTAD’s past, present and future.

Mukhisa Kituyi
Secretary-General of UNCTAD
June 2014

INTRODUCTION

John Toye, Author of *UNCTAD at 50: A Short History*

The United Nations Conference on Trade and Development – UNCTAD – reaches its fiftieth anniversary in June 2014, and member States felt it to be appropriate to mark this milestone by the publication of a short history of the organization. The aim is to provide an overview of the organization's origins and development over the last half-century. I was honoured when I was invited to undertake this task, while at the same humbled by the challenges that it involved.

Two earlier histories of UNCTAD marked its twentieth and fortieth anniversaries – *The History of UNCTAD 1964–1984* (United Nations, 1985) and *Beyond the Conventional Wisdom in Development Policy; An Intellectual History of UNCTAD 1964–2004* (United Nations, 2004). I have tried not to duplicate what is written there, except where it is unavoidable. Both volumes are the product of many hands, all of them UNCTAD insiders. They are very tightly focused on the internal details of the organization and its activities. Valuable as they are, I have brought a different approach to the task of writing UNCTAD's history at its half-century.

Although I was briefly an official of UNCTAD from 1998 to 2000, it has not played a large part in my professional career, which has mainly involved managing academic institutions producing research on development. My standpoint is therefore more distanced, and therefore perhaps more independent, than that of the authors of the previous official histories. My aim is to give one person's overview and interpretation of UNCTAD's 50-year trajectory in a brief but readable format. In doing so, I have tried to pay particular attention to the reasons why some of UNCTAD's proposals gained traction and some did not.

In view of the limited time available to me – not more than six months – to complete the task, my history is necessarily brief, rather than voluminous. Further, since there was no time to undertake fresh research before beginning to write, I have had to rely, especially in the first half of the book, on research that I did with Richard Toye when producing our earlier volume – *The UN and Global Political Economy: Trade, Finance, and Development* (University of Indiana Press, 2004) – for the United Nations Intellectual History Project.

This book is therefore a work of synthesis of my own and others' research, rather than the product of a wholly new and original research project. I was fortunate in being able to draw on some excellent books and articles that have been published about UNCTAD's work since we wrote our volume. In pride of place, I would mention Edgar Dosman's 2008 biography of Raúl Prebisch, an outstanding work of scholarship that sets Prebisch's period at the helm of UNCTAD in the wider panorama of his life and career. Ian Taylor and Karen Smith's 2007 volume, *United Nations Conference on Trade and Development (UNCTAD)*, under the Routledge Global Institutions series was also very useful in setting out relevant facts and issues. In places, I have also drawn heavily on the recent contributions of other authors.

To comply with the brevity of the format, I have chosen to dispense with all footnotes and with a full bibliography. For those readers who would like to know about the main sources on which my synthesis is based, I have added an annex entitled "A note on further reading".

A very important strategic choice for structuring this history was that between charting changes in the internal workings of the organization and explaining the context in which such changes took place. The compact format of the book made getting the balance between them right even more acute. If I have erred in striking this balance, it is on the side of examining the institutional and wider political pressures to which UNCTAD has had to respond over the past 50 years and how it has adapted to those pressures. Explaining the wider external context of change may have come at the expense of omitting some of the detail of internal changes. Much of this is already publically available elsewhere, not least in UNCTAD's two previous histories, and I am inclined to think that organizational change in an international organization is largely driven by what is happening in the wider world beyond its walls.

However, as a result, many people who have done worthy work inside the organization may be disappointed to find no mention of it in my account, because I have concentrated on the big picture of the 13 sessions of the (typically) quadrennial conference under six different Secretaries-General, with only occasional references to some of the key innovating personalities among the officials of UNCTAD. I trust that all those who have contributed to the organization's success but are not named in these pages will forgive an author with insufficient space and time at his disposal to say more.

I should acknowledge in advance another problem with the approach that I have taken. It is that the policies of individual member States inevitably come under the spotlight, and that sometimes I have commented on them unfavourably. To some extent, the policies of individual countries can be subsumed under group identities, such as "the Group of 77" or "the countries of the Organization for Economic Cooperation and Development", but this device has its limits. Given the underlying disagreements between its member States, the publication by the United Nations of any historical account of its activities is likely to invite objections and accusations of bias, whereas a plain administrative history of the organization is better placed to avoid this problem. On the other hand, the latter approach fails to explain adequately the driving forces of the changes that it records. Although I have tried hard to be objective and evidence-based when offering my interpretations of events, no doubt in some measure I have failed and so offer apologies in advance to representatives of member States who believe that their policies have been misconstrued.

The structure of the book

The structure of the book reflects the author's general approach of emphasizing external rather than internal forces in the explanation of organizational change. The opening chapter asks the questions, "where did UNCTAD come from?" and "what were the forces that brought it into being?" It explores the preconditions of the organization's coming into existence. Chapters II to VIII contain the historical narrative of UNCTAD's activities, achievements and transformations to date.

Chapter II details the compromises that shaped UNCTAD's establishment and its initial teething troubles, its effect in galvanizing other international economic institutions and its achievements in combating shipping cartels and other restrictive practices. Chapter III concentrates on Raúl Prebisch's attempts to realize his substantive agenda for UNCTAD of more commodity price agreements, a mechanism for supplementary financing and tariff preferences for the industrial exports of developing countries. On the latter, success finally came in the shape of an agreement to set up a generalized system of preferences.

Chapter IV follows the continued pursuit of Prebisch's agenda after his abrupt departure in 1969, through the more turbulent years of the 1970s, and the reasons why meagre results were harvested from these efforts. Chapter V discusses why UNCTAD's bold strategy to give substance to the demand for a new international economic order unravelled, how the North–South dialogue finally collapsed and the effect of the debt crisis of the 1980s on the solidarity of the Group of 77. It also celebrates two successful new initiatives from UNCTAD in the face of these events – the launch of the Debt Management and Financial Analysis System and the *Trade and Development Report*.

Chapter VI charts a decade-long reorientation of UNCTAD's priorities, under the pressure from industrial countries on the United Nations to reform itself. New leaders were more encouraging towards developing country participation in the Uruguay Round of the GATT. This hastened the integration of developing countries into the GATT system and weakened the unity of the Group of 77. UNCTAD eventually lost its negotiating status on trade matters and was downsized, but it found some new points of growth, including in the field of international investment. Chapter VII is concerned with how UNCTAD adjusted to the arrival on the international scene of the World Trade Organization (WTO) and undertook its positive trade agenda. While UNCTAD steadily pursued the search for consensus, disagreement, frustration and failure increasingly afflicted the negotiations in the WTO. As long as trade and development remain such contentious issues, confrontation over them will resurface somewhere in the international system.

Chapter VIII brings the story up to date. It chronicles some loss of impetus in the field of trade, the measures of rationalization and organizational streamlining flowing from the first report of the UNCTAD Panel of Eminent Persons and the changes in the tone of research and advocacy that followed the 2007/08 financial and economic crisis. The last sections of the chapter cover the difficult negotiations at the thirteenth session of the United Nations Conference on Trade and Development, UNCTAD XIII, in Doha over the role of macroeconomics and finance in organization's current mandate.

Chapter IX asks, "where should UNCTAD be going?" There can be no going back to the past, to the so-called "golden years" of the 1960s and 1970s that were not in fact particularly golden. I argue that UNCTAD has, in one way or another, embraced globalization right from the outset, even while – at least in some parts of the house – recognizing its shortcomings. So I speculate that its future will lie with identifying the threats to globalization arising in the trade and development area and playing an appropriate part in managing those risks. The final chapter sets out what I see as the five major risks to the project of globalization, which are all related to gaps in the international governance regime. It explores their implications for UNCTAD's future role, while recognizing that the member States will themselves take the decisions on mandates and work programmes. Since all activities will have to be justified in competition with the claims of other international organizations, I argue that an improved system of independent evaluation will become an important competitive advantage. .

Acknowledgements

On my visit to Geneva, Switzerland, in November 2013, I had the advantage of interacting informally with representatives of UNCTAD member States who wished to comment on the outline of the book, and I am grateful to all those who also subsequently sent me written comments. I would like to thank all those who granted me interviews, including Yilmaz Akyüz, Anne Miroux, Taffere Tesfachew, Guillermo Valles and James Zhan. UNCTAD Deputy Secretary-General Petko Draganov has overseen the project, and my main interlocutor at the organization has been Richard Kozul-Wright.

After submitting a first draft in December 2013, I was fortunate in receiving extensive comments and criticisms on it from Samuel Gayi, Kamran Kousari, Richard Kozul-Wright and Taffere Tesfachew. I thank them all warmly. Their commentaries were all extremely valuable. The text has had the additional benefit of scrutiny by Shigehisa Kasahara of the International Institute of Social Studies, The Hague, the Netherlands, whom I thank for his effort in checking key facts and making suggestions for improvement. The above-mentioned people have saved me from making numerous errors, especially in relation to chapter VIII. Their efforts have, I trust, much improved the present text, although the responsibility for its final form remains mine alone.

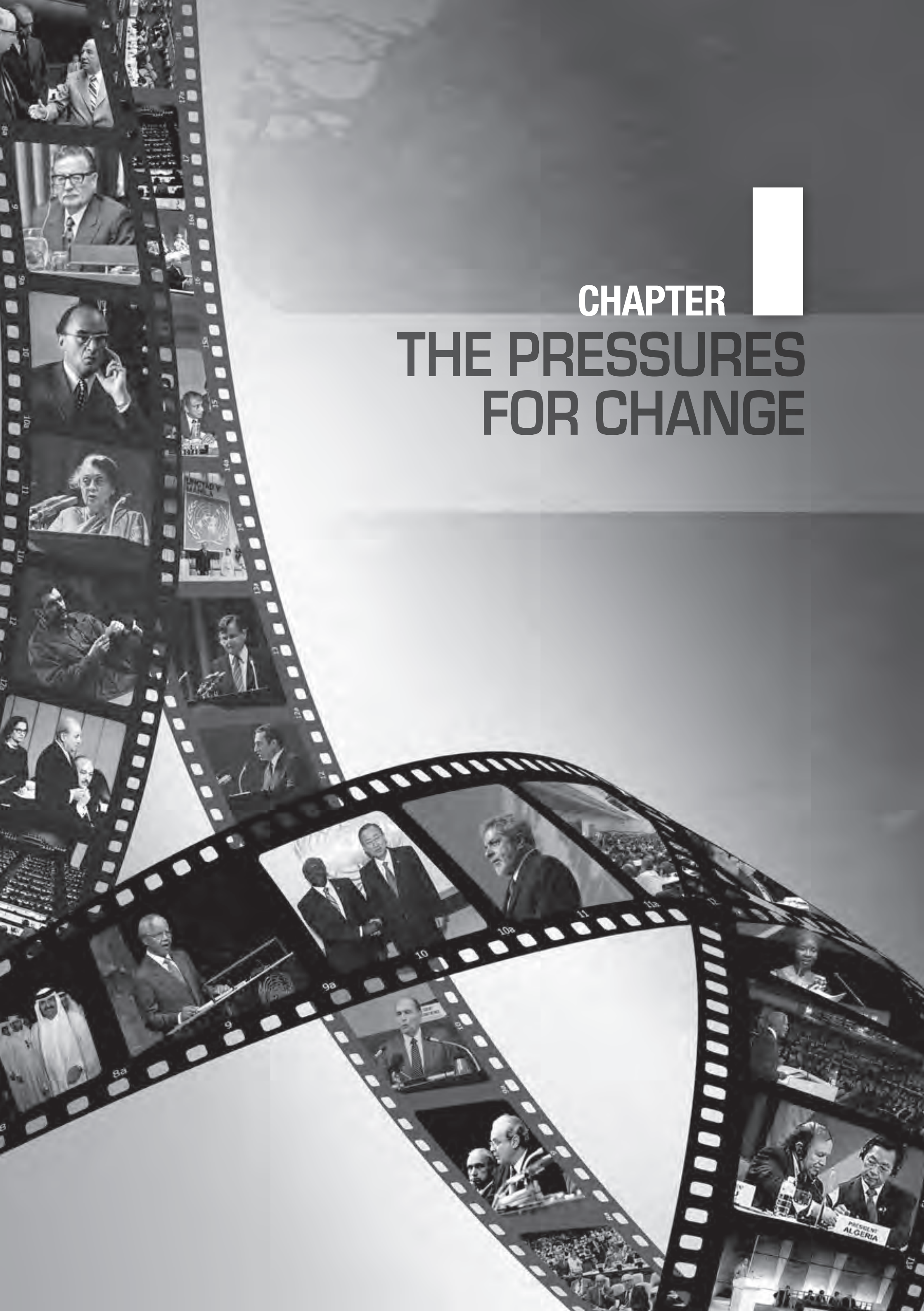
This book is dedicated to Mukhisa Kituyi, the seventh Secretary-General of UNCTAD, as a token of my esteem and admiration.

ABBREVIATIONS AND ACRONYMS

ASYCUDA	Automated System for Customs Data
BRICS	Brazil, Russian Federation, India, China and South Africa
DMFAS	Debt Management and Financial Analysis System
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
SDR	special drawing right
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

CHAPTER I

THE PRESSURES FOR CHANGE



A. The Havana Charter for an International Trade Organization and its failure

When the United Nations was founded in 1945, Anglo-American plans for the reconstruction of the international economy envisaged the creation of three new global institutions. They were the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and an International Trade Organization. The latter organization's function was to be to regulate international trade in order to avoid the beggar-my-neighbour national trade policies that countries adopted during the Great Depression of the 1930s.

Accordingly, an international conference was held in Havana from November 1947 to March 1948 to negotiate the forms of regulation that the International Trade Organization envisaged would maintain in the post-war era. The draft document, written by the United States of America, had a strong bias towards freer trade. In contrast, leading developing countries such as Brazil, Chile, China and India argued that, in order to promote their own economic development, they might need to adopt measures of trade protection, such as quantitative restrictions on imports. They sought in a proposed charter provisions that would permit them to do this. Altogether, these leading developing countries were much more vocal and influential in Havana than they had been at the Bretton Woods Conference in 1944.

They managed to win some concessions. A new chapter on economic development was inserted in the draft text, saying that an International Trade Organization was to give technical assistance to developing countries to establish new industries, and Governments were to be allowed to use protective measures to sustain them, if the proposed International Trade Organization gave prior approval. The Havana Charter as finally agreed also included provisions to govern the setting up of international commodity agreements. These agreements had to be intergovernmental, limited in duration, subject to review and have representation for commodity consumers as well as commodity producers. These conditions gained the assent of the United States, however, only because they were more restrictive compared with previous practice.

The Havana Charter was signed by 53 of the 56 nations represented at Havana. However, the watered down version of the original United States draft commanded only lukewarm support in Washington, D.C. The trade negotiators of the United States in Havana had lost touch with their political masters at home. Sensing the strength of the opposition, including from the business community of the United

States, the Truman Administration delayed submitting the Charter to Congress until April 1950. At the hearings, Administration witnesses were pushed onto the defensive, and in December 1950, amid the distractions of the Korean War, it was quietly announced that Congressional hearings would not be resumed. In the end, of the 53 signatories, only Liberia ratified the Havana Charter.

Already in 1947, 23 countries agreed to set up a separate interim organization so that they could begin tariff reduction negotiations among themselves as an element in the post-war reconstruction of Europe. This was the GATT. When the plan for an International Trade Organization collapsed, the GATT remained as the sole international institution attempting to regulate international trade. Intended as a temporary bridging arrangement, it lasted with periodic modifications until 1994. As Hans Singer once said, “there is nothing more durable than an interim arrangement”.

The collapse of an International Trade Organization and the durability of the GATT were sources of considerable grievance to developing countries. An International Trade Organization was not precisely what they wanted, but its terms did embody key concessions that they regarded as vital for the success of their economic development plans. At that time the GATT did not concern itself with the development of developing countries. It saw its mission as lowering barriers to trade in industrial goods and services, and it was very successful in achieving this among its small membership over successive rounds of tariff negotiation through the 1950s.

Developing countries were less interested in negotiating down industrial tariffs than in getting new industries started. Yet sometimes when they had succeeded in doing so, the provisions of the GATT were turned against them. When a number of Asian countries managed to rapidly expand their low-cost textile exports, Canada, the United Kingdom of Great Britain and Northern Ireland and the United States threatened to use the GATT rules against “dumping” (exporting at below economic cost) to block this competition to their domestic producers, on the grounds of “market disruption”. By this threat, the Asian textile exporters were coerced into agreeing to so-called “voluntary export restraints” under the Long-Term Arrangement on Cotton Textiles, initiated by the United States, which came into force in October 1962. This was clearly adverse for the economic development of exporters and balance of payments objectives. The Arrangement was originally to last for five years, but in reality it became the Multifibre Arrangement in 1974 and was not finally phased out until the early years of the twenty-first century. Here was another interim arrangement that endured for 40 years.

The developing countries were also interested in regulating trade in agricultural commodities, a sector where developed countries practised extensive protection, to the detriment of the economic welfare of developing countries. Regardless, officials of the GATT welcomed the establishment of the European Economic Community, conveniently ignoring the fact that the Common Agricultural Policy of the Community was (and still is) a scheme to protect European agriculture from the competition of developing and other countries. The GATT's embrace of the European Economic Community was also an abrogation of the principle of most favoured nation, since it reduced the market access of countries outside the Community. To the developing countries, the GATT's stances on the Community foreshadowed the arrival of exclusionary trade practices. Not many poor countries wanted to join what they regarded as "a rich man's club", so the dream of reviving the idea of an International Trade Organization at some future time was kept alive.

The growing sense of grievance among developing countries was strengthened by what had happened to the two other pillars of post-war global economic governance – the IMF and the World Bank (known then as the IBRD). Both were located in Washington, D.C., and both had managed at an early stage to detach their operations from oversight by the United Nations, although legally they remained United Nations bodies. The voting structure in both was determined by economic weight, which gave the United States a veto position in their governance structures. Both had resisted calls for their facilities to be adapted to the development needs of developing countries. The World Bank (or IBRD) attributed its small lending flows to developing countries to their lack of absorptive capacity and until 1960 resisted plans in the United Nations, such as the Special United Nations Fund for Economic Development, for lending to them on terms substantially more favourable than the capital market. The World Bank did set up the International Development Association to undertake this function in 1960, but only because of pressure from the United States to concentrate all types of development lending within the Bank. In the same vein, for 10 years until 1963, the IMF resisted any new facility to help commodity exporters with fluctuating export revenues.

Yet there was enough space for new ideas and institutions to grow. The United Nations had sprouted new regional commissions and one of these, the Economic Commission for Latin America, as it was then called, had nurtured a radically different way of thinking about the world economy. It was based around the ideas of the Argentine economist and banker, Raúl Prebisch. Prebisch had been marked by his experience as an economic policymaker trying to cope with the disastrous consequences for the Argentine economy of the Great Depression. Not only did the contraction of the United States economy very severely undermine the value of Argentina's agricultural exports, but United States policymakers also responded with protectionist measures, such as the Smoot-Hawley Tariff Act. Prebisch therefore had found his country at a double disadvantage, as a price taker in international markets and at the mercy of the policy mistakes of Governments of more powerful trading partners.

As an economist, Prebisch was a disciple of Joseph Schumpeter. He accepted Schumpeter's view that economic development resulted from entrepreneurship and Schumpeter's argument that the credit financing of entrepreneurs created business cycles that were an inherent feature of the capitalist system. His intellectual ambition was to extend business-cycle theory to show how cycles operated, not just in one country, but within the entire global economy. To do this, he divided the world into a metropolitan centre where business cycles originated and a periphery that was dependent on the export of agricultural commodities and raw materials.

He believed that in the upswing of the cycle, primary commodity prices rose faster than industrial prices, but in the downswing they declined so steeply relative to industrial prices that the net barter terms of trade of primary commodities declined. He backed this up with statistical evidence prepared by Singer. The reason that industrial prices declined less steeply in the downswing was that industrial workers in the centre were more unionized and better able to resist wage cuts and hold on to gains in their productivity. There was therefore a permanent asymmetry in the distribution of the gains from technical progress, to the disadvantage of those living in the periphery.

Like Schumpeter, Prebisch admired Keynes's *General Theory of Employment, Interest and Money* but was critical of it. This was for three main reasons. Keynes's theory of the formation of the rate of interest did not make the supply of saving a constraint on investment, whereas Prebisch thought that it was. Also, he thought that Keynes's theory was not properly dynamic, but relied on the "income multiplier" as a device to deal with the passage of time. Finally, he thought that Keynes focused too much on stability in the short term. Despite disagreeing on these aspects of theory, Prebisch believed that the policies advocated by Keynes were generally sound ones.

Prebisch's ideas were the foundation of the work of the Economic Commission for Latin America, but by the mid-50s, the younger economists working there were adding new elements, such as the structural theory of inflation. Eclectic and unorthodox, the Commission's theories, variously called dependency or structuralist theories, gained a wider resonance with many who were not convinced by the abstract propositions of international trade theory and its demonstrations of the optimality of free trade. Many believed that even countries that had grown wealthy on agricultural exports needed to industrialize in order to achieve economic development. Yet Prebisch was critical of the import-substituting industrialization that had been forced on Latin America during the Great Depression and the Second World War. He argued that import substitution on its own produced insufficient foreign exchange for development – it had to be complemented by the export of manufactures.

The Economic Commission for Latin America also provided an economic doctrine that underpinned the perception, particularly in Latin America, of a systemic bias in global economic governance – a systemic bias based on the failure to recognize the differing economic dynamics of centre and periphery countries and to provide for them in the international institutions that regulated post-war trade. Prebisch therefore advocated regional integration of developing countries and trade preferences for their exports of manufactures.

B. The impact of the cold war and decolonization

Two seismic shifts in international power relations took place in the 1950s. After Joseph Stalin's death in 1953, the new leadership of the Union of Soviet Socialist Republics proclaimed a strategy of peaceful coexistence between capitalism and communism and of competition between them. Peaceful coexistence involved a new, more cooperative attitude towards the United Nations and its economic activities. The Soviet Union emerged from boycott mode to become a significant player in the United Nations.

During the late 1940s and early 1950s, the admission of new members to the United Nations had been extremely limited because of the veto power of the United States and the Soviet Union. At the Bandung Conference in 1955, important developing countries, including China as well as India, Indonesia and Yugoslavia, declared themselves to be on neither the Soviet nor the Western side of the cold war and pressed for admission to United Nations membership. After 1955, many newly created States in the developing world joined the United Nations, raising its membership from 60 to 99 by 1960. As a result, the relative influence of developing countries increased. This expanded membership had implications for the United

Nations policies of the United States, hitherto able to muster a reliable majority in the General Assembly. It put the continued dominance of the United States position in doubt and induced an increased sensitivity to the need to be seen to be supporting the legitimate economic aspirations of developing countries. The emergence of what was soon to be called the “third world” put the two super-Powers on notice that they could not make easy assumptions about which States in the United Nations they could enlist on particular issues.

The Soviet Union, for its part, began to echo the misgivings of developing countries about the bias in the international trade system. In 1954 it called for a world meeting of trade experts. In 1955 it demanded the ratification of the Havana Charter. In 1956 it called for a new conference on international trade. These calls were ignored. When the Treaty of Rome was signed and the European Economic Community of France, Germany, Italy and the Benelux countries came into being in 1958, the Soviet Union began to denounce what it called “closed Western economic groupings” as a threat to international economic cooperation. In 1962, the Soviet leadership coupled another denunciation of the Community with a renewed call for an international trade conference. All this rhetoric signalled to newly independent countries that the Soviet Union sympathized with their perception of being marginal to a trade system dominated by the interests of developed countries.

The Soviet criticism of the European Economic Community played on developing countries’ anxieties about their future trade relations with the Community. The Soviet leaders claimed that the “subordination of the young sovereign States of Africa to the [European] Common Market would signify their consent to reconciling themselves to the role of agrarian and raw material appendages of former metropolitan countries”. The context of this broadside was the United Kingdom’s application to join the Community. The European Economic Community operated a system of preferences for its associated overseas territories that were compatible with the protection of its own agriculture under the Common Agricultural Policy. The United Kingdom had its own system of preferences for some Commonwealth countries. The question was how, if the United Kingdom joined the European Economic Community, the two systems could be made compatible and how any newly forged preference system could be acceptable under GATT non-discrimination rules. President Charles de Gaulle solved the problem by vetoing the United Kingdom application to join in 1963, but it had caused developing countries to fear that their trade preferences would be withdrawn.

The United States had its own worries about the European Economic Community, particularly that the lowering of the Community's internal tariffs would divert trade away from United States exports unless the country's tariffs could also be lowered. This concern underlined the United States desire to launch quickly fresh trade negotiations in the GATT, which was to set off the Kennedy Round in 1964. George Ball, the United States Undersecretary of State for Economic Affairs in the Kennedy Administration, was therefore nervous about the call by the Soviet Union for a new trade conference. He saw that the Soviet Union was seeking a propaganda advantage, but he also suspected that it wanted to disrupt the GATT. As an operator of State trading, the Soviet Union had no interest in the GATT, whereas the United States needed to negotiate a general lowering of tariffs.

Ball concluded that Soviet disruption could succeed in that aim only if the United States failed to "educate and persuade" developing countries away from the trade agenda that they were pursuing. The most serious objection the United States had was to the demand from developing countries for tariff preferences for their industrial goods. Here the economic arguments were secondary. What mattered was that the Kennedy Administration did not want to find itself having to defend the granting of trade preferences abroad in an election year (1964), when it would have to turn down many demands from domestic interest groups for preferential treatment. Ball recommended calling for other countries to do more to remove existing measures of trade discrimination, as prevailed in textiles, shoes and electronics, and for the setting up of free trade areas in regional blocs of developing countries.

The United States was also wary of the use of international commodity agreements to transfer resources to developing countries. The agreements might be suitable to address the problem of excessive volatility in commodity prices, but any attempt to use them to raise a commodity price permanently above the long-run average market price was to be resisted. While acknowledging that the agricultural price support policy of the United States did exactly that, Ball would not countenance the same thing on the international scene. If the United States were willing to negotiate on this topic, the Administration might find itself – like the Truman Administration after Havana – recommending agreements to Congress that Congress would not ratify.

The United States was willing to contemplate some types of reform to the mechanisms of trade regulation. Ball vetoed the idea of a single, comprehensive trade organization that would replace the GATT, accept Soviet bloc countries as members and attend to the interests of developing countries. He would not object to a new organization, separate from the GATT, dedicated to promoting the interests of developing countries in international trade. He advised President Kennedy, in the week before Kennedy's assassination in November 1963:

> We must, of course, be concerned to preserve the GATT against efforts to transform it into a debating forum for special interests or to supplant it with a more diffuse organization. Fortunately, I think this problem is manageable. Already there are signs that the more stable leaders in the developing countries are having second thoughts on the value of the GATT, and I am confident that with a steady American policy we should have little difficulty in saving it from serious impairment.

C. Building third world solidarity

The developing countries had won a few concessions in Havana, but not as a result of any well-organized joint opposition to Anglo-American plans. The Bandung Conference had shown that important developing countries wanted to distance themselves from the cold war, and afterwards an Asian–African bloc had begun to operate at the tenth session of the General Assembly. The Non-Aligned Movement had called for international action on trade and development at its first summit in Belgrade in 1961, but at the General Assembly the same year, the Latin American countries, with the notable exception of Brazil, still remained lukewarm to the idea of a new trade conference.

In July 1962, the situation changed when a group of economic ministers held the Cairo Conference on the Problems of Economic Development. The Conference was organized outside the auspices of the United Nations and was attended by 36 developing countries, including non-aligned countries. This was not a large number, but the significance lay in the regional composition of the countries attending. The participants were exclusively from African, Asian and a few Latin American countries. The willingness of some Latin American countries to join the Asian–African group, notwithstanding the United States attempt to reach out to them through the Alliance for Progress (launched in 1961), would prove to be an event of great significance. The resulting Cairo Declaration called for an international conference within the framework of the United Nations on "all vital questions relating to international trade, primary commodity trade and economic relations between developing and developed countries".

Raúl Prebisch was the official appointed as the personal representative at the Cairo Conference of the new United Nations Secretary-General, U Thant. Prebisch, like other Latin Americans, had up to that point been sceptical about a fresh international effort in the trade field. He had watched many previous trade initiatives in Latin American–United States relations run into the sand. Only the persistent urging of Wladek Malinowski, secretary of the regional commissions of the Economic and Social Council of the United Nations, persuaded Prebisch to go to Cairo. There Prebisch saw that cooperation between third world countries across three continents had great potential to reshape global politics, provided that it was backed by discipline and good organization.

In 1962, the Economic and Social Council recommended in resolution 917 (XXXIV) and the General Assembly approved in resolution 1785 (XVII) the first United Nations Conference on Trade and Development. The United States Ambassador to the United Nations, Adlai Stevenson, effectively reversed the previous negative stance of the United States towards the Conference. He seemed to have concluded that since the Conference could not be directly blocked, it was preferable to accept it positively rather than embitter the developing countries and drive them into the arms of the Soviet Union. In doing so, the Americans could retain the hope of exercising some influence over the Conference's timing and content. Once Stevenson had switched the United States position, that of other Organization for Economic Cooperation and Development (OECD) and Latin American countries followed suit. The existence of UNCTAD in some shape or form was assured.

As Prebisch himself later emphasized, the proposed Conference was not his idea. Nevertheless, at the instigation of Argentina, Brazil and Yugoslavia, he agreed to have his name go forward for the post of Secretary-General of the Conference. He was offered the job, despite strong competition from the Australian candidate, John Crawford, and he accepted in January 1963. Although United States delaying tactics had pushed back the proposed Conference to the latest possible date in early 1964, preparation time was tight if the Conference were to be properly organized.

Prebisch quickly established his leadership. He had to rebuff the tendency of the Department of Economic and Social Affairs of the United Nations to want to keep UNCTAD within its orbit and under its control. He had to recruit a talented and geographically balanced core staff on temporary contracts, since it was not yet clear that UNCTAD would be a permanent institution. He had to secure agreement on the five substantive themes of the Conference. He had to get the Conference documents translated into the official languages of the United Nations and distributed by January 1964. All of that was settled by the end of the second session of the Preparatory Committee in May–June 1963.

D. Shaping the UNCTAD agenda

Prebisch undertook an extensive round of consultations in 13 key capitals in advance of the Conference. He started in Europe, visiting Paris, Brussels and London, before moving on to Canberra, then Tokyo, Bangkok, New Delhi and Karachi. After discussions in Cairo, he went to the Eastern bloc capitals of Moscow and Warsaw, plus non-aligned Belgrade. He concluded his itinerary going first to Bonn and finally to Washington, D.C., where he had an uncomfortable interview with Walt W. Rostow, who was then President Johnson's adviser on North–South relations. Although he did not find time to go to any African capitals (and already knew Latin America intimately), his consultations were very wide-ranging and indicated the global sweep of the task of shaping the Conference agenda.

In these consultations, Prebisch was engaged on a variety of diplomatic tasks. He wanted to strengthen the interregional solidarity forged by developing countries in Cairo while expanding the number of actively participating developing countries. Aware that Soviet bloc support had helped the developing countries to get the Conference convened in the face of United States indifference, he wanted to be able to offer the Government of the Union of Soviet Socialist Republics some incentive to stay firmly on board. At the same time he did not want the agenda to be dominated by the familiar Soviet grandstanding topics – the economic benefits of disarmament, existing trade discrimination and the creation of an International Trade Organization. In the capitals of the industrial West, he tried to explain why the GATT alone was inadequate to regulate international trade, and what options for change he foresaw. Here he was persuading but also listening carefully to the concerns of his interlocutors, so that his proposals met their concerns as far as possible.

These strategic aims shaped his proposals. To strengthen the unity of developing countries, Prebisch made a fundamental point that developing countries should be compensated for past and future losses through deteriorating terms of trade, either through commodity agreements or compensatory financing. This indicated that he wanted the Conference to be less about trade promotion or the giving of aid than the rectification of an injustice. The second main incentive for unity was to call for a system of preferences for all manufactures exported by developing countries to developed countries and for Governments of developing country to be allowed to subsidize some of the marketing costs of their exporters of manufactures. Although only a few developing countries could benefit immediately from such preferences, they were in principle of general application and less divisive than attempts to abolish existing trade restrictions on particular industries, such as textiles.

In order to maintain the interest of the Soviet bloc, Prebisch spoke approvingly of State trading, while holding up multilateral trading as the ultimate goal. He claimed that bilateralism was a means of expanding trade between the Soviet bloc and the rest of the world and reported the satisfaction of developing countries that had entered into long-term trade agreements with the Soviet Union. Yet in sketching new institutional machinery for the world trade system, he did not seek to revive the abortive Havana Charter, the solution promoted by the Soviet Union. In fact, he thought that the Charter was backward-looking, and that what was needed was not a new set of trading rules, but new policies that would support developing countries in overcoming the structural obstacles to their greater participation in international trade.

Above all, however, the existing trade regime relied too much on the free play of international economic forces to produce an optimum situation. In his view, "the free play concept is admissible in relations between countries that are structurally similar, but not between those whose structures are altogether different as are those of the industrially advanced and the developing countries". These three lessons, learned since the Havana days, guided the inception of UNCTAD – the necessity of industrialization, countering the forces of external imbalance and different treatment for structurally different types of economies.

The question of the design of new machinery still divided the developing countries, with some countries pressing for a new organization to substitute for the GATT, which the United States opposed, while others wanted a small new think tank on trade and development policy headed by Prebisch that would advance its policies through existing United Nations machinery. Prebisch, advised by Malinowski, supported a third option – a periodic conference with review responsibilities in the trade field.

Prebisch himself wrote the main Conference document, a report entitled "Towards a new trade policy for development", but it went through various drafts, partly to allay African anxieties about the alleged excessive prominence of Latin American ideas in it. Prebisch originally wanted it to be supported by a complete econometric model of the trade gap. When it was explained to him that this was not possible, a simpler construction of Sidney Dell's was given pride of place.

Dell's point of departure was the target growth rate that had been adopted, against the wishes of the United States, for the (First) United Nations Development Decade, namely 5 per cent annual growth in gross domestic product (GDP). With the population growing at 2.5 per cent, this would permit per capita GDP to grow at 2.5 per cent, the minimum consistent with the United Nations development target for the 1960s. However, the report argued that a 5 per cent growth rate could not be sustained unless imports to developing countries were growing at 6 per cent. This was contrasted with the projected growth of developing country exports of 4 per cent. The difference between required imports and projected exports was the estimated trade gap, which would expand to $20 billion by 1970. Dell's calculation was simple enough to be displayed in a single box diagram and dramatic enough to attract the attention of any serious newspaper reader. It was an inspired representation of the plight of developing countries that no econometric model could have trumped, and it led directly into proposals of measures to close the gap.

Prebisch's Conference report received sympathetic coverage in quality newspapers. The *Financial Times* said: "It is clear from Dr. Prebisch's report that something has to be done for the less developed countries in the Southern part of the world if the gap now separating their standards of living from those of the richer Northern nations is not to widen." *Le Monde* praised the report's "tone of moderation" and "spirit of impartiality" and approved the fact that he had incorporated some of the ideas that the Government of France had put to him. This was friendly publicity, in tune with the government line of sympathizing in public with Prebisch's ideas.

In private, British officials were critical of the report, calling it "a potted and controversial account of a very complicated field". Prebisch was judged as "far from having proved his case or even explained it sufficiently carefully in the report to make a balanced discussion of it possible". For the United States, Ball was even more scathing in private. "The less developed countries have been the victims of a high-class confidence game conducted in elegant economic jargon", he wrote. "When they finally open the package and find it contains old newspapers they will be mightily upset." He was confident that when the Conference convened, "chaos will result since the interests and views represented will be many and diverse", but this chaos would have a silver lining, because in the end the United States would be in a position to "put together all that is good and salvageable".

E. Conclusion

By 1964, the developing countries had come a considerable distance from the disappointment that they had experienced after the Havana Conference ended in 1948. Their numbers had swollen with decolonization, they had gained an ally of a sort in the Soviet Union, they had strengthened their own solidarity and, under the leadership of Prebisch, they had both an economic doctrine and a set of policy ideas. They stood on the verge of a new era in trade and development. At the same time they knew that they could be facing the prospect of dismal failure, given the profound indifference – if not active hostility – of the United States to their policy ideas. Prebisch at least believed that there was still everything to play for.

He had been forewarned of the limited room for manoeuvre that any United States administration enjoyed, under the separation of powers, in shaping international trade policy. As Rostow told him at their meeting: “Protectionist lobbies are protected by Congress and fiats established by the State Department can do little about it.” That was the reality, and it had been the reality that derailed the Havana Charter, and any effort to remodel the governance of international trade would have to cope with it.

Yet that did little to abate the sense of injustice that developing countries felt about the “interim” arrangements for the governance of world trade and the GATT’s disconnection from their goal of economic development. That sense of injustice was the unstoppable force that was on course to collide with the immoveable object in Geneva, Switzerland.

CHAPTER II

THE BIRTH PANGS OF UNCTAD

A. The United Nations Trade and Development Conference, 1964

The United Nations Trade and Development Conference that opened in Geneva in late March 1964 was the largest international conference that had yet been held. The number of official delegates exceeded 4,000, representing 120 countries, international organizations, non-governmental bodies and the media. The Geneva hotels had been fully booked for months, and the authorities had to billet some delegates in private homes. The official translators could not cope with translating into five United Nations languages for a period of three months, and private firms from across Europe had to provide backup support. The Conference was the great event of 1964, billed by the media as a drama of global collective bargaining between rich and poor nations, and rightly so.

After a lacklustre inaugural address by the United Nations Secretary-General, U Thant, Prebisch spoke to the assembly without notes, invoking the historic nature of the occasion and declaring that history would be made – for good or ill. All countries had an interest, he asserted, in overcoming poverty and in taking the convergent measures that were needed to deal with the trade gap and the recent slowdown in growth. Overcoming inequity was not a utopian goal if all countries would work for the common good, he concluded, after which he received a standing ovation.

The initial enthusiasm of the delegates dissipated as country representatives and heads of United Nations agencies read out long and tedious opening statements. The media were soon complaining that little was happening. In fact both George Woods for the World Bank and Eric Wyndham-White on behalf of the GATT made very supportive speeches, which were widely welcomed. In contrast, George Ball's opening statement of the United States position was candid to the point of harshness. He scorned Prebisch's Conference report as unrealistic and dismissed the projection of the $20 billion trade gap of the developing countries as a mere "figure of speech". He said that the demands of the developing countries for $20 billion in financial or trade concessions posed the risk that they would use UNCTAD as "an escape from their own domestic responsibilities". Dell called the statement "a negative blast". *Newsweek* reported that it contained "more than a hint of paternalism". By contrast, Edward Heath for the United Kingdom declared that he was "firmly committed to the objectives of the Conference". Nevertheless, the United States attitude sounded an ominous note for the negotiations ahead.

The work was organized into five committees on commodities, manufactures, finance, institutional arrangements and regional problems. These committees proved to be cumbersome, not least because all 120 countries insisted on being represented on each of them. Inevitably, the real work had to be delegated to smaller working groups. The developing countries had initially decided to vote on all resolutions as a caucus, ignoring conflicts with their national interests in order to be able to press forward with the proposals in the Conference report and thereby reinforce the position of Prebisch as the ringmaster of the event. That tactic, initially very startling to the developed countries, soon showed its limitations. It was futile to repeatedly outvote the developed countries if they remained unwilling to grant the concession on which they had been outvoted. Prebisch steered the developing countries towards adopting a more conciliatory approach, but this had its own cost. It weakened the driving force of Prebisch's initial vision for the Conference, and the secretariat began to lose its sense of direction.

As the committees worked through May, certain areas of agreement were identified. The expansion of South–South trade was endorsed, as were shipping conference reforms, provisions to assist landlocked countries and proposals for regional integration. These were, however, either secondary issues or exercises in agenda-setting for the future. The three main proposals for closing the trade gap were parried by the negotiators of the developed countries. The developed countries did not want any general formula for the setting up of international commodity agreements, although they expressed willingness to negotiate on individual commodities. They also insisted that tariff reductions for third world exports of manufactures would have to be negotiated individually within the framework of the GATT Kennedy Round. The ideas of a generalized system of preferences and of new forms of supplementary financing were deemed to require further study before concrete proposals were worth discussing. By the end of the Conference, there was no agreement on most of the specific proposals in the Prebisch report. The Final Act of the Conference consisted of a series of Principles (including 15 General and 13 Special Principles), the texts of which had been strenuously negotiated and adopted eventually only by vote, plus Recommendations for action to be remitted to other existing bodies.

The question of future machinery to deal with issues of international trade and development was still on the table as the end of the marathon Conference neared. The developed countries had dropped their initial opposition to any new institutional machinery for this purpose. They were now prepared to accept a new centre or institute, managed by the Department of Economic and Social Affairs in New York and reporting to the Economic and Social Council. Jacob Mosak of the Department of Economic and Social Affairs had already proposed this solution to Prebisch in February 1963, but Prebisch had not been willing to put any new trade and development body under the tutelage of the Department. The developing countries were also very unhappy with this proposal. They demanded that the new body be given its own staff and budget and that it be located elsewhere than in New York. They forced a vote in the Fourth Committee (on institutional arrangements), but were met with warnings of non-cooperation from the developed countries: any new machinery would have to be negotiated, not imposed by a developing country majority vote.

In the prevailing deadlock, Prebisch took the initiative. He convened an informal negotiating group of eight countries – Belgium, France, Switzerland, the United Kingdom and the United States from the developed countries, and Nigeria, Pakistan and Yugoslavia from the developing countries – in an attempt to find a last-minute compromise solution. Richard Gardner, speaking for the developed countries, posed the central issue: since the top six countries transacted 70 per cent of world trade, they should not be subject to majority vote on a one country, one vote basis. Prebisch realized that the developing countries would have to compromise or the Conference would fail completely. He developed a scheme, with the aid of Rangaswami Krishnamurti, consisting of three essential elements. First, the Conference should be reconvened every three years. Second, the Conference should have a standing committee, the Trade and Development Board, representing the country groups, to manage business between Conferences. Third, the Conference should have its own secretariat, located outside the Department of Economic and Social Affairs and New York, reporting directly to the United Nations Secretary-General. Prebisch also recommended setting up a permanent system of negotiations based on groups (with appropriate safeguards). This proved acceptable to the developed countries, particularly as a flying visit from Edward Heath of the United Kingdom reinforced their favourable attitude. However, this recommendation was inconsistent with the demand of the developing countries for a decision-making process of one country, one vote and majority voting.

When Prebisch presented his proposed compromise to the developing countries, he received a hostile and angry reception. They had achieved very few concrete concessions from the negotiations, and now they were being asked to abandon the voting system that had worked well for them in the General Assembly. The developing countries encompassed radical elements, including Ernesto “Che”

Guevara as a representative of Cuba, as well as Ismat Kitani (Iraq), U Maung (Burma) and Marcio de Rego Monteiro (Brazil). The radicals seemed to have felt that they were indeed staring at the package of old newspapers that Ball had envisioned. They were certainly not comfortable with the idea of compromising at the end of a long and expensive Conference. In the end, however, Prebisch was able to talk them round.

In a final demonstration of unity and solidarity, the developing countries that had voted for the General Assembly resolution authorizing UNCTAD issued the Joint Declaration of the Seventy-seven Developing Countries. This marked the formal establishment of the Group of 77 and pledged it to cooperation in the common cause of a new world order. It was intended as a counterweight to the recently formed OECD that represented the common interests of the advanced industrial countries. At the time, the Group of 77 lacked the organizational capacity that the OECD had inherited from its predecessor, the Organization for European Economic Cooperation. As a result, while Group of 77members were clear about what they objected to, they were often divided on what they wanted to see by way of replacement or supplement.

The 1964 Geneva Conference (later to be known as UNCTAD I) had wrought few changes in international trade policy – "nothing of importance", Prebisch said afterwards. Its success lay in creating a new and distinctly different addition to the United Nations machinery for future discussion and negotiation of all the issues that had been raised but not resolved. As the Conference delegates dispersed, one important question that remained to be answered was: could the new machinery do what Prebisch and Krishnamurti supposed that it would be able to do?

B. Getting UNCTAD up and running

The General Assembly approved the establishment of UNCTAD as an organ of the General Assembly in December 1964, and U Thant appointed Prebisch as the Secretary-General of the new organization. As yet, however, the organization had no substance. Its relationship to the Department of Economic and Social Affairs had to be settled, requiring high-level struggles in order to achieve the degree of independence that Prebisch and the Group of 77 needed. Key staff had to be recruited. Prebisch wanted to attract many of those who had worked so hard in his temporary Conference team, like Sidney Dell, Wladek Malinowski and Krishnamurti. This involved securing the agreement of other United Nations bodies, including the Department, which created the opportunity for turf wars and delaying tactics.

Prebisch wanted to appoint Malinowski as his Deputy Secretary-General. He had been the great driving force behind the creation of the Group of 77 and of UNCTAD. If Prebisch was the intellectual leader and master strategist, Malinowski supplied the organizational and tactical imagination to see that a new institution had to be created and to drive the process through to a conclusion. However, the attempt to appoint Malinowski as Prebisch's deputy provoked an international wrangle that ended up leaving the post vacant. Prebisch was left to carry the entire burden of senior leadership alone. This was significant because, as a result of difficulties over Brazil's financing of the Latin American and Caribbean Institute for Economic and Social Planning, Prebisch was forced to agree to remain as Director of the Institute, as well as to return to the post once his tenure at UNCTAD was over. Although it was not common knowledge, Prebisch was also living a complicated private life, maintaining two households, one openly in Geneva and one covertly in New York. He did a great deal of travelling between Geneva, New York and Santiago and most certainly needed one or even more than one deputy.

Then at the very last moment, the canton of Geneva voted against hosting another international organization. It was not until Harold Wilson's new Labour Government in the United Kingdom had offered UNCTAD a good home in London that the Swiss Federal Council told U Thant that UNCTAD would be welcome in Geneva after all.

After these initial troubles were sorted out by the middle of 1965, another more enduring problem emerged. Prebisch had agreed that the 55-member Trade and Development Board should meet twice a year, once in Geneva and once in New York. The bureaucratic burden that this imposed, when combined with the initial intention to organize a full conference every three years, was very heavy indeed, and became even heavier as working parties and expert groups multiplied and had to be serviced. By November 1966, almost 60 per cent of UNCTAD's budget was being spent on meetings. This was precisely the opposite of Prebisch's vision for UNCTAD. As a senior diplomat later remarked: "Prebisch… did not see the secretariat of the new institution as a passive agency concerning itself essentially with the logistics of meetings and with servicing negotiations in an abstract way. He wished instead for an activist body which provided leadership and made its contributions through its studies, its analyses and its thoughts."

Part of the explanation for the emerging diplomatic congestion was the compromise voting system adopted at UNCTAD I. Member States joined groups – Asia and Africa (Group A), the industrial countries (Group B), Latin America and the Caribbean (Group C) and the State-trading countries (Group D). Negotiation required the States to first negotiate a common group platform and then to negotiate their platforms with the other groups. This was an immensely time-consuming procedure, but it was probably unavoidable. The countries of Groups A and C had already voted to present a united front. The Group D countries were primed to follow the lead of the Soviet Union, while the Group B countries were able to prepare their joint position within the OECD. However, apart from the time involved, this negotiating approach constantly reinforced the atmosphere of polarization and militated against the emergence of cross-linkages and new cross-groupings with new agendas. The same battles tended to be fought, refought and then fought once again. The Swiss ambassador, when presiding at the Trade and Development Board, spoke of “the polarizing ritual of group negotiating leading to the decay of collective debate”.

This polarizing ritual of negotiation brought to the forefront a question that had hovered in the background at UNCTAD I. Whose side was the UNCTAD secretariat supposed to be on? The Group B countries had long suspected that Prebisch’s secretariat was pursuing an agenda that was in clear violation of the norms of neutrality vis-à-vis the national interests of member States that were appropriate to the officials of any international organization. Richard Gardner, the leading United States negotiator at UNCTAD I, went so far as to describe the body of UNCTAD officials as a “sectariat”. His view was that the concept of international officials working impartially in the interests of all member countries of an organization had, in UNCTAD, been replaced by a concept of official advocacy on behalf of a particular group of member States.

It was certainly true that Prebisch wanted UNCTAD to be an activist body, calling it “an instrument of change” and even “a fighting institution”. In private, he gladly confessed his bias for development. He insisted, for example, that “one could not be impartial when he saw a child beaten by an older man”. However, in public he defended the secretariat by claiming that it was indeed possible for it to be at the same time impartial and committed to his trade and development agenda. Once, at a press conference, Prebisch was accused of using the secretariat to assist the developing countries of Group A. He replied:

> By definition of my mandate I am looking for arrangements which will favour the position of the developing countries. That is what the mandate of UNCTAD is about. Now, I have to be impartial to all parties in the United Nations community, and we are striving to be impartial at all times. But as for neutrality, we are not more neutral to development than WHO [the World Health Organization] is neutral to malaria.

The colourful comparisons that Prebisch made underlined his belief that the existing international economic architecture of institutions, however impartially administered, failed to serve the interests of developing countries in the trade arena, and that UNCTAD had been created as a counterweight to this structural unfairness. Yet implementing the doctrine that the UNCTAD secretariat should be impartial, but not neutral, was never going to be easy. On some occasions, the Group B countries actually suggested that the secretariat treat the Group A and C countries more favourably – while maintaining a drumbeat of complaint about lack of impartiality. Sidney Dell was perplexed and noted that it "was a matter for careful judgement as to where one drew the line between legitimate assistance to [Group A and C] delegations in working out their own policies, and actions which would amount to taking sides in a controversy".

Making this judgement call was perhaps most difficult in the area of research, a crucial issue if the provision of studies and analyses were to be the driving motor of an activist organization. UNCTAD had been created on the basis of a special ideology of institutional unfairness – what Philippe de Seynes of the Department of Economic and Social Affairs called "an economic doctrine for developing countries". The question for researchers in the secretariat, and their superiors, was whether UNCTAD studies and analyses should always confirm and reinforce that economic doctrine, or whether they could be allowed to come up with findings that were inconsistent with it. This question was by no means unique to UNCTAD. It arises for all international (and national government) bodies that have a mission and also undertake to do research. Yet for an organization such as UNCTAD with usually strong activist ambitions, it had a special salience.

Paul Berthoud, who was Prebisch's special adviser at that time, later reflected on the esprit de corps that the sense of mission generated in UNCTAD:

> The most outstanding case [in the United Nations] of that motivation, and of a sense that we were together trying to build something, was UNCTAD. There is no question that in the 1960s, the spirit that motivated the group that worked at that attempt at changing the world was a sense of devotion which was very enhancing of the quality of relationships and the quality of the work itself... In UNCTAD, you had a collective sense of mission which I found more articulate there than I have at any other place in all of my career.

Dell had a more sober assessment of the prospect of working with Prebisch. He reflected in a letter to Nicholas Kaldor:

> Trade is big and exciting at the moment, though more in terms of politics than economics... [Prebisch's] heart is in the right place even when his thinking is muddled. But he is very disorderly and frustrating in many ways, and I should be constantly under pressure to sacrifice my family life in the interests of the "cause".

C. The catalytic effect of UNCTAD

From one perspective at least, the organization of UNCTAD meetings and the position of its secretariat were matters of secondary importance. The very existence of UNCTAD had consequences for the policies of other international bodies concerned with trade and development. As in certain chemical reactions, the addition of UNCTAD to an existing combination of international economic agencies speeded up their reactions. In fact, even before UNCTAD formally came into existence, the probability of its arrival on the international scene began to have this catalytic effect. Confirmation that the Geneva Conference would be convened came in January 1963, and things began to happen.

First, the IMF announced in February 1963 its new Compensatory Financing Facility. Ten years earlier, the Argentine economist Francisco García Olano had proposed to a United Nations expert group the idea of a mutual insurance scheme of compensation for adverse changes in a country's terms of trade. In 1954, the United Nations set up a body with a remit to examine measures to limit fluctuations in commodity prices, the Commission on International Commodity Trade. When nothing was done about García Olano's proposal, the Commission in 1959 began to prod the IMF on the adequacy of its facilities to assist countries experiencing fluctuations in their export receipts. The IMF at that time was reluctant to go at all beyond its normal operations. The Commission confirmed that the terms of trade of primary commodity producers had in 1961 reached their lowest level since 1950. Eventually, and following a further suggestion by the Commission in 1962, the Executive Board of the IMF had conceded to the creation of a dedicated counter-fluctuation facility.

The resulting Compensatory Financing Facility was a scheme that allowed IMF members to borrow up to 25 per cent of their IMF quota after experiencing a shortfall in their export revenues, if the shortfall had occurred through no fault of their own. The export revenues that were eligible were total merchandise exports, but not earnings from tourism or other services, and shortfalls were calculated relative to the geometric mean of nominal export values over a five-year period.

This calculation provided the basis of a quasi-automatic drawing procedure, since the only borrowing conditions that a country had to fulfil were that it had a balance of payments problem and that it was willing to cooperate with the IMF in finding appropriate solutions to its problem – a clause rarely invoked. A Facility such as this had the advantage over schemes to compensate price falls that it operated when export quantities fell as well as when prices fell. On the other side, it did nothing about the problem of induced investment cycles that followed from price fluctuations – which a buffer stock scheme would ideally be able to mitigate. It was also a short-term scheme based on drawing and repayment that would not address more protracted declines in export revenues. Despite its light conditionality, developing countries made only sparse use of the Facility until the mid-1970s. The Compensatory Financing Facility had a mildly stabilizing effect and was largely self-financing. Those developing countries that did choose to make use of it derived a countercyclical benefit.

The design of the Compensatory Financing Facility suggests that the intention was to provide a stabilization mechanism that did not interfere with the working of markets for individual commodities. In that sense, it did not directly compete with Prebisch's advocacy of international commodity agreements or with any mandate that UNCTAD would receive in that area. Yet the Facility was also designed to pre-empt the need for international commodity agreements, by offering a way to meet balance of payments needs without resorting to them. The IMF thought that they had produced a better solution to the trade and financial difficulties of developing countries than the official manipulation of commodity prices.

Speeding up the reaction of other international institutions to the problems of developing countries thus had a positive and a negative aspect. Positively, the imminence of UNCTAD brought a concrete result from a discussion and negotiation that had rumbled on for the previous 10 years. Negatively, the reaction was essentially competitive, with the aim of showing that the remedies proposed by Prebisch were not really necessary, since the existing institutions could after all come up with appropriate solutions.

The catalytic effect of UNCTAD on the GATT was also evident. In 1957, under pressure from its developing country contracting parties, the GATT had commissioned a group of economists chaired by Gottfried Haberler to report on trade problems of developing countries. The report confirmed that the tariff and other barriers erected by developed countries were an important cause of these problems. In 1960 and 1961, the GATT put out sympathetic declarations calling for trade barriers to be reduced, but it was May 1963 before GATT members adopted a programme of action. The eight points were partly provisions for speeded-up compliance by GATT members with their existing GATT obligations, partly standstill provisions to prevent the erection of further trade barriers against developing countries and partly injunctions to members to prepare future trade liberalization measures. The programme of action was largely ineffective, however, because of internal divisions among GATT members. After UNCTAD I, in February 1965, nevertheless, the GATT added Part IV to the General Agreement. The addition consisted of three new articles on trade and development. These articles set out the GATT objectives in the field, pledged its members to advance them and specified forms of collaboration.

The objectives in the first new article, XXXVI, of the GATT included “wherever appropriate to devise measures designed to stabilize and improve conditions of world markets in [primary] products, including in particular measures designed to attain stable, equitable and remunerative prices”. This was significant because, during UNCTAD I, the Executive Secretary of the GATT, Eric Wyndham-White, had declared that his organization had no mandate in the field of commodities, and did not intend to enter it – yet subsequently this was happening. It indicated pressure from Group B countries to maintain the GATT as the sole negotiating forum on trade matters and to confine UNCTAD to trade policy debates and research.

Prebisch, for his part, was determined that UNCTAD should also be a negotiating forum on trade issues. When the GATT Kennedy Round concluded in June 1967, the results included an international wheat agreement and provision for the special and differential treatment of developing countries, granting them non-reciprocal market access. Even so, Prebisch was convinced that no new international economic order could ever emerge from the GATT. He decided that he needed to campaign within the United Nations to shore up UNCTAD’s position as the focal point for all trade and development issues. At the same time, he showed willingness to cooperate by agreeing in 1968 to a joint arrangement with the GATT to back the International Trade Centre in Geneva to strengthen the capacity of exporting firms in developing countries. This signalled something of a ceasefire in the struggle over mandates. Neither the GATT nor UNCTAD would surrender its negotiating prerogatives, and they would cooperate as equals.

D. Success with shipping versus other international competition problems

In one part of UNCTAD’s mandate there was no possibility of any catalytic effect. International shipping economics was a subject for which no international agency had responsibility. The Inter-Governmental Maritime Consultative Organization (known later as the International Maritime Organization), established in 1948 with its Convention entering into force in 1958, was primarily occupied with regulation of safety of life at sea and marine pollution. It had no motive to compete with UNCTAD, so the economics of international shipping was an open arena in which UNCTAD could try to make its mark.

The concerns of developing countries derived from the fact that, in international shipping, a few maritime powers tended to be in control as a result of the colonial past and various national security considerations. Developing countries had no control over the organization of the shipping trade and were totally reliant in their international commerce on the arrangements made by foreign operators. By the 1960s, the liner conference system that had existed since 1875 dominated every major seaborne trade. Those developing countries that had infant merchant fleets found it difficult to gain admission to the conferences for their national shipping lines, while those without merchant fleets had to pay shipping costs, over which they had no control, with scarce foreign currency.

UNCTAD I provided the opportunity for developing countries to raise these concerns in the context of improving the invisibles account in their balance of payments. An Economist Intelligence Unit report had recommended new consultation and negotiation machinery between liner conferences and national shippers' councils, possible regulation of liner conferences and the development of new and improved ports. A Common Measure of Understanding on shipping questions agreed at UNCTAD I centred on the need to secure closer consultation between shippers and conferences about the adequacy of services, the need for improvements in port and related infrastructure and the desirability of enhancing infant merchant marines.

On the basis of further discussion in the Trade and Development Board, a Committee on Shipping began work in late 1965. This became a forum where all parties involved in maritime transport could discuss problems and negotiate solutions. Initially, the Committee proceeded by agreeing resolutions addressed to Governments, but this procedure produced scanty results. From 1970 onwards, the focus changed to drawing up a convention on a code of conduct for liner conferences and to a new concern sparked by containerization and the multimodal transport concept.

The Committee of European Community Shipowners' Associations produced its own code of liner conference practices in December 1971. Developing countries opposed this code for two main reasons. It had been drawn up without any consultation with developing countries. It relied on self-regulation, which was likely to be ineffective. Developing countries then produced alternative drafts of codes that were negotiated on further among all country groups.

The Convention on a Code of Conduct for Liner Conferences was eventually adopted by majority vote in 1974. It provided for equitable membership rules, freight rates determined by publicly available criteria after consultation with shippers' councils and specified notice periods, mandatory dispute settlement and a monitoring role for government authorities. The Convention finally entered into force when West Germany and the Netherlands ratified it in 1983. The liner conferences that had been a closed cartel had, through the negotiations in UNCTAD, been given a much more satisfactory institutional basis. It was a minor triumph and a vindication of UNCTAD as a negotiating forum.

UNCTAD did much other work in the area of shipping, in addition to the liner conference Convention. Some of it was productive of new conventions, such as the United Nations Convention on International Multimodal Transport of Goods and the United Nations Convention on the Carriage of Goods by Sea. Some was less formal, but supportive of the shipping interests of developing countries. The topics in the work programme included international shipping legislation, merchant fleet development, the proliferation of flags of convenience and the improvement of ports. Where it had a clear field, a negotiating mandate and energetic leadership (for shipping, the chain-smoking Wladek Malinowski provided it), UNCTAD showed that it could produce beneficial results.

Shipping was not the only area where competition was weak and where negotiation in UNCTAD was able to bring about some improvement. Restrictive business practices in the international arena were a more general phenomenon. The problem was not that many developed countries lacked agencies to regulate anticompetitive behaviour – Canada and the United States had introduced such legislation in the nineteenth century. The shortcoming in such legislation was that it applied only to anticompetitive practices that affected the domestic economy. If enterprises within national jurisdictions organized cartels that affected the economies of foreign countries, they fell outside the scope of the existing legislation. This loophole became more serious as transnational corporations grew in size and number.

The Havana Charter for an International Trade Organization had included a chapter V that set out principles to address this problem, but, as stated earlier, it had never been ratified. The GATT adopted various procedures for dispute settlement of conflict of interest among its members in 1960, but these procedures were never invoked and remained of no use. UNCTAD agreed that this was an area for further work and, in the years ahead, made sufficient progress in negotiation that in 1980 a Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices was finally agreed and sent to the General Assembly for adoption. In itself, its adoption did not eradicate the problem. It provided the norms by which member Governments agreed to improve their domestic competition policies and legislation. Nevertheless, it was another vindication of the value of UNCTAD as a negotiating forum in matters of trade and development.

CHAPTER III

RAÚL PREBISCH'S KEY POLICIES

A. International commodity agreements

The agenda that Raúl Prebisch had laid out for UNCTAD had three central elements. The first was a general framework for international commodity agreements. The second was new forms of supplementary financing – supplementary, that is, to the IMF's new Compensatory Financing Facility. The third was the demand for temporary preferences for the industrial exports that developing countries exported to developed country markets. These elements were seen as alternative policies for tackling the balance of payments constraints on economic development that the developing countries faced. However welcome progress was in negotiating in areas such as shipping and international competition policy, the credibility of UNCTAD with the Group of 77 depended fundamentally on making progress on one or more of these three areas.

In preparation for UNCTAD I, a conference of 15 economists met at Bellagio, on Lake Como, Italy, in September 1963 to discuss a possible package of policies for the prospective new organization to take forward. They explored a wide range of issues, including the advantages and difficulties of alternative types of intervention in the international commodity markets. The participants hardly formed a representative sample of economic opinion, as their selection implied some degree of prior sympathy with the aspirations of developing countries. Eight came from OECD countries (Albert G. Hart, Nicholas Kaldor, Charles P. Kindleberger, Irving B. Kravis, Alexander Lamfalussy, Alfred Maizels, Shigeto Tsuru, Pierre Uri), two came from the Soviet bloc (Josef Bognor, Vasily S. Safronchuk) and five came from developing countries (Herbert M. A. Onitiri, Indraprasad G. Patel, Kakkadan N. Raj, Osvaldo Sunkel and Victor Urquidi). Particularly striking about their discussions of commodity market intervention schemes therefore was the considerable scepticism that they expressed – not only about schemes aimed at raising prices above market trends, but also about those that aimed merely at stabilizing prices around the market trend.

Some participants at Bellagio expressed the view that raising prices above the market trends by imposing export restrictions would be self-defeating. They thought that to do so would encourage additional production by producers who stayed outside the scheme and by entrepreneurs marketing synthetic forms of the raw product. Other participants, who were not opposed in principle to interventions that raised prices above the market trend, put emphasis on the practical difficulties of operating such schemes. One was the need to have the agreement of both producers and consumers, something that was rarely possible.

The rare event had just happened, however. The new International Coffee Agreement was an exception to the rule, entering into force definitively in December 1963. In the 1950s, the United States had resolutely opposed this scheme, but in 1958 had agreed to discuss it, following Vice-President Nixon's disastrous visit to Latin America. In 1963, the United States had given its assent "as a way of improving our relations with a number of key Latin American countries (particularly Brazil, Colombia and Central America)", although it was to remain an exception to the rule of generally opposing such schemes. It was justified as a support for President Kennedy's Alliance for Progress with Latin America, and this political imperative made it possible to override long-standing objections on economic grounds. As it happened, the Coffee Agreement soon ran into disagreement on the level and distribution of export quotas.

At Bellagio it was further argued that, if consumers were prepared to cooperate, the best option for making commodity exporting more remunerative was an import levy, the proceeds from which were to be returned to low-income countries that produced primary products. Even if the aim of international commodity agreements was only to stabilize prices, rather than to raise them above the market trend, there were economic problems associated with using buffer stocks for this purpose. The economist James Meade pointed out that the capital cost, and thus the financing cost, of buffer stocks increased with the storage requirements of the commodity and would be uneconomic for many of them. If the capital cost were economic, success in reducing price fluctuations required the buffer stock manager to have sufficient foresight and independence of action to purchase and sell at appropriate times. A chronic difficulty faced by buffer stock managers was to understand the trend of prices and refrain from actions inconsistent with it – especially when the trend was downward.

Thus at Bellagio enthusiasm for expanding the number of international commodity agreements was noticeably absent. The tenor of opinion among those broadly sympathetic economists who participated was that international commodity agreements were a poor policy option. At the end of UNCTAD I, Nicholas Kaldor reflected: "[C]ommodity price-stabilization by means of individual commodity agreements figured high on the agenda as one of the principal objectives, yet the lengthy discussions on the subject did not succeed in producing any fresh idea as to how such agreements could be more effectively promoted."

B. Shaping UNCTAD's commodities strategy

The strongest intellectual influences on UNCTAD's commodities policy were not technical analyses of the economics of commodity price regulation, such as had circulated at Bellagio. They were nuggets of apparently practical wisdom drawn from the recent past. One was the interpretation by Prebisch and his top advisers on commodities of the international commodity regulation schemes that had been set up in the 1930s. They used the regulation schemes of the 1930s to insist that it must be possible to devise appropriate forms of intervention in commodity markets, despite all the technical objections raised by the economists at Bellagio.

The other was the inference that the Group of 77 leaders drew from the inclusion of a chapter on international commodity agreements in the abortive Havana Charter of 1948. The Group of 77 took the provisions of the Havana Charter as an international recognition of the legitimacy of new commodity regulation schemes.

The Group of 77 accepted these interpretations of the two historical episodes that became the drivers that shaped the UNCTAD secretariat's new commodity strategy. Both of these interpretations were controversial.

Of the five major regulation schemes for commodities of the 1930s, two – those for sugar and wheat – were failures. The other three – for tea, rubber and tin – were successful. Their success, however, depended on the fact that the bulk of the production of these three commodities was concentrated within the boundaries of the Dutch, French and British colonial empires, and so indeed was much of their consumption. The schemes established were the result of deals made between these three sets of colonial masters – deals which ignored the interests of both metropolitan consumers and small-scale indigenous producers. However, by 1964, colonial rule was swiftly passing from the international scene. With it went the ability simply to override the conflicting interests of consumers and producers, apart from the exceptional political circumstances that generated the International Coffee Agreement. The decline of colonialism under United States pressure had transformed the politics of international commodity regulation by 1964. The commodity policy of the developing countries paradoxically required the use of a colonial mechanism to defend their economic interests in a post-colonial world.

The Havana Charter foreshadowed the transformation that the post-colonial world would bring. Its commodities chapter indicated the direction in which the post-colonial world would move. Far from being a general endorsement of the principle of international commodity regulation, the Charter was the United States attempt to limit the use of this mechanism much more tightly, and certainly much more tightly than its use in the 1930s. The criteria for its legitimate use were very stringent. The Charter legitimized "international commodity agreements", but they had to be treaties agreed between producing and consuming countries. There had to be agreement between them that an "emergency" existed that market forces could not correct. Producers and consumers had to have equal representation on the mechanisms of regulation. Finally, every international commodity agreement had a "sunset clause" and could be in force for only five years in the first instance. The requirement to comply with these four conditions would have outlawed most of the previous schemes of international commodity regulation. Even with these limitations, the Charter could not command the support of United States business organizations, and it never came into force (see chapter I). Significantly, only one international commodity agreement was established between 1948 and 1964 – the International Coffee Agreement already mentioned.

Prebisch's initial views about commodity schemes were by no means doctrinaire. He accepted that for many commodities, international agreements would be out of the question for one reason or another. Yet he knew that something had to be done and began to galvanize interest in the issue. He wrote that the "whole commodity area needs re-examination, on a commodity-by-commodity basis, and fresh minds ought to be applied to see whether the pessimism that has so often been expressed by the commodity technicians in the past is really justified in every case".

In 1965 the Economic and Social Council transferred to UNCTAD all of its responsibilities for the negotiation of commodity agreements. UNCTAD thus absorbed the functions of the Council's Commission on International Commodity Trade and Interim Coordinating Committee for International Commodity Arrangements, and the Group B countries dropped their initial objection to UNCTAD being a negotiating forum. This enhanced status in the area of international commodity agreements stimulated the secretariat to proceed with formulating a strategy on the commodity issue. Prebisch turned to the economist Alfred Maizels, who had made a notable contribution to the Bellagio conference, to lead the formulation of UNCTAD's commodity strategy. Although Bernard Chidzero was the Director of the Commodities Division, Maizels as his deputy was its real driving force. Maizels discerned an "immediate, or short-term, necessity of achieving a reasonable degree of stability in the main commodity markets and, where possible and appropriate, of achieving that stability at reasonably remunerative prices for the producing countries".

However, the essence of the difficulty lay in defining "reasonably remunerative prices". The Group B countries in the Permanent Subcommittee on Commodities of the Trade and Development Board repeatedly stressed the difficulty of finding a practical definition of "remunerative prices", unless it were taken to be the long-term market equilibrium price. They maintained that there was no need for any negotiation about the general principles of commodity policy, since each commodity had its own unique features. These definitional differences served as proxies for larger disagreements about policy.

Prebisch was willing to advance on a commodity-by-commodity basis, but this approach also ran into difficulties. Maizels's first task was to hire Jan Tinbergen as a consultant to design an econometric simulation of a buffer stock to facilitate negotiations on an international commodity agreement for cocoa. The econometric simulation would generate a cost estimate for the pre-financing of the buffer stock, which would feed into a cocoa commodity conference in August 1966. The conference was intended to approve the principle of a new United Nations-brokered cocoa authority. It was not to be. The United States and West Germany were strongly opposed, both on ideological grounds and because they would not be in control of cocoa supply management. They also rejected the UNCTAD formula for financing the buffer stock. The New York cocoa dealers had lobbied hard in Washington, D.C., to retain this market. Prebisch was deeply distressed by the collapse of the cocoa conference, given his belief that it was "sound from the point of economics and finance".

It was a real setback because cocoa was not the commodity that gave rise to the most intractable negotiating problems. Unlike sugar, the Group B countries did not produce cocoa. There was no big problem of overproduction to be dealt with. The largest producers were two poor countries in Africa, neither of whom could control the market (Ghana and Ivory Coast). Moreover, cold war complications were absent, unlike sugar where the Cuban factor loomed. The dashed hopes of the Group of 77 sparked bitter criticism, particularly from African countries. This raised the stakes for UNCTAD to make progress on other issues like supplementary financing.

At the end of October 1966, a meeting was held to frame policy on buffer stocks for the looming second session of the Conference (UNCTAD II), originally proposed for

1967 but postponed until 1968. In addition to Prebisch and Maizels, Rangaswami Krishnamurti and David Pollock were present, together with representatives of the World Bank and the Food and Agriculture Organization of the United Nations. The participants at meeting decided to separate price stabilization and price-raising objectives, reserving buffer stocks as the instrument for the former and reserving production controls and/or export quotas for the latter. In terms of the tactics of public presentation, they concluded that the secretariat's paper for UNCTAD II should be "as conservative as possible in its overall tone and stress the aim of price stabilization in order to appeal to consumers". At the same time the conservative tone was not to stand in the way of putting forward new ideas on buffer stocks and a central funding mechanism.

The sort of commodities document to be presented to UNCTAD II was outlined as follows:

> [I]n addition to examining specific market tendencies of individual commodities, [it] should also present the basic principles of a buffer stock; broad orders of financial magnitudes but no specific dollar requirement; the need to be prepared to enter into new commodity agreements; the establishment of a central fund (including its financial and operating functions); whether such a fund could be part of the IBRD supplementary financing scheme (perhaps as a separate department, since successful operation of a buffer should reduce the level of drawings on the latter scheme).

Thus by October 1966, despite all the pessimistic warnings of the commodity technicians, the UNCTAD secretariat had decided to embrace a policy of price stabilization using the method of a series of buffer stocks, financed through a central fund, possibly to be provided by the World Bank.

C. Hopes for a supplementary financing mechanism

On his preparatory visit to Washington, D.C., before UNCTAD I, Prebisch had a warm and sympathetic reception from George D. Woods, the President of the World Bank. Woods told Prebisch "something is basically wrong when the annual gross lending by our Bank can be wiped out by commodity price reductions". Woods promised to attend UNCTAD I. He did so and made a sympathetic speech about the Bank's attitude to supplementary financing at the opening session. The United Kingdom and Sweden also supported the concept at UNCTAD I. The Final Act of the Conference instructed the World Bank to prepare a draft proposal on supplementary financial measures. Bank staff started work on this and by the end of 1965 a draft report was ready to be circulated. Woods sent the study to UNCTAD, emphasizing that it was only a staff report and did not commit the Executive Directors of the Bank or their Governments.

At the first meeting of UNCTAD's Committee on Invisibles and Financing related to Trade, the Woods report was well received among both developed and developing countries. Although the report linked supplementary financing to country performance – a forerunner of later loans that were made conditional on policy changes – at the Committee's second meeting in April 1966, the developing countries did not signal any objection. The only objection came from the Soviet Union, but it was completely isolated. At the end of 1966, the Trade and Development Board endorsed the proposed supplementary financing agreement. All that remained was for a joint technical working group, composed of Group B and the Group of 77, to sort out some final details. A successful conclusion to this enterprise seemed to be at hand. Yet, as with the failed conference on an international commodity agreement for cocoa, it was not to be.

In 1967, World Bank staff seemed to have become disenchanted with UNCTAD. Prebisch had to appeal to Woods to receive Bank documents that had previously been willingly shared. His requests for the Bank to co-sponsor UNCTAD meetings were now consistently refused. Accusations of sloppiness and time-wasting by UNCTAD began to appear in Bank internal memorandums. By July, Prebisch, while not contesting the principle of conditionality, raised the question of who should undertake the assessment of country performance. He suggested that this was a task for an impartial group of experts, since developing countries were unlikely to be comfortable with creditor nations undertaking the assessment role.

In August Prebisch claimed in a speech that the IMF, not the World Bank or differences between Group B or the Group of 77, was the main obstacle to reaching an agreement. He said "an effort must still be made to reconcile the policy of the World Bank with that of the IMF". This was a tactical error because it publicized differences between the IMF and the Bank, publicity to which Woods reacted badly as he came to the end of his term as President of the Bank. Prebisch's former champion in Washington, D.C., turned sour.

Woods gave the Bank staff new instructions on the relationship with UNCTAD. The Bank would continue to give UNCTAD moral support, but conversations were not to go beyond promises of further study. All further dealings on the subject of supplementary financing were to be cleared through the Bank's Managing Director, Burke Knapp. Under pressure from Group B countries, especially France but to a lesser degree the United States, the Bank had disengaged itself from the scheme. Though negotiations continued with both the Bank and the major donors, in the new climate Prebisch was unable to press them to completion.

Prebisch's prestige was much diminished in the aftermath of the abortive international commodity agreement for cocoa and supplementary financing negotiations. The Group of 77 was frustrated and questioned his credibility after such little progress had been made on the main UNCTAD agenda. Prebisch was now on the defensive with his own constituency. Seeing signs of division within the Group of 77, the Group B countries were in no hurry to agree to their demands. At the same time, to try to restore their unity, Prebisch felt that he had to make some overblown claims to boost the negotiating status of the forthcoming UNCTAD II to be held in New Delhi in February 1968.

At UNCTAD I, despite the United States wish that no action should be taken on international monetary reform, the Conference's Third Committee had passed a recommendation calling for further study of measures related to the complementary credit system of the IMF. Following this recommendation, a new expert group was convened to study international monetary issues relating to problems of trade and development. The intention was for experts to consider how the developing countries would be affected by burgeoning plans of the Group of 10 industrial countries to create additional liquidity in the world economy. The expert group, chaired by Gamani Corea, included Richard Kahn, Tibor Scitovsky, Trevor Swan, Pierre Sanner, the governor of the African Development Bank Mamoun Beheiry (Sudan), Octavio A. Dias Carneiro (Brazil) and Rodrigo Gomez of the Bank of Mexico. Although he approved the selection of experts, Nicholas Kaldor believed that their remit was "completely hopeless (from the point of view of getting anywhere)".

The expert group established that the developing countries did have a need for additional liquidity on unconditional terms, not merely a need for additional aid. Prebisch was able to campaign on two propositions that came out of their 1965 report. The first was the basic procedural issue that the Group of 10 countries should not simply make changes in the international monetary system on their own, when such changes would have consequences for other countries. His demand was for the participation of developing countries, together with developed countries, in the process of creating additional reserves. The second was not about procedure but about substance. He wanted the allocation of any new currency reserve units to be undertaken on a universal basis and not confined to members of the Group of 10 only.

In making these two demands, UNCTAD was actually supporting the position of the IMF management against that of the Group of 10. The Group eventually gave way in August 1966. The UNCTAD expert group's report, along with one in a similar vein from the Inter-American Committee on the Alliance for Progress, does seem to have been influential in persuading the Group of 10 to retreat and to agree that a new form of liquidity, the SDR, would be created through the IMF on a universal basis. When the outline of a scheme for SDR creation was presented in September 1967, the developing country members of the IMF were able to support it.

So it turned out that Kaldor's pessimism was unjustified. The UNCTAD expert group's report had advanced matters in the area of international monetary reform. At the same time, the issue of SDR creation complicated and ultimately eclipsed the earlier proposal of a supplementary financing mechanism.

D. Tariff preferences for industrial exports of developing countries

In Geneva the Group of 77 maintained a united front in favour of the granting of temporary preferences for their industrial exports in developed country markets. They justified this demand using the infant industry argument and the argument of economies of scale in industrial production. They had managed to get General Principle Eight, recommended by the Conference, adopted in the Final Act of UNCTAD I. This General Principle stated that developed countries should give preferential concessions to developing countries without requiring any concession in return.

As noted in chapter I, Prebisch wanted the Asian and African countries to take a more outward-looking path of development than the import-substituting strategy followed by the Latin American countries. However, he envisaged a sequence of moves towards freer trade. First, developing countries should set up customs unions, free trade areas or some similar arrangements among themselves. The second stage would be the lowering of the external tariff barriers against imports from developed countries. To follow this sequence would take time, he argued, and temporary help was needed to fill the trade gap in the interim. In fact, the second stage had to wait until the late 1980s when the Generalized System of Trade Preferences among developing countries was agreed on.

The trouble was that the developing countries were making scant progress with the tasks of stage one. Prebisch was all too keenly aware that, as long as developing countries failed to take any action to lower trade barriers among themselves, their case for demanding trade preferences from developed countries remained weak.

Prebisch pleaded with regional grouping of developing countries to do something, if only to make announcements of "action programmes" for the future to which he could point in his campaigns to persuade developed countries to grant preferences, but little of the kind was forthcoming.

The industrial countries were in disarray in their response to the demand for industrial trade preferences. The British were willing to extend existing Commonwealth preferences to all developing countries. The European Economic Community, under pressure from France, aimed at safeguarding the existing preferences of its African associated countries, and the United States was opposed to any granting of preferences at all. Prebisch worried that the United States might, in an attempt to strengthen its anti-Castro alliance, make an exception to this rule – just like it had in the matter of the international commodity agreement for coffee – and offer preferences to Latin American countries alone. Industrial preferences were particularly attractive to the more advanced developing countries in Latin America. Whether the United States ever considered this policy option is not clear, but Prebisch saw it as a serious potential threat to the unity of the Group of 77 and repeatedly spoke out against it.

The Economic Commission for Europe of the United Nations had published a proposal for a generalized system of preferences for developing country manufactures in 1960. Subsequently, the Committee on Manufactures in UNCTAD had been researching the design of a generalized system of preferences, but the GATT had long resisted such a system because it breached the GATT principles of non-discrimination and reciprocity. In the face of GATT resistance, the UNCTAD secretariat as late as August 1966 had considered that it would be unrealistic to table the generalized system of preferences design at the forthcoming UNCTAD II in New Delhi. That situation was about to change, as geopolitical considerations once again exerted their influence over United States trade policy.

As the Johnson Administration was escalating its war effort in Viet Nam, anti-war protests were swelling in anticipation of presidential elections in 1968. As the isolation of the Johnson Administration grew, so did the pressure for a change in trade policy. At a Meeting of American Chiefs of State at Punta del Este, Uruguay, in April 1967, Johnson was persuaded to endorse a scheme for a generalized system of preferences for all developing countries, and not merely for Latin America, while the Latin American presidents attending agreed to initiate a Latin American common market. Prebisch saw this as an event of "paramount importance", steering away from vertical preferential systems and towards multilateralism and non-discrimination. Thereafter OECD opinion, and opinion within the GATT, evolved in favour of discussing the generalized system of preferences proposal at UNCTAD II in New Delhi.

E. The New Delhi Conference and after

By the time of UNCTAD II, the international atmosphere was much less congenial to amity and convergence than it had been in 1964. Then, following the 1962 Cuban missile crisis, there was a moment of détente. The international economy was buoyant and optimism and new hope was in the air. In 1968, by contrast, the atmosphere had soured as the Soviet Union prepared its military response to the Prague Spring, and the United States faced the Tet Offensive, which was to end its illusions of achieving a military victory over North Viet Nam. Walt Rostow led the United States delegation, much smaller than at UNCTAD I. He was closely involved in the escalation of the war in Viet Nam, a bad omen for hopes of convergence. Rostow's manner was truculent, withdrawn and sensitive to criticism when what was required was flexibility and emollient diplomacy.

The Group of 77 had prepared its negotiating position at a ministerial meeting in Algiers in October–November 1967 and published it as the Algiers Charter. It proposed a short agenda of commodity agreements, supplementary financing and trade preferences for manufactured products – the classic Prebisch agenda – plus international shipping reforms and a target of 1 per cent of GDP for overseas aid.

Overloaded with work, Prebisch produced his report for the Conference at the last minute, so that there was insufficient time for Governments to consider it before the meeting started. The report, entitled "Towards a global strategy for development", emphasized the need for converging changes by both developed and developing countries. Prebisch's opening speech was distinctly less impressive than in Geneva, but it included an appeal for a "new international economic order", in which developing countries subjected themselves to the discipline of development and developed countries adopted supportive international economic policies.

The Conference followed the same routine as its predecessor: long opening speeches, followed by division into working committees that were too big and replicated the postures of the plenary. The Group B countries refused further progress on commodities and supplementary financing, but in the Committee on Manufactures, they accepted the principle of non-reciprocal trade preferences. However, controversy remained over the products that would be eligible, safeguards for domestic manufacturers and the point of graduation from eligibility, i.e. when a developing country industry ceased to be an "infant". The discussions aggravated disunity in the Group of 77. The African countries thought that a generalized system of preferences was really a Latin American issue to which Prebisch had given special priority, while the Latin American countries resented the African attempt to retain the preferences that they already had with Europe. Matters calmed down only when a special committee was approved to continue work on the generalized system of preferences once UNCTAD II was over.

The two main achievements at New Delhi were the commitment to the generalized system of preferences, albeit with the need for follow-on negotiations, and a specific resolution on international shipping. The general opinion was that UNCTAD II had been a failure, but Prebisch was more accurate when in his report to U Thant he wrote that results had been "positive, but extremely limited". Privately, he expressed disappointment at the limited results from all his efforts and felt that UNCTAD was never likely to be able to make decisive advances on the main items of his agenda. Partly, this plunge into disappointment was his own fault for ramping up expectations for a genuine negotiating conference in advance of New Delhi. Settling for an incremental approach would have been much more realistic. The attitudes of the more radical States of the Group of 77 had, however, left him little room to manoeuvre.

He had reason, too, to regret the installation of the group negotiating system. It had revealed a tendency for each group to adopt the position of its most extreme members in an attempt to disguise problems of internal disunity. Yet by this time it had become untouchable: an internal review concluded that that it was an essential part of the fabric of UNCTAD.

In March 1969, with hardly any warning, Prebisch vanished from the UNCTAD scene. His colleagues were perplexed because he had recently accepted from U Thant reappointment for a further term to July 1971. The reasons for his departure seem to have been a mix of the personal and the professional. On the personal front, he was approaching 70 and suffered from arthritis. The strain of maintaining two homes in different continents was exhausting him, as well as attracting negative comments about the size of his transatlantic travel bill and the time he spent away from Geneva. The strain showed in his temper, which became more testy and provocative.

On the professional side, it is clear that he had become pessimistic about the prospects of UNCTAD making the sort of difference to the international economic system that he had wanted it to make and for which he had worked so hard. His ambition was for a forum for global negotiations and a leading centre for research: he did not want to lead another expensive consultative body. He did not want to preside over a mere talking shop. He was offered a new opportunity in Latin America after the President of Colombia proposed that the Inter-American Development Bank fund a major study on development finance in the region. In late 1968 he agreed to direct the Inter-American Development Bank study and told U Thant of his decision to go, while remaining as his adviser on preparing for the Second United Nations Development Decade.

Prebisch's time as UNCTAD Secretary-General was short compared with most of those who came after him. His eventual return to Latin America was always on the cards, because of his continuing commitment as Director of the Latin American and Caribbean Institute for Economic and Social Planning, but the fact of his very abrupt departure was unfortunate and presented UNCTAD with a dilemma. The agenda that he had fashioned for the organization was, after UNCTAD II, still in large part unfulfilled. Would his successors move on into new fields of endeavour or would the agenda that he had promoted so tirelessly continue to be their guiding light for the future?

CHAPTER IV
PURSUING A NEW INTERNATIONAL ECONOMIC ORDER

A. The weakness of the West

The latter years of the 1960s brought increased political turbulence to the countries of the West. Student unrest, which had started in universities on the United States west coast, spread across to Europe. The events in Paris of May 1968 in which students allied with workers and spread a new quasi-Marxist radicalism among the rising generation in the West seemed to portend social and political change on a large scale and of an enduring character.

In this volatile atmosphere, Western political leaders were found wanting and began to self-destruct. In France, President de Gaulle threw up his hands and made a sudden exit to Colombey-les-Deux-Églises. In the United Kingdom, Edward Heath, a great friend of UNCTAD, provoked his own electoral defeat by mishandling the demands of British coal miners. In the United States, President Nixon's unlawful attempts to hold on to power eventually forced him to resign, though not before he had restored normal diplomatic relations with China.

At the root of these turbulent events was the United States war in Viet Nam. Despite its vast superiority in military technology, the United States military was unable either to defeat the North Vietnamese army or to hand over the prosecution of the war to the puppet regime in the South. As the support of the American public and politicians for the undertaking waned, the United States was forced into an ignominious withdrawal in April 1975. Although not militarily defeated, as the United States had been for example by the Japanese in the Philippines in 1941–1942, the country's image of invincibility was badly dented in the eyes of the world, and at home further foreign adventures were ruled out for the time being.

The weakness of the West would provoke increasing turbulence on the diplomatic front, as developing countries saw a golden opportunity to make progress on their trade and development agenda. This was the moment when Manuel Pérez-Guerrero of Venezuela was appointed as the second Secretary-General of UNCTAD. Initially he was a reluctant candidate to succeed Prebisch, whom he regarded as a "living legend", but the latter's famed eloquence persuaded Pérez-Guerrero to allow his name to go forward. U Thant then asked Prebisch to nominate two more candidates, but neither Gamani Corea of Sri Lanka nor Janos Stanovnik of Yugoslavia proved to be acceptable to the powers that U Thant consulted.

Pérez-Guerrero had begun his international career with the League of Nations (1937–1940) and brought to UNCTAD an uncontroversial concern for technical assistance that had never been an important part of his predecessor's agenda. Not surprisingly, the Group B countries began to show greater confidence in the organization and tried to advance the idea of a bargain in which the developing countries would agree to quantitative measures of good governance in return for the promise of developed countries to reach an aid target of 0.7 per cent of GDP. However, instead of signalling such a major change of course, Pérez-Guerrero continued to follow Prebisch's threefold agenda – international commodity agreements, supplementary financing and trade preferences. The momentum of the Group of 77 and how UNCTAD had organized itself behind this agenda of redressing past injustices seemed to be too strong to be resisted.

Although the basic strategy remained unchanged, the conditions of the international economy in which the strategy was to be implemented did not. As the new Secretary-General took up office, events in the international economy tended to weaken further the position of the Group B countries. The collapse of the Bretton Woods system of fixed exchange rates marked the end of the West's golden age of strong growth and low inflation. Errors of macroeconomic policy brought on both recession and rising inflation. The arrival of stagflation, the simultaneous condition of rising unemployment and accelerating inflation, baffled most economists, because Keynes had taught them that these were alternative evils and not companions in arms. The resort to so-called "Keynesian" policies of wage and price controls to suppress inflation in the United States and the United Kingdom actually made matters worse. Stagflation passed through to developing countries in the form of stagnant demand for their exports and rising prices for their imports, worsening their balance of payments problems.

Yet the most dramatic economic turbulence was in the oil market. A second war in the Middle East in late 1973 was followed was followed by an increase in the price of oil from $3.02 to $11.60 per barrel. A group of major oil-producing States in the Organization of the Petroleum Exporting Countries (OPEC) succeeded in using the oil price as a weapon against a heavily oil-dependent West. OPEC, as an organization approximating to a commodity cartel, used its ability to restrict supply successfully to raise its commodity price.

The effect of the oil crisis on the developing countries was complex. On the one hand, economically, its effect was divisive, splitting the Group of 77 into those that exported oil and could benefit from the price rise, and those that imported oil and – like the Group B countries – suffered a large external shock to which they had to adjust either by policy change or by increased borrowing. On the other hand, at the same time the oil crisis had a politically unifying effect, because it was a demonstration of the power of collective action to control a commodity's supply and price. This gave hope that the price of other commodities could be influenced in similar ways if only collective unity were maintained.

Pérez-Guerrero's quiet diplomacy on the commodities issue quickly ran up against obstacles. His visit to Moscow in May 1970 was intended to secure the participation of the Soviet Union, the fourth largest consumer of cocoa, in the revival of the idea of a cocoa conference. The Soviets proclaimed that "in general the USSR [Union of Soviet Socialist Republics] has always been in favour of international commodity agreements as an important instrument aimed at stabilizing commodity prices". In practice, they were less concerned about the substance of a possible agreement than with the fear that its terms might imply criticism of their State-trading methods. Pérez-Guerrero's subsequent visit to Washington, D.C., in November 1970 gathered only grudging United States support for an international commodity agreement for cocoa. The United States had objections in principle to international commodity agreements, but promised to cooperate "if it became a political necessity" – as it had done with the international commodity agreement for coffee and the generalized system of preferences.

The Cocoa Conference did eventually convene in 1972, but its first session was a failure. The second session in September reached an agreement – the first International Cocoa Agreement – that would last for three years, but without the United States agreeing to join. This was an undoubted diplomatic achievement in that UNCTAD (with the help of the Food and Agriculture Organization of the United Nations) had successfully acted to bring into being the first new international commodity agreement in a decade. However, it was not a practical success because the new International Cocoa Agreement remained inoperative. Throughout its life, the market price of cocoa remained above the agreed trigger price for intervention. The International Cocoa Agreement illustrates both the lengthy gestation period of an international commodity agreement and the little appreciated difficulty of setting relevant intervention prices – particularly when powerful consumer countries have an interest in setting low ceiling prices.

Pérez-Guerrero was aware of the "meagre results" that were being achieved in the commodity field. He invested his efforts more heavily in the two other issues of policy that he, like Prebisch, had chosen as his priorities. The first of these was turning into a reality the agreement in principle at UNCTAD II to grant developing countries non-reciprocal industrial preferences. In October 1970, after extensive consultations, the UNCTAD Special Committee on Preferences completed arrangements for the establishment of the Generalized System of Preferences. Eighteen developed countries agreed to give preferences and five Soviet bloc countries declared what they would do in that regard. In June 1971, the 18 countries of Group B sought and obtained a 10-year waiver of their article 1 obligation under the GATT to offer all countries most favoured nation treatment.

In 1970, the prospective preference-giving countries had agreed to seek as rapidly as possible the necessary national legislative authority to do so. In the case of the United States, it was not until 1976 that a trade act incorporating industrial trade preferences was passed by Congress. Even then, as Rostow had warned Prebisch, Congress loaded the legislation with protectionist-inspired limitations. Exclusions related to the types of developing countries that were eligible to benefit and to the product categories that could benefit. Textiles and clothing, footwear, watches, “sensitive” steel and electronics, for example, were all excluded product types. Finally, the benefit was to be phased out as the volume of United States imports grew, on the argument that it would then no longer be needed.

The European Economic Community scheme of 1971, to which Denmark, Ireland and the United Kingdom acceded in 1974, did not have country and product type exclusions to anything near the same extent as the United States legislation. Nevertheless, it did incorporate import ceilings and a very complex set of administrative rules according to which official discretion could be used to reduce the scheme’s benefits.

Some estimates thus put the trade expansion effect of the Generalized System of Preferences as low as 1.5 per cent of the total trade of beneficiaries. The early failure of the Generalized System of Preferences to stimulate trade is attributable to the restrictive character of the particular rules of implementation that the major industrial countries devised. The weak outcome is therefore not a valid criticism of UNCTAD’s decision to campaign for a Generalized System of Preferences, although preferences do have the inherent limitation that their value falls as the most favoured nation tariff is lowered. The weak result came about because of the form in which they were implemented. The preferences granted were, in reality, neither general nor a system, but an arbitrary ragbag of nationally determined concessions. The complex provisions, especially on rules of origin, resulted in many developing countries failing to claim Generalized System of Preferences treatment.

B. The special drawing right with an aid link?

When in 1970 aid donor countries subscribed new capital to replenish the International Development Association, the soft loan arm of the World Bank, this move further diminished any remaining prospects of the Bank agreeing to a supplementary financing scheme. However, as noted in the previous chapter, Prebisch had already laid the groundwork for the involvement of developing countries in negotiations for international monetary reform. The issue in which Pérez-Guerrero invested most heavily of all was the pursuit of a link between the innovation of SDRs in the IMF and a new form of development finance.

The novelty of the SDR was that it was the first form of "money" that had been created by an international agreement. This feature was especially attractive to the developing countries because they thereby escaped the problem that had dogged the Generalized System of Preferences, namely, implementation in different ways by a number of national ministries. The need for development finance could apparently be dealt with in one international monetary negotiation.

Two versions of a link between SDR creation and development finance – the organic and the inorganic link – were mooted. The former meant the direct allocation of SDRs to the International Development Association. This would require minor changes to the Articles of Agreement of the IMF to permit a multilateral agency to hold SDRs. The indirect link meant that donor countries would subscribe to the International Development Association in their national currency some portion of the value of the SDRs allocated to them, but not the SDRs themselves. The objection to this was that, since donors would give their national currency independently of receiving their SDR allocation, any link would be contrived and artificial.

So during visits to Washington D.C., Paris, London and Bonn to elicit the support of the developed countries, Pérez-Guerrero and Sidney Dell focused on the organic link proposal. Although the IMF was in favour of the organic link, the Nixon Administration was opposed. It claimed that the SDR with an aid link would impair confidence in the SDR and ought to be deferred until the SDR was better established. In practice this meant deferral until after the next SDR distribution (to be completed in 1972) and after the convening of the third session of the Conference (UNCTAD III).

Meanwhile, meeting in Lima in November 1971, the Group of 77 took another important step in its institutional evolution. It set up a Group of 24 to be a point of liaison with the IMF and to coordinate Group of 77 policies on finance in international bodies. The policy adopted on SDR distribution was also highly significant. It was to press for changes to SDR allocation rules so that developing countries would receive a greater proportion than that to which they would have been entitled simply according to their IMF quotas. This reflected the Group of 77 concern for economic justice and redistribution, which extended to conferring additional benefit on the least developed countries.

Pérez-Guerrero worked hard to convince the Group of 10 countries that the SDR with an aid link would not lead to an excessive allocation of SDRs or to an artificially low interest rate on the SDR. In the international monetary reform negotiations of 1972–1974, however, the United States maintained its adamant opposition to the link, although most of the European countries accepted it. The developing countries maintained their demands for exceptionally favourable treatment within the link. There was no scope for compromises and deals, and no compromises or deals were made.

The Group of 77 when voting together had the power to refuse to ratify any changes to the IMF Articles of Agreement that failed to include the SDR with an aid link, but the potency of that threat depended on the industrial countries needing to secure a change in the Articles for their own purposes. The end came when the industrial countries discovered that the vagaries of floating exchange rates could be tolerated. For the United States, the floating exchange rates had the advantage that the dollar remained the world's principal international reserve asset. The conclusion was that no new system had to be negotiated to replace the defunct Bretton Woods monetary system. With that realization, the idea of the SDR with an aid link effectively disappeared from the international agenda.

The negotiations around international monetary reform in the early 1970s represented a high point in UNCTAD's effort to achieve an international economic system that recognized the interdependence of trade, finance and development and incorporated a principle of equity. Impressive resources were invested in getting agreement on a common Group of 77 position, sustaining internal support for it and lobbying for it externally. In addition, the establishment of the Group of 24 in Washington, D.C., was the first major step in the institutional evolution of the Group of 77. The failure to secure a new multilateral agreement on monetary reform was therefore a double blow to UNCTAD.

UNCTAD III, held in Santiago in 1972, showed few signs of the policy renewal that was needed. The main additions to the UNCTAD agenda were policies directed to transnational corporations to prevent the permanent alienation of natural resources and to initiate a code of conduct on the transfer of technology. UNCTAD returned to its remaining core policy idea of commodity agreements with increased determination, but it also endorsed a request of President Luis Echeverría Álvarez of Mexico that a working group be set up to draft a charter of the economic rights and duties of States.

Both of these decisions were taken in defiance of United States wishes. President Salvador Allende of Chile, whose death came during General Augusto Pinochet's coup, not only adopted a form of socialism at home, but also put himself at the head of what would build up into a powerful international challenge to United States global hegemony.

As yet, however, the Group of 77 had no institutional mechanism of its own to follow through on Echeverría's suggestion. Pérez-Guerrero, to his credit, had taken the initiative to devise a constitution for a Group of 77 secretariat in 1971, but the Group of 77 could not agree among themselves on a number of its key features. Was it to be located in the South or the North? From which continent was its chief executive to be recruited? Who was to pay for it? The larger developing countries feared that they would be expected to pay for it, but that the secretariat might be inclined to favour the viewpoint of the many smaller member countries. The result of the failure to solve their collective action problem was that the Group of 77 remained dependent on UNCTAD to supply it with a policy agenda. Not until 1995 did they set up their own independent think-tank – the South Centre in Geneva.

Gamani Corea, Pérez-Guerrero's successor, described the situation as follows:

> Much of the so-called agenda of the [Group of 77] was articulated by the United Nations Secretariat rather than the [Group of 77] itself... Whatever we put down as the course of action on any issue, whether on commodities, the Common Fund, the transfer of technology, shipping – you name it, that was taken by the [Group of 77] and made into their own platform.

So the UNCTAD secretariat continued to function in a dual capacity – part servants of all the member countries, part creators of Group of 77 policies.

C. The least developed countries

The Group of 77 had been founded on the basis of suppressing national interests in favour of presenting a united front of developing countries. As a result, they initially viewed differentiation as potentially harmful to their unity as a group. One of the positions of the Group B countries at UNCTAD I had been for a graduated and selective set of trade preferences, and this was in opposition to the uniform and general system that the Group A countries demanded. However, at UNCTAD II in 1968, it was agreed that special measures should be devised to enable the least developed among the developing countries to benefit from new policy measures being negotiated within UNCTAD. In relation to the SDR with an aid link, for example, the Group of 77 wanted the least developed countries to benefit even more disproportionally to their IMF quotas than the other developing countries. The concern for equity also motivated the demand of the Group of 77 for special and differential treatment for the least developed countries within the rules of the GATT.

The UNCTAD secretariat embarked on research into the typology of developing countries. On the recommendations of the United Nations Committee for Development Planning, the General Assembly approved a list of "least developed countries" in 1971. The defining criteria were threefold – per capita income of less than $900 in 1968 United States dollars, low levels of human-resources development and economic vulnerability. Twenty-five countries – 16 in Africa – satisfied these criteria in 1971, but under the adverse economic circumstances of the 1970s and 1980s the list continued to expand. The roll call today stands at 48 countries, almost double the original number.

The result of UNCTAD's efforts to identify a group of least developed countries has been to increase awareness of the special needs of these countries, and not least the needs of countries that are either landlocked or small islands. Donors have directed an increasing share of their aid to the least developed countries, and/or given them special measures of debt relief. The GATT created a special category for the treatment of least developed countries within its rules, and this recognition is now accorded to the 33 least developed countries that have joined the WTO. The creation of a category of membership which confers extra benefits on members in it generates incentives to qualify for membership of that category. This may be one of the reasons why membership has grown and why graduation from membership of the category is resisted.

At the other end of the scale of differentiation, the 1970s saw a few developing countries that were growing rapidly, at more than 6 per cent a year. Some of them were oil-exporting countries – Iran, the Libyan Arab Jamahiriya and Saudi Arabia – but the others were the four Asian tigers, Hong Kong, the Republic of Korea, Singapore and Taiwan, whose rapid growth was fuelled by exporting manufactures. The oil exporters and the successful exporters of manufactures pushed up the average growth rate of the developing countries to 3.2 per cent for the period 1973–1980, surpassing that of the developed countries that were still in recession (2.1 per cent). This gave the impression of the start of a global convergence of income levels, but this was a somewhat illusory impression. It was being fuelled in part by the growth of developing countries that were becoming heavily indebted and would be unable to sustain their growth path into the future.

D. A new international economic order and the boldness of Gamani Corea

At Algiers in September 1973, the Heads of State and Government of the non-aligned countries called on the United Nations Secretary-General to convene a special session of the United Nations General Assembly to study "problems related to raw materials and development". After Egypt lost the Yom Kippur War in October 1973, Arab countries used "the oil weapon" (i.e. restrictions on oil supply) to punish the West for its support of Israel against Egypt. In January 1974, France called for an international energy conference, but OPEC objected to this. President Houari Boumedienne of Algeria then advised the United Nations Secretary-General to widen the proposed conference agenda to cover not just energy but all raw materials. This move was sufficient to achieve the required majority of United Nations members to call for a special session. It was the first ever to be devoted to an economic issue.

At the sixth special session of the General Assembly held in New York in April–May 1974, many developing country delegates expressed their view that UNCTAD III had not lived up to their high expectations. Some coupled expressions of disappointment with UNCTAD with praise for OPEC's use of the oil weapon, to the alarm of Group B countries. Delegates from OPEC countries stressed their own status as developing countries and their "first and foremost duty to raise the standards of living of their peoples in all spheres". Thus the steep rise in oil prices did not fracture Group of 77 unity, although the majority of developing countries were oil importers. Instead, it united them more strongly than before in pursuit of a new international economic order.

Between them, Pérez-Guerrero, Echeverría, Boumedienne and the Shah of Iran were responsible for drafting the key texts of the new international economic order, and UNCTAD provided the venue for this work. On 1 May 1974, the General Assembly adopted without a vote a Declaration on the Establishment of a New International Economic Order, together with a Programme of Action on the Establishment of a New International Economic Order. The United States and many other Group B countries entered a reservation of strong disapproval of some of the provisions of the Programme of Action, but they did not vote against the New International Economic Order Declaration itself, instead calling it “a significant political document”. The Charter of Economic Rights and Duties of States was adopted in December 1974 by 120 votes to 6 with no abstentions. However, the largely consensual adoption of the Declaration and the Charter masked a pressing problem. What would be the actual substance of the New International Economic Order?

Just before the start of the sixth special session of the General Assembly, Gamani Corea took office as UNCTAD’s third Secretary-General. He came from a wealthy family that had been prominent in public life in Sri Lanka. Returning from studying economics at Oxford and Cambridge, he became a central banker, economic planner and negotiator of multilateral aid. He penned the first declaration of the Group of 77 and later chaired UNCTAD expert groups on shipping and the SDR with an aid link. These very close connections to UNCTAD may have cost him the post of Secretary-General when Prebisch quit in 1969.

He certainly had a different personality and temperament from Prebisch. Some thought that his leadership style was aloof and that he was a difficult man to follow. He was courteous and affable and had a lightning wit, but was also rather shy in manner. Though lacking some of the charisma of Prebisch, he had an immense self-confidence that carried him through the most difficult situations.

He immediately felt himself to be under pressure from the Group of 77 to make UNCTAD something more than a debating house. He wanted it to be both a negotiating forum and a think tank:

> I felt, of course, that UNCTAD should at no stage lose its image of being a generator of new ideas... But I felt that one needed to add a new dimension at the same time that would transform UNCTAD... into [a forum] in which more complex, more concrete, more specific agreements could be initiated, negotiated and agreed upon.

The dramatic circumstances of the sixth special session provided Corea with the opportunity to attempt this transformation, even though the UNCTAD secretariat had produced no official document for the session. He used the plight of the non-oil-producing countries to call not only for immediate short-term financial assistance, which was soon provided by the oil-exporting developing countries, but also for a long-term solution by means of official intervention in a range of core commodity markets. As he later recalled, “from... the point of view of UNCTAD, there was the need to take advantage of that situation to focus attention on other [non-oil] commodities”. With startling boldness, Corea seized the initiative for UNCTAD.

Without having any mandate to do so, in August 1974 he presented the Trade and Development Board with a document that outlined an overall integrated programme for commodities, and UNCTAD committed itself to campaigning for the creation of a new international agency that would own a multi-commodity stockpile, although the details of how such an agency would work were not clarified. The document argued that, since individual international commodity agreements were inadequate, a new agency should apply a wider framework of principles to a large number of core commodities and should own and manage stocks to influence prices. The prices to be aimed at would be “remunerative to producers and equitable to consumers”. The purchase of stocks would be financed from a central “common fund”, the amount required being estimated at $6 billion. Oil producers were expected to invest their surpluses in the central common fund, which would pay them a return. Other investors were expected to be industrial countries and multilateral agencies.

Some time elapsed before the Group of 77 reacted to the outline in the document and framed its own agenda. Member countries were hesitant to commit to the project. Countries that were members of existing international commodity agreements feared that a common fund would give other countries influence over the management of those commodities that were of special importance to them. Oil-producing countries had to import non-oil commodities and were reluctant to make any investment before it became clearer how a common fund would affect their prices. The Group of 77 did nothing until 1976.

The industrial countries were sufficiently concerned about security of raw material supplies to be willing to discuss methods of price stabilization, even though there were important figures in the Ford Administration that held deep reservations about any departure from market pricing. At least it was a way of diverting developing countries from imitating the tactics of OPEC, namely raising commodity prices by restricting supplies. A seventh special session of the United Nations General Assembly met in September 1975 to try to find agreement on the substance of the New International Economic Order. The session’s agreement on commodities was, from the perspective of UNCTAD, a half-baked solution. It acknowledged the need to build up buffer stocks for commodity price stabilization schemes, but without agreeing on the need for a common fund to finance them.

When the Group of 77 met in Manila in early 1976 to agree their policy platform for the fourth session of the Conference (UNCTAD IV) in Nairobi, the Group also produced an inconsistent decision. On the one hand, it adopted the proposed UNCTAD integrated programme for commodities as its own proposal. On the other hand, it decided that all operations for market regulation by a common fund should be conducted through individual international commodity agreements. The latter decision was the price for securing Latin American support, but it rang the death knell of the plan for a common fund as an agency that would intervene directly in commodity markets. Now the common fund could come into play only when individual international commodity agreements turned to it as a source of finance.

UNCTAD IV opened in Nairobi in May 1976. Gamani Corea stressed the need "to shift UNCTAD's function from that of 'a pressure house' to that of the negotiating arm of the United Nations system in the field of trade and development". In relation to an integrated programme for commodities and a common fund, he now had to correct the widespread belief that the integrated programme would avoid a case-by-case approach to each commodity. After the Group of 77 decisions in Manila, all that the integrated programme envisaged was "a common frame of reference for the various case-by-case approaches". Although Corea's report (entitled "New directions and new structures for trade and development") also highlighted the urgency of alleviating the developing countries debt burden, it was the commodity issue that was to dominate the Conference.

UNCTAD had hoped only to secure agreement to do further work on the common fund, but a more militant mood animated the developing country delegations. They wanted to make the setting up of the common fund a precondition for negotiation on other parts of an integrated programme. They faced a set of Group B countries that were divided in their views. The countries of the European Economic Community were split between supporters and opponents of the common fund, while the United States was more solidly in opposition. With this degree of division, Group B could not formulate a common position and the Group of 77 refused to negotiate further.

Henry Kissinger decided to make the first ever (and so far the only) appearance of a United States Secretary of State at an UNCTAD Conference and, out of the blue, produced a proposal for an international resources bank. Although the personal relations between Kissinger and Corea were perfectly cordial, that did not help in reaching agreement on an idea that the Group of 77 felt had just been sprung on them. To avoid a total breakdown of the Conference, a face-saving compromise was reached whereby Group B agreed to the launch a post-Nairobi process of discussion and negotiation on a common fund, provided that Kissinger's alternative proposal of an international resources bank was referred to the UNCTAD secretariat for further study. However, this compromise went badly wrong. After resolution 93 (IV) on further work on the common fund was passed without a vote, the Group of 77 refused to support the second part – study of the Kissinger proposal. The United States demanded a roll-call vote on the further study of the proposal, on which it was defeated. UNCTAD IV ended in bitterness and recriminations.

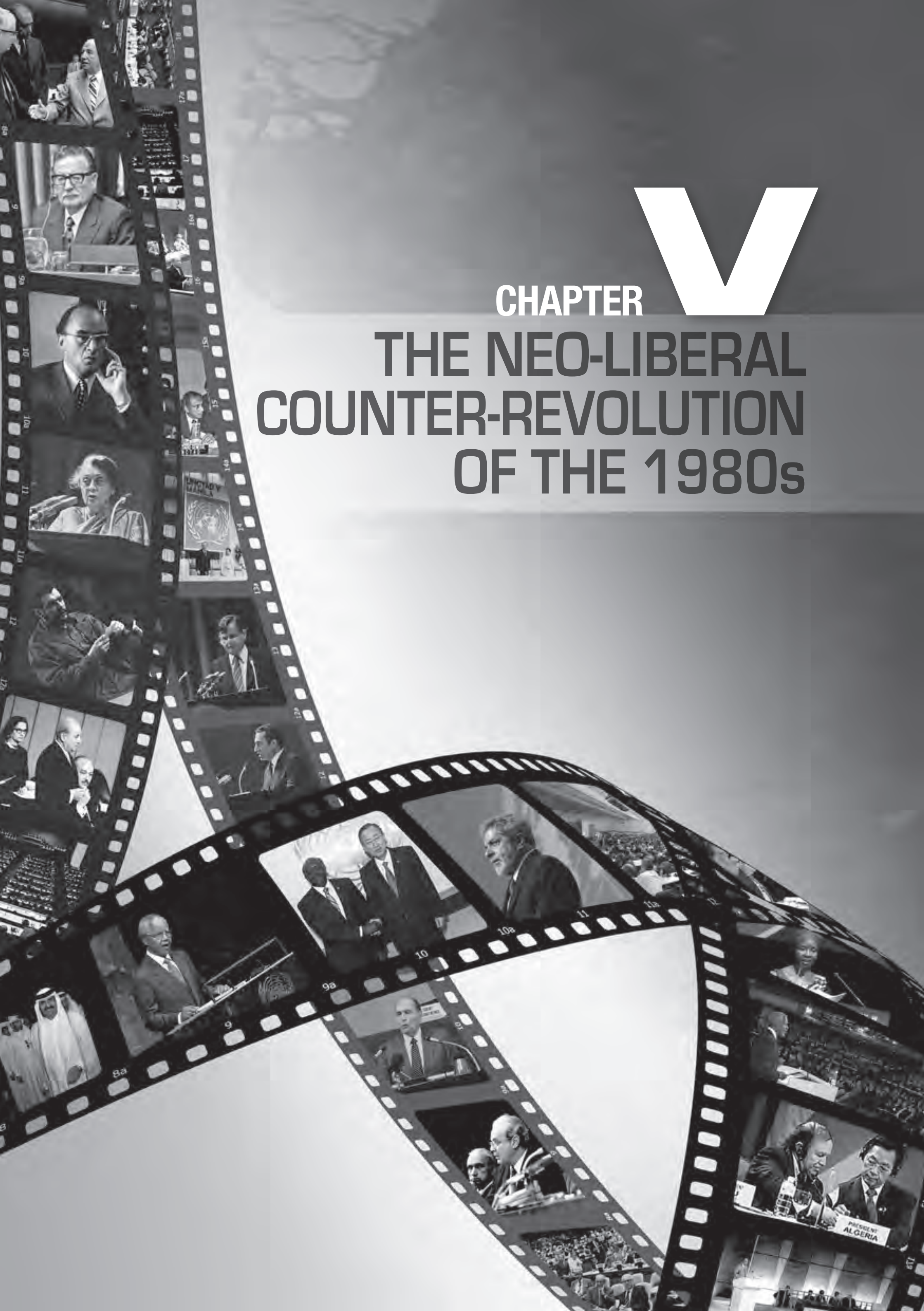
Corea later claimed that at Nairobi the international community had passed a great milestone:

> Despite the tension that marked its adoption, the resolution on the Integrated Programme for Commodities marks a milestone in the history of international commodity policy and of UNCTAD. It signifies the acceptance by the international community of an approach to commodity policy that the developing countries and the secretariat had been championing ever since the second session of UNCTAD.

While that judgement is formally correct, the passing of resolution 93 (IV) represented a Pyrrhic victory. It changed nothing, except by providing for more years of discussion and negotiation, which in the end produced very minor practical results.

CHAPTER V

THE NEO-LIBERAL COUNTER-REVOLUTION OF THE 1980s



A. The UNCTAD New International Economic Order strategy unravels

Although agreement on the constitution of the Common Fund for Commodities was finally reached in 1980, UNCTAD's commodity policy suffered from three fatal flaws. First, as a result of the Group of 77 decisions at Manila, the Common Fund could come into play only when new international commodity agreements were established. Yet, despite all the hard negotiating between 1976 and 1980, only one new international commodity agreement – the International Natural Rubber Agreement (1979) – was set up. This lack of progress was not the result of United States obstruction. The Carter Administration was prepared to contemplate an international commodity agreement for copper as well as for natural rubber. The almost complete absence of new agreements was the result of the inherent difficulty of satisfying the criteria for negotiating a successful international commodity agreement.

The International Natural Rubber Agreement was exceptional because the Association of Natural Rubber Producing Countries had pre-negotiated its own agreement before negotiating with consumer nations in UNCTAD. The Association's countries threatened to act alone if consumers did not agree to enter an international commodity agreement. For other commodities, developing countries showed little inclination to manage supply or allocate production quotas, and the hope that the Group B countries would pay the bill despite their lack of resolution was a pipe dream.

Worse was to come in the 1980s. Four of the existing international commodity agreements, for sugar, tin, coffee and cocoa, collapsed or were suspended. The Common Fund for Commodities thus had only one potential customer that was attempting price stabilization, the International Natural Rubber Agreement. Two others, for jute and tropical timber, were directed at marketing and product diversification. Gamani Corea later argued that the paucity of new international commodity agreements was caused by the slowness in completing the Common Fund negotiations, but one could equally argue the reverse case – that the lack of new international commodity agreements made concluding the Common Fund negotiations less urgent. Indeed, after the Common Fund finally entered into effect in 1988, no spate of new international commodity agreements emerged. By then informed opinion about the agreements had shifted. As one commentator put it, "the tin [agreement's] collapse in 1985... has undermined the willingness of producers to look for resolutions of difficulties within ICAs [international commodity agreements] and has reinforced suspicions of consumer Governments that these agreements are in no one's interests".

The second strategic flaw was that the UNCTAD secretariat played a political rather than a merely facilitating role in the negotiations of the New International Economic Order. The original 1974 document outlining an overall integrated programme was not based on adequate advance analytical work. It was vague about the objectives of a common fund and about important aspects of its proposed method of operation. Yet it was very definite about the amount that the fund would require as finance – $6 billion. This was the basis on which negotiations were launched. Understandably, the Group B countries wanted to know, if they were expected to pay part of the bill, how the amount had been calculated. The secretariat, however, made sure that the individual analyses of the 10 core commodities of the proposed common fund (cocoa, coffee, tea, sugar, tin, rubber, cotton, jute, hard fibres and copper) always added up to the original $6 billion price tag. This led to some searing criticism of the secretariat's technical economic competence.

The Group B demand for impartial and transparent analysis of policy options exposed the difficulties of the UNCTAD secretariat in balancing committed policy advocacy with its impartial advisory role. Prebisch's doctrine of "impartial, but not neutral" turned out to be hard to implement in the heat of the international spotlight. Corea probably had little alternative to massaging the secretariat's research. If the Group of 77 were pushing the secretariat's own proposals in the negotiations on the New International Economic Order, the secretariat could hardly be seen as a credible assessor of those proposals. Corea's political rather than research-based approach was the logical consequence of the bold political initiative that he took in his first weeks in office.

The third flaw was a miscalculation of the political support that could be mustered for the Integrated Programme for Commodities. While in the developed world Europe was as usual divided, in the United States the Carter Administration was not wholly unsympathetic. It took the line that it "should continue to push along with price-stabilizing commodity agreements where there is some promise of success". However, the United States was reluctant to invest time or political capital in unrealistic schemes merely to mollify the Group of 77. It regarded many of the Group's proposals, such as the regulation of all synthetics competing with natural commodities, as extreme.

The Group of 77 for its part practised solidarity in rhetoric and militant attitudes, producing resolutions that could be cloudy or inconsistent. Unity in favour of the New International Economic Order was a façade behind which lay many different levels of commitment to the Common Fund. Some of the big oil producers, such as Saudi Arabia, did not want to do anything that would complicate their relations with the industrial world. That was where they wanted to invest the financial surpluses accumulated after the oil price rise, and that was where they wanted to be able to buy modern armaments to match those of Israel. Latin American countries that had established control over a commodity of special interest to them, such as coffee, did not want to see that control diluted when the Common Fund was established – hence they held out in Manila for a Fund operating through individual international commodity agreements. The Asian, Pacific and Caribbean Countries were fearful that the level of their special arrangements with the European Economic Community might be eroded when more global measures were put in place. One secretariat official commented about the Group of 77: "On both sides of the market, many countries that would be affected by direct price control of one or more of the core commodities were sceptical about the possible benefits to themselves."

UNCTAD tried to make the Common Fund the flagship project of the New International Economic Order in the mistaken belief that it would be possible to find international political agreement on this ground. Gamani Corea, with Alf Maizels in intellectual support and Bernard Chidzero, Stein Rossen and Jan Pronk concurring, thought that exporters of grains and minerals in the North would welcome greater price stability in the markets into which they sold. They thought that Northern consumers of non-competing imports would welcome price stability of those products. They thought that Northern investors in developing country commodity projects would also welcome greater price stability. Perhaps all of those judgements were correct, but what was not correct was to believe that those convergent interests would coalesce into a critical mass powerful enough to move Northern Governments towards a meaningful international agreement. For beyond the issue of the desirability of greater price stability for 10 core commodities lay the thornier problem of who was to control the chosen instruments of price stabilization. It was implausible to think that the Group B countries, which controlled the main global financial levers, would invest in a common fund that they did not control. If the Group of 77 countries themselves had decided to invest more, the unwillingness of Group B would not have mattered, but at UNCTAD IV only 18 developing countries pledged voluntary contributions to the Common Fund, and most importantly the oil-producing developing countries declined to play a decisive investment role. In these circumstances, the developed countries that were prepared to finance the Fund could dictate its ultimate design, leading to the very pared-down version that eventually emerged.

Gamani Corea had gambled UNCTAD's reputation on success in bringing about a New International Economic Order. A reasonable verdict is that he lost his gamble. He had a negotiating trophy, but it was a very small one, and it was bought at the cost of increased doubts in the international community about UNCTAD's usefulness as a negotiating forum and the analytical competence of its secretariat. These were bad omens at a time when an intellectual counter-revolution was gathering strength.

B. The final North–South dialogue

The first signs of this change were evident in the reception accorded to the Brandt report, *North–South: A Program for Survival*. Willy Brandt, the former Chancellor of West Germany, had been invited to head the Independent Commission on International Development Issues. The Commission's report, published in February 1980, was a brave attempt to re-energize the North–South dialogue and to create a consensus on desirable future policies to support global economic development.

Based on the premise of humankind increasingly becoming a single community, the Brandt report argued a moral case for wealthy nations to shoulder additional responsibilities for alleviating poverty in poor countries. It also argued that, from a national perspective, to do so would be a matter of self-interest for all given the dangers of war, poverty, famine and the exhaustion of resources. The report endorsed the setting up of the Common Fund for Commodities and called for the swift conclusion of the series of international commodity agreements that was envisaged at the fifth session of the Conference (UNCTAD V) in Manila. On development finance, the report advocated an increased transfer of resources to the South, in line with UNCTAD's call for a supplementary financing mechanism. The transfer would be financed by automatic long-term bilateral aid flows and by taxes imposed on the international arms trade and channelled through a new "World Development Fund" with international membership. The Brandt proposals were well received in the United Nations General Assembly, but elsewhere there was much less interest and support.

By this time, though, the ideological tide had turned. A succession of national elections brought to power new conservative Governments in the West. Yasuhiro

Namasone in Japan, Margaret Thatcher in the United Kingdom, Ronald Reagan in the United States and Helmut Kohl in West Germany had been installed in power. Particularly in the United Kingdom and United States, these leaders wanted to make a clean break with the politics of the 1970s, the politics of accommodation, compromise and muddle that had in their view led to the weakness of the West. They aspired to the fulfilment of a sharper, ideologically purer agenda than either the social democracy or the conservatism of the previous decade had provided. They found what they sought in the doctrines of economic liberalism. While the previous generation of politicians had been beguiled by the economics of the neo-Keynesians, a counterculture of rejection and criticism had grown up in networks such as the Mont Pelerin Society and the growing number of right-wing think tanks that set up Adam Smith (quite mistakenly), Ludwig von Mises, Friedrich Hayek and Milton Friedman (with more accuracy) as their economic idols. The ideas of these thinkers, filtered and simplified through layers of advisers, became the watchwords of the new conservative politics.

Against this backdrop, the Brandt report's proposals generated resolute opposition in the new conservative leaders. Using the most damning description in the new vocabulary of economic liberalism, Brandt was denounced as a purveyor of "global Keynesianism". Inflation, not unemployment, was the new public enemy number one, and Western Governments were alarmed by the prospective inflationary consequences of the Brandt policies. The new leaders thought that the forces of inflation were already dangerously strong and they feared that pumping more liquidity into the world economy would only strengthen them further.

Brandt recognized that the report had come at a time when the Governments of the industrial countries were deeply anxious about the advent of an economic recession in the wake of the second oil price shock of 1979. He thought that the chances of agreement on his proposals would be improved if they were not discussed in a full-scale international conference, but in a smaller summit meeting of the leaders of 22 countries. The model for this was the Conference on International Economic Cooperation that had met between 1975 and 1977 with Pérez-Guerrero and Allan MacEachen of Canada as joint chairs, but without much more in the way of results than the UNCTAD conferences.

In September 1980, at the eleventh special session of the General Assembly, what were then known as "global negotiations" or "North–South dialogue" reached a publicly acknowledged stalemate. Despite months of discussion, the developed and developing countries could not reach agreement even on an agenda for further negotiations. The developing countries expressed their disappointment by refusing to promulgate the International Development Strategy for the Third United Nations Development Decade (1980s) on which agreement had been achieved earlier. It signified the end of formal conference diplomacy with multisectoral coverage of issues.

The Group of 77, being open to all developing countries, was generally unenthusiastic about selective participation meetings such as the Conference on International Economic Cooperation. Nevertheless President López Portillo of Mexico offered to hold informal and unstructured seminar-type discussions in Cancún for 22 leaders, in an attempt to overcome the stalemate in the North–South dialogue. Margaret Thatcher persuaded Ronald Reagan to accompany her to the Cancún Summit in October 1981. He was willing to do so once the host assured him that no substantive decisions would be taken and that Cuba would not be invited. Thatcher later explained their attendance as follows:

> I felt that, whatever our misgivings about the occasion, we should be present, both to argue for our positions and to forestall criticism that we were uninterested in the developing world. The whole concept of "North–South" dialogue, which the Brandt Commission had made the fashionable talk of the international community, was in my view wrong-headed.

Thatcher and Reagan went through the motions of expressing concern about poverty and hunger, but their objective was to resist what they claimed was pressure to place the IMF and the World Bank directly under United Nations control. Other Heads of Government were bewildered by this obsession with the "integrity" of the IMF and the World Bank, because the Brandt proposal for a World Development Fund was not meant to replace the Bretton Woods institutions but rather to supplement them. Thatcher's riposte was revealing: "In the end I put the point more bluntly: I said that there was no way that I was going to put British deposits into a bank which was totally run by those on overdrafts."

In June 1981, the United States State Department had envisaged, with no indication of regret, that the Cancún Summit could mark the end of serious attempts to negotiate global economic bargains between North and South. The Brandt Commission published a follow-up report in 1983, and a failed attempt was made to launch second Cancún meeting was made in 1988. The State Department's prediction had proved correct. The Cancún Summit had been the final gasp of a 20-year effort at multilateral diplomatic dialogue.

C. The debt crisis of the developing countries

A major obstacle to any revival of the North–South dialogue was the start of a prolonged debt crisis in developing countries. Within a year of the Cancún Summit, Mexico was back in the world's headlines, but this time for a different reason – Mexico had to suspend payments on its international debt. The Mexican moratorium on debt payments of August 1982 sparked a severe debt crisis in Latin America and some other developing countries. From this followed a veritable counter-revolution in North–South relations. Although the developed countries faced economic challenges provoked by the policies of their new Governments, their growth rate of production in the 1980s was a slight improvement on their rate in the 1970s. By contrast, the growth of production in developing countries in the 1980s fell to virtually nothing. Indeed, over the decade the economies of middle-income developing countries and of sub-Saharan Africa actually contracted.

This reversal of North–South economic fortunes seriously curbed the policy autonomy of many countries of the South. They needed to attract foreign aid at a time when aid flows were being reduced. They also needed to borrow from the international financial institutions at a time when that private lending to Governments was rapidly shrinking, because new had lending dried up and old loans had to be repaid. As the need of developing countries for fresh aid and public borrowing was acute, the developed countries were in a position to implement forms of conditionality that they could only talk about in the early 1970s. The new conditions would require developing countries to change their economic policies to conform to the neo-liberal paradigm that Western Governments then favoured.

As previously mentioned, UNCTAD had not been blind to the debt problem that was building up. At UNCTAD IV, Gamani Corea had highlighted the urgency of easing the existing debt burdens of developing countries. His warnings were ignored on all sides, by developed and developing countries alike. The developed countries kept on lending and the developing countries kept on borrowing. Seeing the situation worsening, Corea made a debt relief proposal to the ninth special session of the Trade and Development Board (held at the ministerial level) in March 1978. There the developed countries committed themselves to undertaking debt relief by retroactively reducing the terms of past official aid loans. The United States did not join the initiative, but other developed countries subsequently gave debt relief worth $6 billion. This was an important UNCTAD success.

Private sector debt, however, rather than public sector borrowing, mainly fuelled the debt problem. The seeds of the impending trouble were sown with the first rise in the oil price (1973). The Group B countries assumed that the shock was permanent and began to adjust their economies. They did not borrow from oil profits placed in Western banks, and this depressed interest rates. By contrast, Latin American and some other developing countries assumed the shock was temporary and began to borrow from Western banks at these advantageous rates.

After the collapse of the Bretton Woods system, depositors wanted protection from volatile exchange rates and, in a world of inflation, from being locked into low nominal interest rate loans. The banks changed the terms of lending so that they were denominated in United States dollars and carried variable nominal interest rates. Unfortunately, neither lenders nor borrowers understood the full implications of these changes. Borrowers had not anticipated the election of Western Governments that sought the disinflation of their economies, but were inexperienced at economic management, while lenders mistakenly believed that sovereign debt would always be reliably repaid. In the event, the policies of the Reagan Administration widened the Government's fiscal deficit until it needed to borrow a sum equal to 8 per cent of world savings. Real interest rates took a leap from negative levels in 1980, to 4 per cent in 1982 – twice as high as the average rate over 1950–1980. This rate began to apply to fresh borrowing by developing countries and to those past loans that carried variable interest rates. The debt trap had sprung shut.

The reaction of the Group B countries was to buy time. This tactic was needed so that Western banks, which had lent without due diligence, could rebuild their shattered balance sheets to the point where they could afford to write off their bad sovereign debts. Although it was perfectly clear from the origin of the crisis that these debts could never be repaid, this obvious fact was not acknowledged in the official public discourse. Western Governments and the international financial institutions engaged in a conspiracy of silence, and UNCTAD's advocacy on behalf of debt relief for developing countries faced constant prevarication. Only in 1989, when the risk to Western banks was judged to have receded sufficiently, did the United States make the first serious move – the Brady Plan – to help the debt-distressed developing countries that had borrowed without due diligence. By then, for the majority of developing countries, the 1980s had become the "lost decade", a time when investment, economic output and employment stood still.

In these circumstances, one innovative UNCTAD response was to offer technical assistance to debt-distressed developing countries. This took two forms. One was to help debtor countries to prepare the given country's case for debt rescheduling and/or debt reduction. Then UNCTAD officials used their observer status at the Paris Club of public lenders and at the London Club of private lenders to accompany debtor countries at negotiations with the two Clubs. This type of assistance was instrumental in winning from creditors more favourable treatment for developing country debtors because their case had been properly presented.

The other new form of UNCTAD technical assistance was the provision of a debt management system. Enrique Cosío-Pascal led a small team in setting up the UNCTAD Debt Management and Financial Analysis System (DMFAS), with the first version released in 1983. At its heart was a software system for the recording and analysis of government debt obligations and the generation of cash flow profiles for debt repayment. The need for a financial tool such as this implied that a number of developing countries had stumbled into the debt crisis because they did not have correct and up-to-date information about the repayment obligations of the debts that they had contracted or the risks involved in further borrowing.

To date, almost 70 developing and transition countries have availed themselves of the UNCTAD DMFAS service. The only other international organization providing a debt management service on any remotely similar scale is the Commonwealth Secretariat. The DMFAS software is now in its sixth edition. However, the provision of up-to-date financial software is not in itself a silver bullet. Training the in-country operators of the software and making available a troubleshooting service in the event of a breakdown are necessary complements. There have been times when DMFAS has been short of resources to provide these complementary services, but over the last 30 years DMFAS has provided a very valuable practical service, not always sufficiently appreciated in-house, that has improved the transparency, accountability and decision-making of government debt management in developing countries.

D. Putting sensible economic policies in place

The prevarication used by the creditor countries was that debt relief should not be given before the indebted countries had put “sensible economic policies” in place. The inference was that it was the absence of sensible economic policies that had been the cause of the debt crisis. From the beginning of UNCTAD, the Group B countries had argued that developing countries were the makers of their own misfortunes. Yet, as has already been pointed out, the absence of sensible economic policies in developing countries was only one half of the explanation of the 1980s debt crisis. The ideologically driven and inexperienced economic policies of the new conservative Governments in the West were the missing other half of the explanation. Nevertheless, in terms of realpolitik, it was the creditor countries that now held the whip hand. They could impose their partial view of why the debt crisis had happened.

Although the neo-liberal counter-revolution was at base ideologically driven, the Western countries had also invested much more in the intellectual resources that would provide the more elaborated justifications of global neo-liberalism. They had financed the work of the OECD and its Development Centre. That Centre had initially paid for research into methods of appraising investments in developing countries that took into account distortions from free market pricing in the economy concerned. A manual was produced that showed how to appraise development projects using “shadow prices”, that is, the true scarcity prices that would govern economic behaviour in the absence of government interventions. However, this was clearly a second-best policy for the OECD countries. Why bother to use shadow prices once the window of opportunity had arisen, as it had after the debt crisis, to push developing countries to liberalize their economies and make actual prices correspond to ideal shadow prices? This was the economic policy agenda of neo-liberalism.

The OECD had also produced a series of research studies on trade and industry in developing countries. The analytical key to the case studies of the trade regimes of nine developing countries was the concept of effective protection. Effective protection is measured empirically as the difference between the value added of exports at domestic prices and the value added of exports at “world prices”, divided by the value added of exports at “world prices”. The rate of effective protection is higher than the nominal import tariff to the degree that inputs for manufacture are imported at a lower nominal tariff. What matters for protection is not the height of individual product tariffs, but the whole structure of protection.

The OECD studies of trade and industry showed that effective protection of some industries was much higher than the nominal tariff on the product. In some case study countries, industries with negative value added were revealed, meaning that the value of the imported inputs at “world prices” was greater than that of the manufactured export product, thus making the country worse off rather than better off. At the same time the effective protection of agriculture was often negative, as its inputs faced import duty while competitive product imports did not. The OECD research built up a picture of some developing countries exploiting their agricultural sector in order to create a very inefficient industrial sector, using tariff policy and quantitative restrictions on imports for the purpose. Prebisch had warned against the excessive use of trade protection, as mentioned in chapter 3, but the OECD research brought this into clear empirical focus. It showed that some developing countries were not making the best use of the trading opportunities that they faced. This provided support for Group B's long-held view that the problems of developing countries were of their own making and that they must take responsibility for reform of their trade regimes, rather than expect balance of payments gaps to be automatically filled by foreign aid.

At the same time, the use of "world prices" as the anchor in the calculation of effective protection distracted attention from the fact that "world prices" were by no stretch of the imagination the same thing as ideal scarcity prices. "World prices" incorporated all the restraints on free trade that the Group B countries were imposing for their own protectionist purposes, such as their agricultural subsidies and textile import quotas. They certainly represented the reality that developing countries had to face, but they also reflected all the distortions that needed – and to some extent still need – to be negotiated away if there is ever to be an international trade order that does not oppress developing countries.

The ideological thrust of neo-liberalism was dissemination of a negative view of the performance of the State. Although this was by no means the monopoly of neo-liberalism, its adherents produced a specific political economy argument that highlighted collusion between government ministers and officials in developing countries and domestic groups seeking to benefit from government policies. The crucial link was between the policy of maintaining an overvalued exchange rate and the administrative allocation of import licences under a trade regime dominated by the quantitative restriction of imports. In combination, these policies were said to spawn rent-seeking activities that were unproductive, corrupting and supportive of client-based politics. Using this argument as a prime exhibit, a general case was made out that government failure was a more severe problem than market failure. The original justification for the expansion of Government beyond its "nightwatchman" role and into the role of development agent was thereby challenged, and policies of liberalization were put in the best possible light.

E. Structural adjustment and policy-conditioned loans

For its first 30 years, the major lending vehicle of the World Bank had been the project loan, supported by technical assistance in formulating and executing development projects. In the 1970s the Bank came to the conclusion that the success of their loan projects, measured by their ex post rates of return, was being reduced because of a deterioration in the broader economic environment in which the projects had to operate. Negative trends in the broader environment included rising oil prices, high inflation, inflexible exchange rates and import restrictions. In order to address this syndrome, the Bank devised a new form of lending called programme lending, in which the vehicle for the loan was not a physical project such as a dam or a power station but a programme of economic policy changes to be implemented by the borrower.

At UNCTAD V in Manila (1979), the President of the World Bank, Robert McNamara, announced the launch of this new form of lending, known as structural adjustment loans or sector adjustment loans. These would provide rapidly disbursing foreign exchange on condition that changes in economic policy were made. By the mid-1980s, programme lending – once described by a World Bank president as “fuzzy loans” – had risen to account for one third of the Bank’s new lending. They became the Bank’s instrument for dealing with the debt crisis, providing rapid disbursement of funds but requiring the privatization of State-owned industries, the ending of State industrial subsidies, the removal of price controls and the dismantling of restrictions on foreign trade. The application of conditionality was never uniform, but there was an underlying template of economic reforms that was encapsulated in what John Williamson dubbed “the Washington Consensus”. In that sense, structural adjustment did have a “one-size-fits-all” aspect to it.

The search for success stories achieved by this policy template led neo-liberals to celebrate the newly industrializing countries of Asia as examples of the faster growth and improved income distribution that economic liberalization generated. When closer inspection revealed evidence of residual government interventions in trade, industry and finance, these were dismissed as ineffective or counterproductive, to avoid diluting the purity of the neo-liberal message.

Conditionality or no conditionality, the World Bank still had to rely on its ability to persuade its members on issues of development policy. In 1977, McNamara asked for a flagship report to be prepared that would assert the Bank’s leadership in the field of development policy. In August 1978, the first *World Development Report* was published and soon became the premier location for the presentation of neo-liberal policy messages.

F. The UNCTAD *Trade and Development Report*

The Group of 77 made representations to UNCTAD that it should publish its own flagship report. Led by Gamani Corea and Gerry Arsenis, UNCTAD responded with the launch in 1981 of the *Trade and Development Report*. By this time the *World Development Report* was vacating the area of macroeconomics to focus on the microeconomic issues involved in "getting the prices right" and was downplaying the influence of international economic conditions on national policy on the grounds that the prime culprit behind the debt crisis was domestic economic policy errors. This positioning of the *World Development Report* opened up the possibility of an alternative approach to interpreting the issue of central concern to UNCTAD – the interdependence of trade and development.

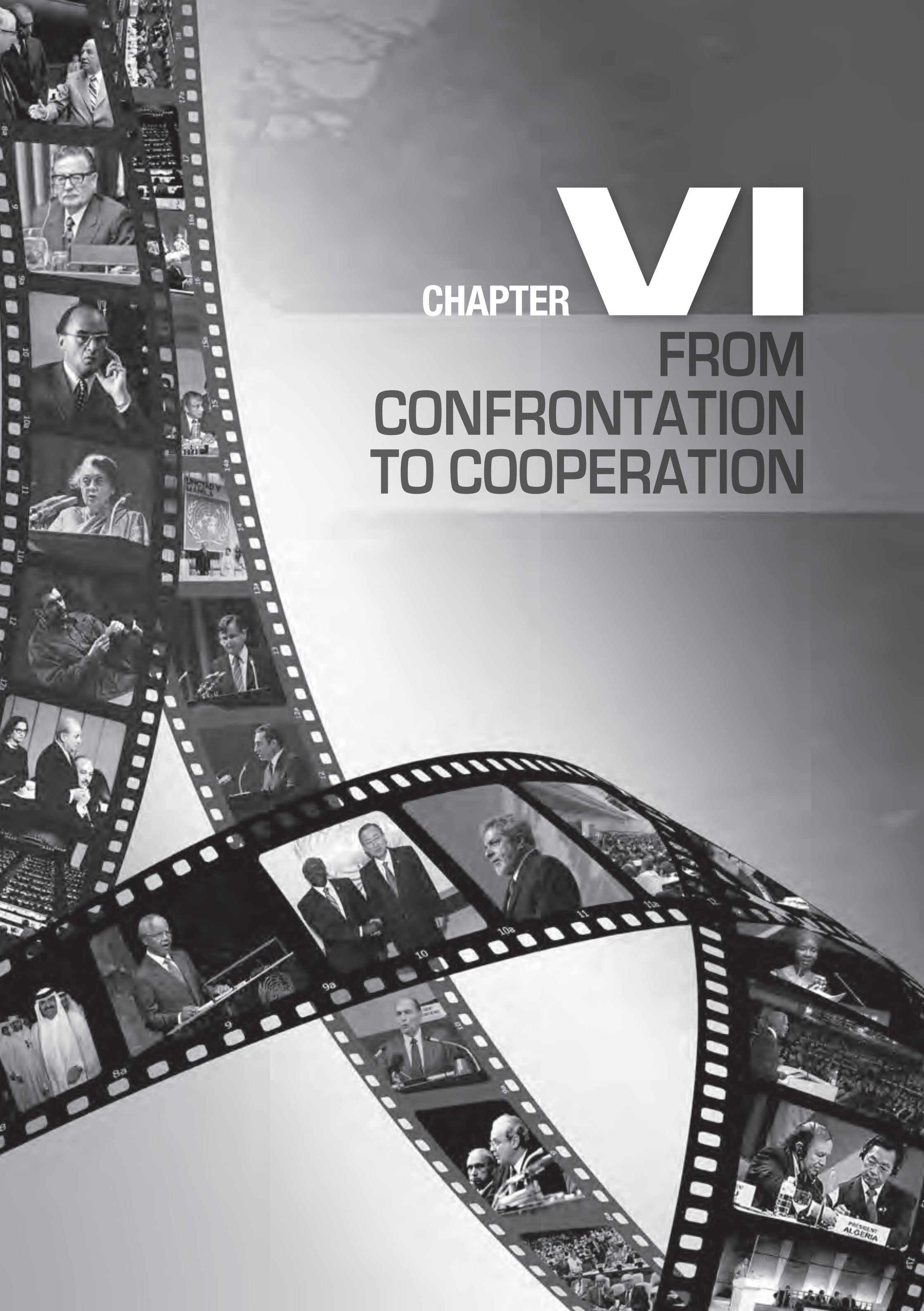
The *Trade and Development Report* has maintained a continuing focus on the interaction of the international economic environment with the development prospects of developing countries. It eschews the proposition that liberalization of national economies will naturally ensure a development-friendly integration of developing countries into the global economy. It was quick off the mark to expose the damage done by adjustment programmes and advertised the dangers of premature financial liberalization, using the debacle in the Southern Cone as an example. The *Trade and Development Report* message was similar to that of Carlos Díaz-Alejandro: "Goodbye financial repression, hello financial crisis."

That message was repeated again in the *Trade and Development Report* of 1991 at a time when few others were thinking that way. In 1993, the report warned of an impending financial crisis in Mexico. In 1995 it flagged up the systemic risk from growing derivative markets. In 1997 it sounded the alert to the dangers of rapid financial liberalization in East Asia. It has maintained a proud record of analysis that penetrates to underlying areas of policy weakness where other official voices have remained neglectful or complacent.

The *Trade and Development Report* thus takes a critical view of the market fundamentalism that has been so popular over the last 30 years in the academic and policy discourse, particularly in some of the Group B countries. Apart from economic interdependence among countries, it has also stressed the analytical interdependence of the issues of finance, trade and development, which is imperfectly reflected in the separate institutional mandates of the IMF, the GATT/WTO and the World Bank. It thus takes a critical view of the lack of policy coherence evident in the work of these international institutions.

Far from taking a wholly negative view of the performance and potential of the State in promoting development, the *Trade and Development Report* aims for a pragmatic position on these questions, in the light of available evidence. Useful work was done deconstructing the myth of East Asian growth as a miracle of the market, but the report has never assumed an outright anti-market position. It has, however, highlighted the shrinking policy space available to developing country Governments in their attempts to promote development, arising from privatization, liberalization and exposure to international competitive pressures, but has also pointed out where these constraints do not bind quite as tightly as is sometimes supposed.

Over the years the *Trade and Development Report* team has provided a steady counterpoint to the mainstream view of the international economy. That view has been remarkable for its independence of stance relative both to other international institutions and to most academic economists. The freshness and the educational value of the report's analyses are striking. At crucial times the *Trade and Development Report* has been able to point to economic phenomena to which other institutions and media have turned a blind eye. Its policy proposals have been astute and ahead of their time. It has built a proud record of being in the forefront of intelligent responses to the neo-liberal counter-revolution.



CHAPTER VI

FROM CONFRONTATION TO COOPERATION

A. Different leaders and new strategies

According to the historian Mark Mazower, "UNCTAD was defanged with the appointment of a Washington-friendly Secretary-General in 1984". This claim needs a correction and a qualification. The correction is that the process of drawing UNCTAD's sting began with the failure to appoint a new Secretary-General in 1984. The qualification is that the process of "defanging" (if that is the right word) did not happen all at once, but stretched out over the next 12 years and involved many other causal factors besides the political leaning of the Secretary-General. This chapter gives an account of that process.

It is certainly true that, between 1985 and 1996, UNCTAD underwent the most important metamorphosis in its 50-year existence, and the previous chapter has set out part of the context of this major change. Against this dramatically changing background, the United Nations came under sustained financial pressure, mainly from the United States. By keeping its contributions to the United Nations in arrears since 1975, the United States created a budgetary crisis for the United Nations. This was used as a lever to secure the reform of the United Nations budgetary process and the reduction in the size of the Organization. The United States had withdrawn from the International Labour Organization by the end of the 1970s and withdrew from the United Nations Educational, Scientific and Cultural Organization in 1984 on the grounds of the agency's hostility to "the institutions of a free society, especially a free market and a free press". It threatened other United Nations agencies such as the World Health Organization and the Food and Agriculture Organization of the United Nations with similar action. However, since UNCTAD is a subsidiary organ of the General Assembly and its secretariat, a part of the United Nations Secretariat, the threat of withdrawal was not a realistic option, so pressure on the entire United Nations budget was the way to intimidate UNCTAD.

UNCTAD faced this pressure at a time when its historic strategy had already run out of steam. Its original strategy had been fulfilled in part, but much had not been implemented because of technical and political misjudgements. It is not surprising that in such circumstances the organization's management should have come under critical scrutiny, nor that the instigators of the scrutiny should have been the United States and other Group B countries.

In 1984, the Reagan Administration prodded the Group B countries to establish a "reflection group" to reconsider their attitude to UNCTAD and its management. Obviously, Gamani Corea as the Secretary-General for the previous decade, who was about to complete his tenure, was held responsible for what Group B thought was wrong. The "green papers" circulated within the reflection group indicated what the main criticisms were. The first was that Corea had allowed the UNCTAD management structure to grow top heavy with executives who were more committed to advancing North–South confrontation than they were to promoting North–South trade. The second was that the UNCTAD committee structure and its resolutions were being bypassed by the organization's management. The third was that the studies produced by the UNCTAD secretariat were not impartial, but biased in favour of supporting the Group of 77's agenda.

As the end of Corea's tenure approached, no agreement on a successor had been reached. Corea offered to continue in the post on a temporary contract until such time as a successor was appointed. The United States responded with a flat refusal to countenance this offer. When Corea left in December 1984, Alister McIntyre of Grenada was made Officer-in-Charge, in other words, the chief executive on a temporary basis until a new Secretary-General was appointed. McIntyre was an economist who had become director of UNCTAD's commodities division in 1977 and was promoted to Deputy Secretary-General in 1982. He had good connections with academic institutions in the United States. After the United States invasion of Grenada in 1983, he had been sounded out by the Reagan Administration to become the interim leader of the Government of Grenada. Having at first accepted, he subsequently backed away from this assignment, pleading illness. At UNCTAD he had proved himself to be a pragmatic negotiator rather than a rhetorical spokesman of the developing world, and so "Washington-friendly" is an appropriate description.

McIntyre began restructuring UNCTAD's management along lines favoured by Group B. He quietly removed several of the more anti-Western officials from front-line positions and eventually reassigned approximately 30 senior staff. Others left the organization when they saw what was happening. McIntyre always denied that these changes were made in response to the repeated criticism from Washington, D.C., of UNCTAD's management, but whatever the motive the changes were made.

When McIntyre addressed the policy impasse in which UNCTAD found itself, he concluded that the macroeconomic benefits that the Group B countries would derive from accelerated development in the South would not be enough to motivate any further trade concessions from the North. He thus effectively dismissed the argument of the first Brandt report that the self-interest of the North was an effective motivation for renewed North–South dialogue. He tried to persuade the Group of 77 to drop its demands for non-reciprocal concessions and focus on the question of quid pro quo in any renewed international negotiations.

Although the next GATT round had yet to start, the United States had already signalled what its priorities would be. They were the liberalization of trade in services, which were not covered by the GATT trade rules at that time, and the loosening of national restrictions on the inflow of foreign direct investment, another area of economic activity outside the GATT rules. McIntyre and others in the secretariat saw an opportunity for UNCTAD to respond to these United States priorities. UNCTAD's successes in the area of shipping have already been described at the end of chapter II. UNCTAD had also made a number of studies of the insurance market in developing countries and formulated recommendations on how this market could be strengthened and better regulated. In both shipping and insurance services, UNCTAD had a creditable record and McIntyre hoped to build on it.

Finally, at the start of 1986, the new Secretary-General, Kenneth Dadzie, was appointed. He was a Ghanaian diplomat who was seconded for long periods to the United Nations. In the mid-1970s, he had headed the Group of 25, a body set up to recommend changes in the organization of United Nations work in the economic and social sector. In that capacity, he had proposed the replacement of UNCTAD by a new international trade organization, much to the discomfiture of the Group of 77. Between 1978 and 1982, he served as the United Nations Director-General of Development and International Economic Cooperation. In personality, he was a modest man, friendly and quiet in his demeanour. He was regarded as "a diplomat's diplomat". In many ways he resembled Kofi Annan – a soft-spoken Ghanaian with vast inside knowledge of the United Nations and its Member States and a great persistence in seeking consensus.

Kenneth Dadzie was something of an enigma to his colleagues. In his Development and International Economic Cooperation post, for example, Margaret Anstee, who was involved in United Nations reform, remarked that he was not exactly a visionary or strong leader. She underestimated him, because he had a good understanding of the predicament of the economic and social mission of the United Nations and was a person of great integrity and principle. He was well aware of the "very serious and substantial criticisms" that could be made of the operational defects of the United Nations – such as unwieldy decision-making, poor resource allocation procedures and lack of accountability. However, although supporting United Nations reform, he did not think that it could go very far to remedy dissatisfaction with international cooperation for development. For one reason, the part of the United Nations in that system was too small. For another, there were incentives for individual Member States to defect from that effort, rather than to support it.

Dadzie was not at all a believer in neo-liberal economics. He thought that its narrow focus on getting prices right was pure dogmatism. He also thought that the work of the World Bank and the IMF in the 1980s was becoming damagingly ideological. He was a believer in shared management of the international economic system, and he doubted whether the mere integration of the South into the structures of a hegemonic North could be politically sustainable, because of the contradictions inherent in North–South relations. In this he was prescient.

His view of UNCTAD, however, was critical. In a lecture given in 1986 he said: "While there have been considerable achievements over the 20 or more years of UNCTAD's existence, it must be said frankly that, on the whole, the record has fallen short of the possibilities and expectations." He saw that UNCTAD's window of opportunity in relation to the New International Economic Order had closed in 1982, when the debt crisis fatally undermined the South's bargaining power.

At a press conference in early 1986, Dadzie pledged that he would continue the management reforms that McIntyre had begun, but would do so in his own way. He persevered with McIntyre's attempt to capitalize on UNCTAD's past success in the area of trade in services and the encouragement of foreign direct investment (FDI). When the eighth round of GATT negotiations opened in Punta del Este, Uruguay, in September 1986, Dadzie went forward on an important new path: he confirmed that UNCTAD would actively support the negotiations. This was a major turnaround. During the previous GATT round – the Tokyo Round, from 1973–1979 – UNCTAD had provided no similar support to the negotiations. Many developing countries had decided to engage with the GATT and they needed the support of UNCTAD to ensure that their interests were taken into account in the outcomes. UNCTAD carried out extensive studies of the costs and benefits of the agreements for developing countries, and this did not always please the Group B countries. This was Dadzie's way of moving towards the shared management of the international trade system. The Uruguay Round would ultimately achieve the most momentous changes to the world trading system since the end of the Second World War and have transforming repercussions for UNCTAD's role within that system.

B. The significance of the GATT Uruguay Round

The GATT Uruguay Round was significant for UNCTAD in a variety of ways. The first was that it drew more developing countries into full GATT membership. Until the start of the Uruguay Round, developing countries that were former colonies had the status of de facto contracting parties to the GATT. De facto status as contracting parties was removed from then on. Participation in the new negotiations was restricted to de jure contracting parties, plus countries committing themselves to becoming de jure contracting parties. This put pressure on developing countries to apply for GATT membership. Ten developing countries joined in 1993, and a further nine joined in 1994 before the Round was finally agreed at the Marrakech meeting on 15 April that same year. The recruitment of more developing countries into the GATT undermined the old UNCTAD claim that it was a universal coverage organization, while the GATT was only a “rich man’s club”.

The second significant impact was in accelerating the diversification of interests and negotiating positions of the developing countries. The developing countries did not adopt a unified negotiating position in the Uruguay Round, as they had in UNCTAD. Partly this reflected the fact that they were negotiating on a series of new issues that were highly variegated. However, it was also because of the absence of organized leadership from the Group of 77. As Alister McIntyre recalled later, “one of the things that has happened is that the leadership of the Group of 77 has evaporated”. Fluid alliances spanning the North–South divide began to emerge. For example, the then 14 countries of the Cairns Group accounting for around one quarter of global agricultural exports formed a negotiating coalition in August 1986. Three were developed countries – Australia, Canada and New Zealand – while the other 11 were developing countries. They pressed a common interest in bringing agriculture under the governance of trade subsidy rules. On other issues, such as intellectual property rights, a few large and powerful developing countries – in this case Brazil and India – took sole charge of the negotiations on behalf of developing countries.

The point here is not that developing countries had suddenly developed differences of interest. As demonstrated in the campaign for the New International Economic Order, these differences had always existed, but previously they had been hidden behind a façade of unity.

The Group of 77 had provided that façade, and UNCTAD’s system of group negotiations had reinforced and preserved it. A doctrine of inclusiveness justified it. The Group of 77’s claim to represent the developing world depended on recognizing that there were many and diverse paths to development, and that each country had a right to follow its own development path without external interference. Somewhat paradoxically, recognition of diversity became the bulwark of unity, because this unity in diversity always trumped particular conflicts of national interests when constructing the Group of 77 negotiating platform.

However, unity and its ideological cement crumbled under the pressure of events. Back in 1962 at the Cairo Conference (see chapter II), it was the willingness of

Latin American States to join the African–Asian bloc in a tri-continental alliance that created the core of what would become the Group of 77 and the solidarity of the developing countries. Since then the Africans had intermittently criticized UNCTAD for being too Latin American in its objectives and insufficiently sympathetic to the need of African States to hold on to European preferences, but the alliance had always recovered from these episodes of conflict.

Debt problems now prised the Latin Americans and the Africans apart, because their crises followed very different trajectories. Latin America's debts were mainly to private sector banks, and their crisis was brought to a conclusion when creditor countries stopped pretending that the problem was one of liquidity and finally addressed it as a solvency issue. Under the Brady Plan of March 1989, creditors were allowed to choose one of two options of loans in exchange for bonds, with the interest on the bonds being underwritten by the United States Treasury. By contrast, African countries owed debts mainly to public sector financial institutions, so they felt little relief from the Brady Plan. Their economies continued to suffer from major debt over-hangs until after the formulation of the Heavily Indebted Poor Countries Initiative of the IMF and World Bank (1996). The Initiative only began to provide debt relief at the end of the twentieth century. Different treatment of their debts by the international community effectively broke up the tri-continental alliance.

As one analyst put it, "by the early 1990s, even G-77 [Group of 77] rhetorical unity had vanished". The Tehran conference of the Group of 77, in preparation for the eighth session of the Conference (UNCTAD VIII), brought into sharp focus the increasing division between the Latin American countries and the rest of the Group of 77. The former went as far as agreeing with the criticisms of Group B countries of the group negotiation system. Though the unity of the Group of 77 as an umbrella organization for developing countries was weakened, like-minded subgroups within the Group of 77, such as regional groups, least developed countries and small island developing States, bonded together more strongly.

The third significant impact of the Uruguay Round was that the UNCTAD secretariat's support for integration of developing countries into a reformed global trade system disabled it from advocating the wholesale restructuring of that system. The role of mentor and assistant to countries trying to embrace globalization would not have been consistent with continued advocacy of radical changes to end inequality and discrimination in international economic relations. UNCTAD's positioning in relation to the Uruguay Round thus effectively committed the organization to accommodating in future the management of globalization in cooperation with the existing international economic institutions. At the same time, it needs to be recalled that many developing countries were undergoing structural adjustment programmes even before the Uruguay Round, and that their policies were incompatible with the construction of effective developmental States.

The break-up of the Soviet bloc and of the Union of Soviet Socialist Republics itself, which began in the autumn of 1989, strongly reinforced the general belief that globalization – the ever-tighter integration of national economies with the world economy – was the only path to the future. The historical option of a different type of society, separate from free market economies and in competition with them, seemed at that point to have been permanently closed. It was in this atmosphere that the so-called Washington Consensus on economic policy was launched. In the 1990s, Washington, D.C., made strenuous efforts to use its "soft power" to create a neo-liberal consensus and to convert to it economic technocrats from developing countries who had political ambitions in their home countries. These overtures were directed more to Latin American than to African policymakers, and ideological persuasion plus better debt treatment was effective in converting many Latin American leaders to the neo-liberal perspective.

C. The Conferences that reshaped UNCTAD

When the sixth session of the Conference (UNCTAD VI) met in Belgrade in 1983, Gamani Corea was still at the helm. The themes of his report to the Conference were the old Prebisch era themes of commodity regulation and supplementary financing. Very little that was new was agreed at Belgrade, and the resolutions that were agreed tended to repeat what had been agreed at previous Conferences. The writers of the first official history of UNCTAD – soon after UNCTAD VI – noted this and concluded that there was less need for new policy than for the effective implementation of existing initiatives. That attitude of business as usual did not survive Corea's departure.

The next Conference – the seventh session (UNCTAD VII) – was held in Geneva, Switzerland, in 1987. This was unusual because most of the previous Conferences had been held in developing countries that had offered to host and partly finance the event. This time Cuba had offered to host, but the United States flatly refused to participate in that location. The membership was in an uncertain mood, wondering how they could continue with structural adjustment efforts when, thanks to expanding commodity production, commodity prices were falling and world trade was stagnating. They were still hoping for more sympathy from the North, despite statements from the United States Deputy Undersecretary of State that he would rather take a walk around Lake Geneva than attend the Conference.

Kenneth Dadzie announced “a new spirit in North–South relations”, and indeed the Conference was conducted in a less contentious and more cooperative manner than previous UNCTAD Conferences had been. The quieter atmosphere was assisted by two changes in procedure. First, the four sessional committees conducted their business in informal sessions and not through the use of the traditional method of group negotiations. Second, the outcome of the Conference was embodied in one consolidated text – the Final Act of UNCTAD VII – which was to be adopted by consensus. The previous practice had been to adopt a series of separate resolutions, some of which had not secured the agreement of Group B. Dadzie believed that a consensus text had much greater credibility than a voted text to which some countries would not feel themselves to be bound.

In order to achieve the required consensus, the Final Act had to demonstrate a careful balance, achieved by a “yes, but” form of drafting. Yes, structural adjustment must continue, but adequate external resources must be made available. Yes, domestic resource mobilization must be strengthened, but these efforts were being hampered by external economic circumstances. Yes, market access issues must be left to GATT negotiations, but UNCTAD should be mandated to do related studies. Yes, UNCTAD should continue its work on trade in services, but this should not exclude other international organizations or hold up the Uruguay Round negotiations. Issues that could not be dealt with in this way had to be omitted from the Final Act. The practical upshot was that more of UNCTAD’s resources were devoted to issues of liberalization and privatization. A warmer embrace of (market-led) globalization was seen a politically convenient, although UNCTAD had by no means abandoned its distinctive critical posture.

The accommodation of UNCTAD to the policy priorities of the North was carried further when the next Conference (UNCTAD VIII) convened in Cartagena, Colombia, in 1992. The Conference recognized private enterprise and the free market as the central drivers of economic growth. The agreed texts of the Conference did not retreat from the need to support the developing countries, but they did radically change the organization’s official views of what constituted development. These then were brought into line with the post-cold war consensus. Western political norms of democracy and human rights were incorporated into the official definition of development, as were the elimination of corruption and government inefficiency. The increasing “convergence of policy perspectives” of the North and South was repeatedly hailed.

The final communiqué from Cartagena said that it was important to "overcome confrontation and to foster a climate of genuine cooperation and solidarity". To facilitate this change, the role of UNCTAD had to be "adapted and revitalized". UNCTAD would in future be limited to "policy analysis; intergovernmental deliberation, consensus-building and negotiation; monitoring, implementation and follow-up; and technical cooperation". The scope of the negotiations mentioned in this mission statement was circumscribed. The negotiations were defined as intergovernmental interaction leading to certain outcomes – agreed statements, conclusions and recommendations comprising policy guidelines; decisions; resolutions; or binding international agreements. However, the sting in the tail was that where other institutions were vested with the necessary powers of decision-making and rule-making, UNCTAD's role was to be limited to one of constructive support. The implication of this was that UNCTAD was no longer to be a forum for negotiations on trade, which were from then on reserved exclusively for the GATT.

The Cartagena Conference had shown that, however much they may have wished to do so, the Group B countries were unable unilaterally to close down UNCTAD. Although the Group of 77 was much weakened by the defection of the Latin Americans and the aid dependence of the Africans, it still had leadership from the larger South and South-Eastern Asian countries (e.g. India, Indonesia, Malaysia and Thailand), and they would have resisted closure. When in 1996 the report of the Commission on Global Governance, *Our Global Neighbourhood*, recommended that UNCTAD should be wound up, that option was no longer politically realistic.

By the time that the ninth session of the Conference (UNCTAD IX) was held in 1996 in Midrand, South Africa, the Uruguay Round had sprung its big surprise – the establishment of a "World Trade Organization", within which a reformed GATT was nested. Its creation had not been on the original agenda of the Uruguay Round, but the completion of that agenda would not have been easily accommodated within the GATT. So in 1990 the Government of Canada put forward a plan for an organization that incorporated the GATT. After amendment, this was agreed in 1994. The arrival of the WTO brought the question of its relation to UNCTAD into sharp focus. This will be discussed in the following chapter.

UNCTAD was at something of a disadvantage in preparing for the Midrand Conference. Once again, it had had no Secretary-General, since Kenneth Dadzie had stepped down in 1994 and died soon afterwards. This state of affairs was partly because of the continuing financial crisis of the United Nations and partly because of continuing uncertainty over the direction of United Nations organizational reform.

In autumn 1995, however, Rubens Ricupero of Brazil was appointed as Secretary-General. He was an experienced diplomat who had served as Brazil's Ambassador to the United Nations in Geneva, where he was involved in GATT negotiations, and to the United States, before becoming Minister of Finance of Brazil for a brief period. Although he came with excellent credentials, he had little time to put his personal stamp on the Midrand Conference.

The Cartagena Conference had completed the conceptual conversion of UNCTAD to the post-cold war consensus. That was evident in the choice of theme for Midrand – promoting growth and sustainable development in a liberalizing and globalizing world economy. What had not yet happened was the refashioning of the work priorities of the organization and the reshaping of the secretariat to fit the refashioned priorities. This is what was undertaken at the Midrand Conference.

The Midrand Declaration elaborated work programmes in four areas – globalization and development; international trade in goods and services, including commodities; promoting investment and enterprise; and services infrastructure for trade and development efficiency. The Midrand Declaration also specified a number of cross-cutting issues that should influence all the remaining work programmes. They were sustainable development, poverty reduction, empowerment of women, the least developed countries and cooperation between developing countries. The least developed countries were repeatedly cited as the countries most in need of UNCTAD's services, and Africa (where a majority of countries were least developed countries) was also given special mention. Furthermore, the UNCTAD secretariat was told to connect more with civil society, including non-governmental organizations and groups of outside experts.

Rubens Ricupero detailed the organizational changes that he oversaw in the wake of Midrand: "[Twenty-five] separate work programmes and subprogrammes were replaced by one programme consisting of five subprogrammes; the number of intergovernmental bodies was halved; the number of meetings cut to a third of what it was in 1992; the number of divisions in the secretariat was reduced from nine to five." All together, UNCTAD was both shrunk and streamlined. It would have been a chastening experience for any bureaucracy, but for UNCTAD the chastening had a silver lining. It had been given a new lease of life, and it still had a mandate to assist developing countries, even if that assistance now took a reduced and different form.

Mark Mazower summed up the reshaping of UNCTAD as follows: "UNCTAD was turned into a harmless accessory to the extraordinary transformation of capitalism that... took place under President Ronald Reagan and his successors." This is something of an exaggeration, since UNCTAD in its first 20 years had been more responsible for creating a high anxiety and politically embarrassing challenge to the powers that be than doing them any substantial harm, and many aspects of the organization's new mandates could be regarded as useful endeavours regardless of one's attitude to the merits of economic neo-liberalism.

D. Growing points

The reshaped organization had a number of growing points – areas of activity that could grow and develop in the future. During the period when Boutros Boutros-Ghali was the United Nations Secretary-General, one aspect of United Nations reform was the attempt to subordinate all economic work of the United Nations to that of the Bretton Woods institutions, and reforms to the Department of Economic and Social Affairs of the United Nations were undertaken in this vein. As a by-product, UNCTAD gained some additional functions and people. The United Nations Centre on Transnational Corporations, established in 1974, had been briefly moved under the Department but in 1993 the Centre was abolished. Its work and part of its resources and personnel were transferred to UNCTAD that same year. They became part of the new Division on Investment, Technology and Enterprise Development. The first two issues of *World Investment Report* for 1991 and 1992 had been published under the previous regime, but from 1993 the responsibility for researching and publishing the report passed to UNCTAD. Karl Sauvant, who had founded the *World Investment Report* and had been transferred with it (against his wishes) to UNCTAD, provided continuity of leadership and remained as its editor until 2004.

The *World Investment Report* provided UNCTAD with another flagship publication in addition to the *Trade and Development Report*. Its focus was on the provision of information on flows of FDI, and on the activities of transnational corporations, while concentrating attention on advocating the benefits that FDI could generate. Its tone was therefore quite different from the much more critical stance to FDI and transnational corporations that the United Nations Centre on Transnational Corporations had taken in the 1970s. The emphasis was on researching the geography of FDI flows and examining their potential benefits. There was hardly any analysis of the potential negative consequences of FDI. The *World Investment Report* analysed the determinants of FDI, distinguishing new investment from mergers and acquisitions, which were very popular in the 1990s as developing countries privatized their State enterprises. Policies for attracting FDI were discussed, as the traditional advantages of developing countries of natural resources and cheap labour were believed to be losing some of their pulling power.

The new approach was applied to the analysis of transnational corporations. The focus was on explaining their motivation and strategies, with the aim of helping Governments to adopt more sophisticated relationships with them. The criticisms of the past were mentioned but always with a view to helping Governments to overcome them. The point that FDI could create enclaves within the host economy was turned around positively, by noting that if transnational corporations could create links with local companies, then the host economy would gain the greatest benefit from FDI. All of this was inconsistent with UNCTAD's traditional approach to FDI, which was much more cautious. However, it was in line with the "spirit of Cartagena".

UNCTAD had begun a series on in-country policy reviews on science and technology policy, which were modelled on a previous OECD series. Taking up this idea, Karl Sauvant launched a series of *Investment Policy Reviews* in 1999. On the basis of the rather uncritical analysis of the *World Investment Reports*, the United Nations Development Programme and various bilateral donors were happy to finance the series. At the request of a Government, an UNCTAD team worked closely with the relevant authorities of a country to identify the country's comparative advantages in attracting FDI. This analysis fed into recommendations of measures to improve the context in which both foreign and domestic investors had to navigate. Usually, this meant the removal of any policies and regulations that could be perceived by potential foreign investors as restrictive. The third step in the sequence of assistance was to jointly monitor progress and identify remaining technical assistance needs.

Since 1984, UNCTAD had made a special effort to analyse the conditions of the least developed countries in its *The Least Developed Countries Report*. At Midrand, the special relevance of UNCTAD to the least developed countries and to Africa had been repeatedly emphasized. As previously noted, the least developed countries had long been an UNCTAD concern. Allied with this concern had been activities in support of subgroups of member States linked by sharing special economic environments – for example, being small or island States or being landlocked States. Africa as a region had also been identified as deserving special attention and treatment. All of these subgroups have been supported with their own programmes and activities, but the most visible manifestation of UNCTAD's effort on their behalf have been *The Least Developed Countries Reports*.

After 2000 the reports were issued biennially, but since 2006 they have been published annually at the request of member States. Until recently, *The Least Developed Countries Reports* were ably directed by Charles Gore. A major focus has been poverty reduction. Topics have included methods of calculating internationally comparable poverty rates, critiques of existing approaches to poverty reduction, the consequences for poverty arising from trade liberalization and how least developed countries can improve their domestic production capacity. Reform of the multilateral trade system is another recurring theme.

Apart from being a comprehensive source of data, the reports identify the major policy challenges and recommend international support measures. They explore creative strategies for overcoming the current obstacles to the use of trade to promote development. However, they make clear that the obstacles to accelerated development in the least developed countries go beyond the problems of the economy narrowly defined and include social and geographical factors.

A final growing point for UNCTAD, which is last but certainly not least, is its collection and provision of statistics in the areas of its mandates. Its international trade statistics are unrivalled in their comprehensiveness and level of fine detail. The UNCTAD Trade Analysis and Information System is renowned for the quality of its inventories of trade barriers, for example, and the World Bank was greatly indebted to UNCTAD for its pioneering work in this area. In contrast, although the WTO has the means to collect trade data – and indeed sometimes argues that its data are more reliable than those of UNCTAD – access to its data is quite unreliable. The UNCTAD FDI database is comprehensive and unique, covering not only investment flows, but also the economic impact, such as employment generation, exports by foreign affiliates and operations of transnational corporations.

The scope of the data that UNCTAD collects and processes extends well beyond trade and FDI data. It includes commodities, economic trends, external financial resources and maritime transport, among others. This work is a great service to member Governments, other international organizations, non-governmental organizations and academia. It is widely appreciated and is a contribution in which UNCTAD has a considerable comparative advantage.

By the mid-1990s, UNCTAD had survived the threat to its existence, albeit in truncated form, and had found several new sources of organizational growth. Ahead of it lay important decisions about how it would cooperate with the WTO. The sudden and unexpected arrival of the WTO as the missing “third pillar” of the international economic architecture raised a number of centrally important issues for UNCTAD. Would its Uruguay Round strategy of encouraging developing countries to join the GATT and participate in trade negotiations in that forum deliver the developmental benefits that it seemed to promise? More generally, what would be the outcome of the globalization process in which UNCTAD had joined so many other international institutions in placing both its faith and its credibility? The answers to these questions came with unanticipated speed and strength.

CHAPTER VII
UNCTAD ADJUSTS TO THE WORLD TRADE ORGANIZATION

A. The shock of the new

Up to 1964, the GATT had been an interim and very limited international arrangement – hardly worthy of being called an institution. Although it had facilitated lower tariffs for industrial goods and a big expansion of the trade of developed countries, it was vulnerable to criticism by developing countries. It had been willing, for example in the case of trade in textiles, to condone the breach of its own principles in order to protect the industries of developed countries against the competition of textile-exporting developing countries. By contrast, UNCTAD was able to claim a more comprehensive coverage of the trade scene for its membership since, besides having many developing countries as members, it also included the State-trading countries of the Soviet bloc. The establishment of UNCTAD catalysed some reforms of the GATT, including in 1967 provisions for the "special and differential treatment" of developing countries that imposed a lower level of obligation on them. The main effect of this, however, was that for 20 years developing countries kept their distance from the GATT, instead of engaging in its negotiations. As the scope of the GATT's ambition enlarged beyond trade in goods and the reduction of tariff and non-tariff barriers to it, the UNCTAD secretariat encouraged developing countries to participate more actively in the GATT.

After the collapse of the Soviet bloc had begun and negotiations under the Uruguay Round had progressed further, a Canadian proposal for a universal trading organization into which the GATT would be nested gained unexpected political traction. This was not at all what UNCTAD had wanted. It had argued against a rule-based trading system, as its consistent opposition to reviving the idea of an International Trade Organization demonstrated. Now UNCTAD faced a new institution, which like the International Trade Organization and the GATT, would be a rule-based system in form but much enlarged in substance. The Group B countries were well aware of the UNCTAD position and so had to make strenuous efforts at UNCTAD IX at Midrand to delineate clear boundaries between the respective competences of the WTO and UNCTAD, presumably in order to frustrate the conflicts that would be possible if their competences overlapped in any way.

The respective competences had not only to be strictly separated, but also to be made complementary if UNCTAD were to survive. Contemporary doubts about whether UNCTAD had become redundant and dispensable have already been mentioned. As Rubens Ricupero put it: "When finally [the WTO] came into being, of course people began to ask, 'Why should UNCTAD continue to exist if you have a trade organization that should represent all countries in the world?'... there was serious consideration for the abolition of UNCTAD." By the time of the Midrand Conference, however, the option of abolition had already been rejected. The question there was, "what was to be the approved modus vivendi?"

The Midrand Declaration heavily praised the fledgling WTO for "opening new opportunities for sustainable development and growth". UNCTAD was also lauded for responding to the changes and challenges involved and attempting to "give real and new meaning to the partnership for development". UNCTAD secured a mandate for a workshop – eventually held in June 1999 – that would focus on the "definition, development and consolidation of a positive agenda for LDCs [least developed countries] and low-income countries in preparation for WTO negotiations". The idea was to steer developing countries away from a reactive and defensive stance towards international trade negotiations, to a more proactive one. To help them make this change, the secretariat provided expert advice, but also analytical tools and training in their use.

UNCTAD's main effort at this time was its positive agenda for trade and its assistance to developing countries to join the WTO and to participate in the WTO trade negotiations. Although UNCTAD conducted a number of studies with a view to influencing negotiations at the WTO, not many of these ideas actually found their way to the WTO. The only exceptions were a few ideas on special and differential treatment that subsequently were introduced into the WTO discussions.

Other capacity-building activities of UNCTAD on trade-related matters include assisting States to improve their export capabilities. Its contribution to the International Trade Centre has already been mentioned, but it deployed other modalities, including trade facilitation. This involves the identification of particular administrative practices that hinder trade in goods, such as confusing rules, inappropriate fees and cumbersome administrative procedures, all of which create delays in shipments across borders. UNCTAD then advises the country concerned on how to implement appropriate alternative measures.

An aspect of trade facilitation to which UNCTAD has devoted special attention is the modernization of customs procedures. It developed the Automated System for Customs Data, known as ASYCUDA, that provides an electronic replacement for paper-based customs systems. The aim of the UNCTAD ASYCUDA programme is to reduce transaction costs and delays in getting goods through customs, while at the same time improving revenue collection and, by increasing transparency, reducing corruption. By 2012, ASYCUDA software was in use in 90 countries, supported by a network of regional centres.

As with support for trade negotiations, this work is complementary to that of other international agencies. It is important to the WTO because its members have committed themselves to a new agreement on customs valuations that outlaws the overvaluation of imports as a means of trade protection. It is also important to the IMF, whose Articles of Agreement include among its objectives the promotion of international trade. Its Fiscal Affairs Department is concerned with the problem of domestic revenue mobilization, including taxes on trade, and the prevention of leakage of customs revenue through corruption is an important aspect of this problem.

At the same time, these agencies (and others like the World Customs Organization based in Brussels) all offer technical assistance in the area of customs administration. It has been pointed out that ASYCUDA is a stand-alone programme, without much linkage to other activities of the UNCTAD secretariat, and is therefore vulnerable to transfer elsewhere. The question of agency complementarity versus agency competition is addressed in the final chapter. Here it suffices to say that several international agencies dealing with the same problem area does not ipso facto constitute a decisive criticism of any of the agencies involved or of the United Nations system.

Another UNCTAD trade facilitation initiative that had much less substance and impact was the establishment of the Global Trade Point Network after 1992. The underlying premise was that small and medium-sized enterprises would require assistance in accessing electronically the commercial information that they needed to be able to export efficiently. It was therefore necessary to set up a single Trade Point in each country that would act as a central clearing house for such information and a training point for its use. UNCTAD contributed technical assistance to get each Trade Point operational, but the local private sector and donors provided the funding.

The system now exists in 35 developed countries, 26 developing countries and 10 least developed countries. It responds to the need for the United Nations to be seen to be working in collaboration with the private sector, and to the private sector's interest in sporting the United Nations badge, but the actual impact of Trade Points on the export performance of developing countries remains a matter of speculation.

B. Confrontation displaced

Many people seemed to think that the "defanging" of UNCTAD and the birth of the WTO in 1995 would put an end to North–South confrontation on issues of international trade. If that naïve belief or hope existed, it overlooked the new ways in which the WTO trade rules were more constraining than those under the GATT. For a start, they were more extensive in scope. The GATT was itself extended in 1994 to encompass agreements on trade in goods in 12 new areas, including agriculture, sanitary and phytosanitary measures, textiles and clothing, technical barriers to trade, trade-related investment measures and customs valuations. There were other entirely new agreements. One element in this additional system of trade rules was the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. Other new elements were the General Agreement on Trade in Services and Trade-Related Investment Measures. The obligations of WTO membership were thus very much wider than those of the GATT.

These obligations had also been extended in their encroachment on national sovereignty. The situation prior to the WTO was that GATT members had to comply with GATT rules only to the extent that they were not incompatible with domestic law at the date that the GATT came into force. This GATT "grandfather clause" required members only to refrain from future legislation that conflicted with the rules. By contrast, article XVI.4 of the Marrakech Agreement Establishing the World Trade Organization requires that each member "shall ensure the conformity of its laws . . . with its obligations" under the WTO Agreements. This requires members to change all pre-existing domestic legislation that does not conform to WTO rules. This is a much deeper encroachment on national sovereignty.

Perhaps the most important change, from the viewpoint of the developing countries, was to the definition of "differential and more favourable treatment" of developing countries. The definition had been formally incorporated into the GATT rules in 1979 at the end of the Tokyo Round. It had been recognition of the General System of Preferences on a non-reciprocal basis that had been negotiated in UNCTAD, and of the right of developing countries not to accede to the various additional codes – namely, technical barriers to trade and other non-tariff measures – to which the developed countries had signed up during the Round. "Differential and more favourable treatment" of developing countries suffered a massive dilution in the rules of the WTO. Previously, it had meant a lower level of obligation for all developing countries. Since the Marrakech Agreement came into effect in 1995, with but few exceptions, it largely has meant only a longer time frame for implementation of the enhanced commitments that are applicable to all except the least developed countries.

It is something of a puzzle that, in the face of these wider and deeper obligations, developing countries rushed to apply for WTO membership. However, that is exactly what happened. Some 45 developing countries were among the original 76 GATT members that had been involved in the Uruguay Round negotiations. Then in the course of 1995 alone, a further 29 were admitted to WTO membership, and by 1999, another 19 had joined.

Clearly, UNCTAD's encouragement and assistance were influential in the speed and scale with which developing countries joined first the GATT and then the WTO. No doubt the larger features of the international scene also exerted an influence. The dissolution of the Soviet Union seemed to rule out any policy option other than embracing globalization in the expectation of faster growth through trade and foreign investment. A new generation of leaders in the developing countries did not want to exclude themselves from globalization and from riding what seemed to be the wave of the future. Up to then, the riskiness of globalization for countries in the developing world (and indeed for Europe itself) was not fully appreciated. This began to be brought home to policymakers in dramatic fashion when the Asian financial crisis erupted in Thailand in July 1997.

Few had expected a financial collapse in Asia, let alone one that triggered the largest financial bailout hitherto experienced. Nevertheless, a sudden loss of confidence in the Thai baht set off a wave of financial contagion that hit some of the fastest growing economies of the world, including that of the Republic of Korea. Although many hastened to pin the blame for the collapse on so-called "Asian crony capitalism", this was a red herring. It ignored the fact that close and sometimes corrupt business–Government relations existed before the crisis and continued to exist when it was over. The shortcomings of international capital markets were more to the point. In the wake of rapid financial liberalization, short-term capital seeking a quick return on rising private asset prices flowed in and then, in herd fashion, flowed out in response to a sudden reversal of market confidence.

The crisis also raised doubts about the IMF's ability to manage the consequences of herd behaviour in private financial markets. The IMF's rescue programmes, which included the immediate closure of weak banks and other financial institutions and the raising of interest rates, seemed to many to be counterproductive. The

Government of Malaysia defied IMF advice and imposed mild capital controls. A rare public disagreement about the rescue plans blew up between the IMF and the World Bank (in the person of its Chief Economist, Joseph Stiglitz). The World Bank was providing additional finance to countries that had accepted the IMF bailout packages. Stiglitz, though, deplored the design of the packages. The consensus on the benefits of globalization, and the competence of existing international institutions in managing globalization, was unravelling.

Just before the Asian crisis broke, the plans of OECD countries for a multilateral agreement on investment leaked into the public realm. The OECD believed that the new General Agreement on Trade in Services, TRIPS and Trade-Related Investment Measures of the WTO did not go far enough in protecting foreign investors and wanted an agreement on investor protection that non-OECD countries could join if they wished. This news created an uproar from civil society groups. They feared that the terms of a multilateral agreement on investment would make it impossible for developing countries to regulate foreign investment. In the face of the opposition of non-governmental organizations, France withdrew its support for the agreement in October 1998 and Australia and Canada soon followed. While this made further progress on a multilateral agreement on investment in the OECD impossible, the proposal was blended into proposals on trade and investment already under study at the WTO.

However, a leadership crisis was brewing at the WTO. The first Director-General, Renato Ruggiero, was reaching the end of his term, and two candidates topped the shortlist to succeed him, Mike Moore of New Zealand and Supachai Panitchpakdi of Thailand. Moore commanded the support of the United States and the OECD countries, while Supachai had the backing of many of the developing countries. Neither candidate achieved a significant lead over the other after months of lobbying. Developing country members may have believed that their numerical superiority would win the day for Supachai, but the United States refused to withdraw its opposition to him. As the deadlock could not be broken, the post was offered to each one in succession – to Moore from 1999 to 2002 and to Supachai from 2002 to 2005. In terms of age, political affiliation and high-level experience there was little to differentiate the two candidates. Presumably, the United States thought that Supachai would be less likely to rally developing country support behind the multilateral agreement on investment proposal than Moore, whose country was fully in favour of it.

The deadlock over the WTO leadership indicated great stubbornness on both sides, another symptom of continuing North–South differences. Trade and development continued to be a bone of contention between the OECD and the developing countries, even though UNCTAD was no longer the forum in which the different groups clashed. Despite the persuasive power of the idea of globalization and despite the swift move of developing countries into WTO membership, what happened was not an end to confrontation, but rather the displacement of confrontation from one location to another.

The confrontation became most extreme at the Third WTO Ministerial Meeting held in Seattle, the United States, in November 1999. The purpose of the meeting was to launch a "Millennium Round" of trade negotiations. The United States trade negotiators held a "bicycle theory" of trade liberalization – that unless a rider kept on pedalling forward, the rider would fall off. On that theory, starting new negotiations was necessary, however unpropitious the circumstances. In late 1999, they were indeed unpromising. Because of the late appointment of Moore, no agenda had been agreed for the Seattle meeting. United States civil society groups and labour unions were better prepared. They had organized their protests, particularly against the inclusion of a multilateral agreement on investment in WTO agreements. These protests were the largest ever seen in the United States against any international organization. As battles with the police were fought on the streets, it became impossible for the delegates to reach any agreements.

While the OECD countries tried to pedal onward with their own agenda, the developing countries refused to take on any fresh obligations until the actions promised by developed countries at the end of the Uruguay Round, for example on trade in textiles, had been fully implemented. The proposed Millennium Round was lost in the final chaotic scenes of confusion.

C. The Bangkok consensus

Rubens Ricupero was badly bruised by the events of Seattle. He took a strong stand against the launch of a new WTO round and came under very strong counter pressure from Group B countries to retreat. He felt let down by the lack of support from the more powerful developing countries, although they actually opposed the launch of a new round as well. The limitations of UNCTAD's positive trade agenda were becoming apparent.

The first international meeting of the new millennium was the tenth session of the Conference (UNCTAD X), which was held with a certain intentional symbolism in Bangkok. The President of the Conference was Supachai Panitchpakdi, the Foreign Minister of Thailand who had previously been in the Ministry of Finance during the Asian crisis. He will loom large in a later chapter of our story. One of his objectives was to signal the end of the Asian crisis and proclaim that Thailand was open for business as normal. Another more general aim was to emphasize again the importance of meeting development objectives as Governments took decisions to liberalize and globalize their economies.

The 10-day duration of UNCTAD X was shorter than previous Conferences, and the scope of participation was much more inclusive. Alongside the delegates from member States, speakers included Heads of State and Heads of Government, heads of the major international economic institutions, representatives of parliaments, the business world and non-governmental organizations and distinguished academics from the trade and development field. It was a rich and varied diet of speeches, and different views on globalization were freely expressed. Rubens Ricupero put a positive spin on the fact that UNCTAD “does not set rules on trade and investment, has no enforcement authority and does not resolve disputes involving the national interests of its members”. That was why, he argued, it was able to host a Conference relatively unfettered by inflexible positions taken up in advance.

This was especially important in the aftermath of the debacle at Seattle. As Ricupero said later of the Conference:

> There is no denying, everybody recognized that it was a contribution to the healing process, because it was organized with the idea of bringing everyone together. Michael Camdessus was there, alongside Mike Moore, Jim Wolfensohn. Everyone discussed what had taken place in Seattle... we were not going to launch any process of negotiation, so people could come and discuss in a relaxed way. So I don’t think it’s bad to have a place where you can test ideas, where you can discuss them.

Given that an UNCTAD Conference needs to be planned a year in advance and could not be suddenly replanned in the light of events occurring two months previously in Seattle, UNCTAD X was a considerable success. The emphasis was undoubtedly on UNCTAD as a broker of consensus, but this was not done by handing down a new set of policy points – there were 12 in this case – in the same style as the Washington Consensus. The idea was to organize a process that would help greater consensus to emerge, and in that the Conference succeeded.

Events had already shortened the ideological spectrum – and shortened it at both extremities. The end of the cold war had disposed of several policy stances on the left spectrum. Apart from the Democratic People's Republic of Korea, hardly any country adhered any longer to the belief that economic isolation or autocracy was the optimal path to development. Most countries had also realized that if they permitted accelerating inflation and a growing balance of payments deficit, they would place themselves at the mercy of lenders of last resort. As a result, macroeconomic stability had become accepted as a reasonable policy aim. Finally, the State monopoly of extensive sectors of production had been shown to be generally very inefficient, so nationalization had faded as an attractive policy.

On the right end of the spectrum, extreme policy options had also been discredited. A series of financial crises had revealed the tendency of unregulated capital flows to generate bubbles and financial collapses. As the Prime Minister of Singapore put it at UNCTAD X: "Today capitalism is everywhere triumphant... and that may pose a challenge." Although the depth of that challenge was not realized in 2000, the Asian crisis had bred a healthy awareness of the risks of highly mobile forms of foreign investment. The Washington Consensus was beginning to crumble. The argument that growth had to precede poverty reduction policies was losing its grip on the official mind by the 1990s, and that the agricultural protection regimes of developed countries damaged the development prospects of poor farmers in developing countries, was being acknowledged in rhetoric, if not yet in actual practice. Both ends of the ideological spectrum had shortened, and more people were closer to the middle than they had been before.

At the end of UNCTAD X, the organization had re-established its credibility vis-à-vis the WTO. Things were going badly in the WTO, so participants came to Bangkok to sharpen their arguments and refine their negotiating positions. The debates had also induced a greater receptiveness in sister institutions to the varied concerns of the developing countries about the problems and challenges of globalization that they had to deal with.

Yilmaz Akyüz, UNCTAD's chief economist at the time, put the matter succinctly:

> When policies falter in managing integration and regulating capital flows, there is no limit to the damage that international finance can inflict on an economy. It is true that control and regulation over such flows may reduce some of the benefits of participating in global markets. However, until systemic instability and risks are dealt with through globalization... the task of preventing such crises falls on Governments in developing countries.

D. The Doha "Development" Round and China's entry

The World Trade Center in New York City had been a terrorist target at least since February 1993 when the underground garage of the North Tower was bombed. Both towers were destroyed with horrific loss of life in the Al-Qaida attacks of 11 September 2001. The attackers evidently saw the World Trade Center as no less a symbol of American global power than the White House and the Pentagon. Just two months after the attacks, the Fourth WTO Ministerial Conference met in Doha. Because of the 11 September attacks, there was an extra strong political resolve to push ahead with a new round of negotiations, partly out of solidarity with the United States and partly in the hope that to do so would build confidence in the face of recession and terrorist threats.

There was unfinished business from the Uruguay Round for the negotiations to tackle concerning the liberalization of trade in agriculture and services. This was opened up into a broader agenda, including the further reduction of tariff and non-tariff barriers, reconsideration of "special and differential treatment" and greater flexibility of the TRIPS rules on pharmaceuticals in relation to public health. The last two items were designed to build cohesion between the developed and the developing countries and, along with the central emphasis on agricultural liberalization, were the justification for presenting the Doha Round as a "development" round.

Brazil was already a member of the Cairns Group of agricultural countries, but wanted a stronger pro-liberalization stance than the one Australia was taking. Before the Fifth WTO Ministerial Conference in Cancún, Mexico (2003), Brazil took the initiative in organizing a Group of 20 in the WTO, a fluctuating group of developing countries that pressed the European Union and the United States for greater liberalization of agriculture than they were willing to concede. The WTO Group of 20 effectively turned the free trade argument against those countries that preached it and yet at the same time heavily protected their agricultural sectors. It echoed the original North–South confrontation but gave a novel twist to it, challenging the Group B countries to live up to the principles they urged on other countries.

The Cancún meeting was notable for two successes for developing country negotiators. One was the waiver of TRIPS obligations during public health emergencies. The other was the removal of the Singapore issues from the Doha Round agenda. Preparatory work had started on four issues in Singapore in 1996. They were government procurement, trade and investment (i.e. the incorporation of a multilateral agreement on investment), trade and competition, and trade facilitation. Developing countries made it clear that they did not want WTO rule-making to be extended into these new areas, as long as the implementation of what had been agreed in the Uruguay Round had not been completed. They succeeded in having them taken off the negotiating table, although trade facilitation later reappeared on the table – not as proposed new rules, but in the form of proposed improvements to existing rules.

Brazil then hosted the eleventh session of the Conference (UNCTAD XI) in São Paulo in 2004. The São Paulo Consensus document issued by the Conference reflected what had happened at Cancún. Most significantly, it included a short paragraph that noted the importance for all countries of striking an "appropriate balance between national policy space and international disciplines and commitments". It stated: "It is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints imposed by the loss of policy space." In other words, globalization was not so much an overwhelming external force as a matter on which Governments should deliberate and decide. This was the first time that the need of all countries for appropriate policy space had been recognized in the language of official United Nations discourse.

That the Group B countries very fiercely resisted it, and that they interpreted its inclusion as a negotiating failure, says much about the state of international power relations. The main concern of Group B was that the mention of "policy space" would have implications in other official forums, particularly the WTO. The Group B countries suspected that developing countries would plead the need for policy space in the WTO as a way of avoiding their multilateral commitments. The Group of 77 was more concerned to avoid new multilateral commitments than to defect from existing ones.

In defining the continuing mandate of UNCTAD, its role at the international level, and not merely as a technical assistance body operating at the national level, was reaffirmed. UNCTAD's responsibility to support the Millennium Development Goals was acknowledged. This was an implicit rejection of Northern attempts to exclude UNCTAD from research and policy analysis on global issues of trade and development and to put that task instead exclusively into the hands of the IMF and World Bank.

E. Evaluation

In 2005, Rubens Ricupero stepped down as Secretary-General. As a former trade negotiator, he had put UNCTAD's weight behind the integration of developing countries into the new WTO trade negotiation machinery. The promise was that, once this had happened, that WTO machinery would deliver more development-friendly results. Certainly while he remained Secretary-General, this was, in one of his favourite phrases, "a credible hope".

In the 1990s, there is no doubt that developing countries, and not least those with weaker capacities in the trade area, did involve themselves more proactively in WTO negotiations. One of the outstanding results was the emergence of a negotiating group for Africa inside the WTO. This began as a simple voluntary agreement between some African countries to exchange information about their proposed negotiating positions. It soon broadened into a more institutionalized arrangement with States offering to act as the group's convener for a set period of regular meetings, where the positions of countries on key issues were not only discussed but also proposed actions were mutually coordinated. Not surprisingly, agreement was not possible on every issue, but coordination was still possible through agreement not to block progress on issues where some members had a strong interest.

The African coalition scored one notable success – the legitimization of the trade in generic rather than branded medicines, under certain circumstances. The relationship between intellectual property rights and trade covered under the WTO TRIPS agreement allowed countries to infringe the patents only of domestic manufacturers for the home market. Countries that did not have any domestic manufacturing capacity were thereby obliged to import branded drugs at market prices, because trade in generic drugs was prohibited – even in the event of epidemics. The African coalition, with the support of countries such as India and Brazil that could potentially export generic drugs, secured a temporary waiver of this prohibition at the Cancún Ministerial Conference in 2003. Then in 2005, the coalition secured the first ever amendment to the TRIPS agreement that made the temporary waiver permanent.

UNCTAD was not alone in helping the African coalition to build up their technical and legal capacity. Nevertheless it made a sterling contribution to an inter-agency collective effort to support its endeavours. This example is important because it shows that, despite losing the status of being a negotiating forum on trade issues, UNCTAD in cooperation with various agencies remained able to bring about important changes in the trade rules indirectly, by means of research and technical support to the negotiating parties. It is also a prime exhibit of the value of coherence, both within the United Nations system and between the United Nations and civil society.

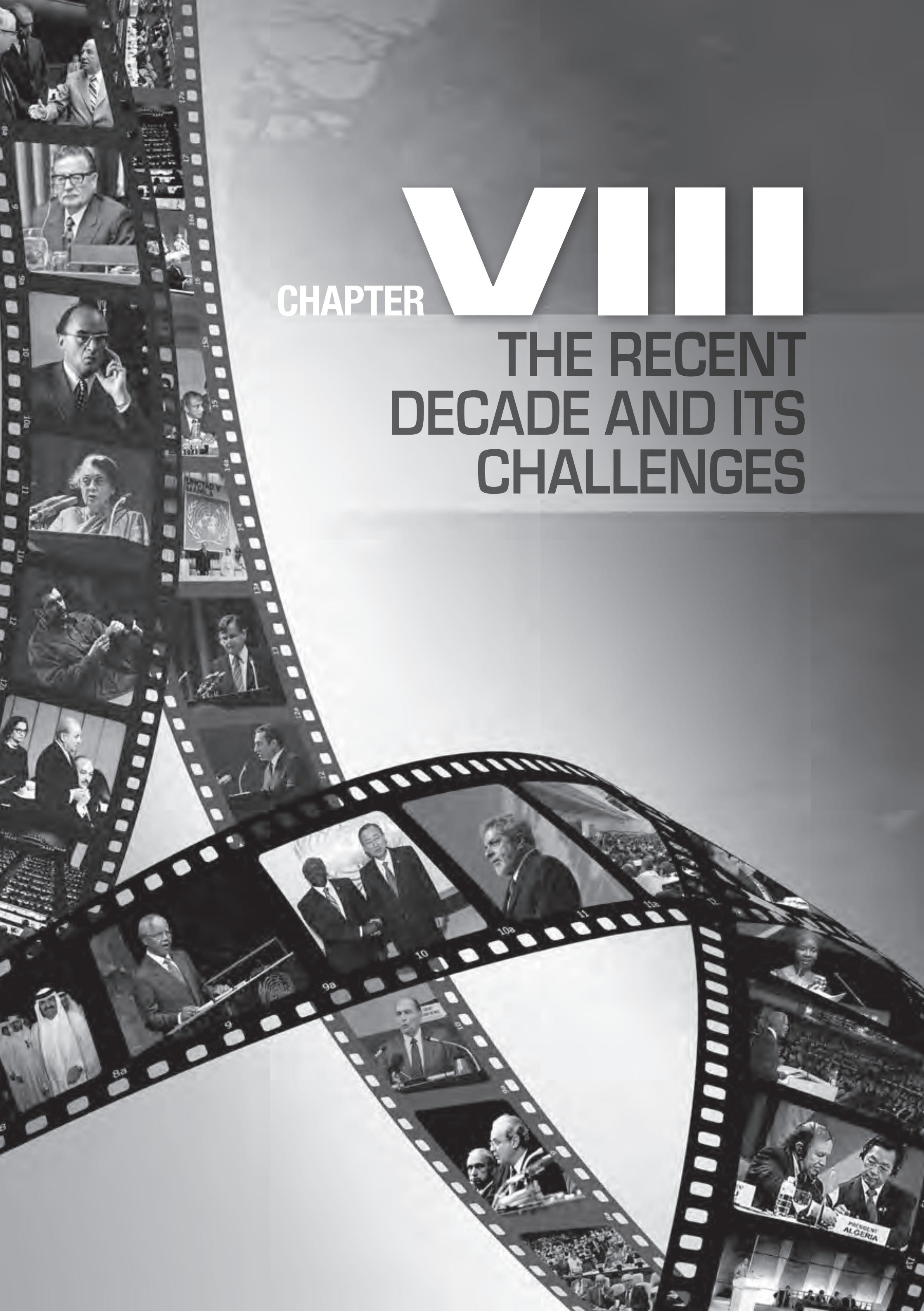
This rolling back of the TRIPS agreement, plus the removal of the Singapore issues at Cancún, was perhaps the high point of the success of the integrationist strategy. By the time of the WTO Ministerial Conference in Hong Kong, China, in 2005, it was starting to become clear that the participation of the developing countries in the WTO, especially after the entry of China in 2001, was one of the reasons why negotiations were growing more difficult to conclude. Those negotiating were more numerous than before and their positions were more diverse.

Despite the activism and pressure of the WTO Group of 20, little progress was made in reducing agricultural subsidies and market access barriers. Potential global gains that some analysts have estimated at $300 billion by 2015 continue to go unrealized. On market access, China still believes that as part of its development strategy, it needs to protect its nascent industries – the car industry, for example. So China and India have been unable to agree with the United States on the depth of reciprocal reductions in their bound tariffs on manufactured goods. This, rather than the deadlock over agricultural trade, appears to stand in the way of the completion of the Doha Round as envisaged in its work programme.

One commentator has dubbed the developing country members of the WTO as the “awkward newcomers”. They had different objectives from the founder members and were able to make them count in the negotiations. The brave vision of a WTO capable of delivering a development round began to dissolve. In retrospect, one might perhaps be tempted to conclude that UNCTAD had placed too much faith in the strategy of becoming active in the WTO as a route, through trade expansion, to the goal of inclusive and sustainable economic development.

CHAPTER VIII

THE RECENT DECADE AND ITS CHALLENGES



A. Fluctuating fortunes in international trade support

It might have been reasonable to expect that the appointment of Supachai Panitchpakdi, former Director-General of the WTO, as Rubens Ricupero's successor would give UNCTAD a boost in its international trade support work. This never really happened. The appointment was not a long planned one, but rather a surprise both to him and to UNCTAD. After a search process had rejected all the shortlisted candidates, United Nations Secretary-General Kofi Annan happened to meet with Jagdish Bhagwati, a Professor of Columbia University, who proposed Supachai for the post. Kofi Annan said he regretted not having had that idea himself. Because the Group of 77 had supported Supachai so strongly in the 1999 WTO contest with Moore, it was assumed that his appointment would have their backing. In fact, the Group of 77 was unhappy with this unprecedented move – a former WTO Director-General leading UNCTAD – and Supachai resented their reaction at the outset.

The upshot was that on arrival at UNCTAD, Supachai had to adapt quickly. He was now in charge of the organization about whose statements and actions he had received almost daily complaints while at the WTO and did not find this comfortable. He quickly distanced UNCTAD from the Doha Round debates and chose to emphasize investment as a major priority for the organization.

As the Doha Round – or Doha Development Agenda – became increasingly mired in disagreement, the WTO sought to expand its activities in the field of trade-related technical assistance for the least developed countries. Since 1997, the WTO had chaired the Integrated Framework to coordinate such assistance, and UNCTAD was one of the six core agencies – along with the World Bank, the United Nations Development Programme and others – whose work was to be coordinated. However, critics pointed out that the Integrated Framework was flawed by lack of resources and a design that did not ensure good integration of the assistance offered into national development policies. At the WTO Ministerial Conference of December 2005, when the trade negotiations were stalling, the WTO launched a review of the Integrated Framework. The review led to the Enhanced Integrated Framework for Trade-Related Assistance for Least Developed Countries, which became fully operational in 2010. It was a redesigned version of the Integrated Framework with the aim of improving the linkage of technical assistance to national development policies and attracting greater donor support.

The implications of the Enhanced Integrated Framework for UNCTAD were not helpful. Having been stripped of its trade negotiation mandate at Midrand, South

Africa, UNCTAD had been given an auxiliary role supporting the WTO's functions in trade rule-making and dispute settlement. With regard to what is now known as "aid for trade" – various assistance programmes to strengthen the supply capacities of developing countries, especially least developed countries, to help them to export more – that auxiliary role was now limited by the requirement to coordinate with the activity of other entities, including that of the WTO, under the WTO's auspices. UNCTAD had its own position on trade-related technical assistance. It had called for the meagre resources for trade-related technical assistance to be augmented, but wanted the augmentation to be truly additional, and not the reclassifying of existing aid commitments to inflate the aid for trade figures. UNCTAD also objected to aid for trade packages being restricted to countries that agreed to sign up at the completion of the Doha Round. Voicing these misgivings brought UNCTAD some opprobrium for stepping out of line.

However, the search for coherence in the United Nations system in the field of trade has not been wholly to UNCTAD's disadvantage. In 2005, Supachai floated a proposal in the United Nations Chief Executives Board for a cluster of United Nations agencies to work on trade-related issues. At the twelfth session of the Conference (UNCTAD XII) in 2008 in Accra, Ban Ki-moon gave UNCTAD the leadership role in a new inter-agency cluster dealing with trade and productive capacity. Since the low level of participation of poor countries in world trade is by no means determined exclusively by lack of access to international markets, this is a major field of endeavour and in line with UNCTAD's traditional concern with encouraging diversification away from primary commodity production. The fact that the number of United Nations agencies to be coordinated on a country basis has grown to 15 shows how well populated this field has become, where once there was only UNCTAD. It also shows the difficulty of coordinating the United Nations Inter-Agency Cluster on Trade and Productive Capacity, especially for UNCTAD, which has no in-country presence. Thus far the Inter-Agency Cluster has had impact in several countries, in particular where One United Nations pilot country programmes were already established, such as Rwanda and the United Republic of Tanzania, and in countries such as Cambodia and the Lao People's Democratic Republic, where members of the Inter-Agency Cluster coordinated their trade-related activities through the United Nations Development Assistance Framework.

B. The UNCTAD Panel of Eminent Persons

In recent years, there has been a tendency towards the fragmentation and mushrooming of loosely related activities within UNCTAD, with a consequent erosion of institutional focus, accompanied by a strong growth of competition – not only within but also outside the United Nations – in the area of trade and development. The UNCTAD mandates, so carefully negotiated every four years, do not do enough to curb the trend to proliferation of activities. Because they are consensus documents, the mandates contain language that is broad and flexible enough to cover a multitude of different initiatives and actions. The changing nature of the external world and the changing pattern of skills within the secretariat both invite innovation. New lines of action, once started, create their own constituencies and are hard to close down.

It may have been with some such thoughts in mind that in October 2005 Supachai established the UNCTAD Panel of Eminent Persons to advise him on the development role and impact of the organization. (He had made a similar move after taking office at the WTO when he commissioned the Sutherland report, which he found very useful.) One of his aims was to raise UNCTAD's profile, and the eight Panel members were well chosen to do that. Former President of Brazil Fernando Henrique Cardoso was the Chair, and the President of Finland, the former Presidents of Mozambique and the United Republic of Tanzania, the former Prime Minister of Norway Gro Harlem Brundtland and the Secretary-General of the Boao Forum for Asia were members. Professor Jagdish Bhagwati and the President of Harvard, Lawrence Summers, rounded out the Panel's claim to eminence, although the latter in fact never managed to participate in its work. Another five eminent persons joined the Panel in 2011, including the former President of South Africa Thabo Mbeki and the Vice-President of the Dominican Republic Margarita Cedeño de Fernández.

The Panel produced two reports, one in June 2006 entitled "Enhancing the development role and impact of UNCTAD", the other in May 2013 entitled "Addressing key economic issues to advance sustainable development: Ideas for actions".

The 2006 report gave credit to UNCTAD for a number of past achievements, such as pioneering the Generalized System of Preferences, regulation of trade in services, identifying the problem of tariff escalation and encouraging South–South trade. It noted that this record was out of line with the common perception that the organization had become redundant. In their efforts to set the record straight, however, the Panel made no reference to UNCTAD's work on macroeconomics and finance, despite the fact that in this area UNCTAD had also succeeded in "highlighting and analysing issues that often became salient in international policymaking later on" – issues such as the danger of excessive growth of financial securities relative to the growth of real GDP. The Panel had not included this area of work in its agendas of discussion, an omission that was in line with Supachai's initial intention to lower the profile of this area of work.

The Panel of Eminent Persons was not really able to chart a new direction for UNCTAD. The secretariat had a major role in drafting their first report. Of the report's 21 recommendations, its one substantive suggestion was that UNCTAD should seek a leadership role in some key emerging issues, such as aid for trade (a suggestion more or less already precluded by the Enhanced Integrated Framework), skills availability and the brain drain and an investment for development framework. The other 20 recommendations were about modalities and mechanisms. Some emphasized the need for partnerships with other international organizations and civil society, including greater interaction with think tanks and external experts. Others addressed questions of internal organization, such as the rationalization of the commissions within UNCTAD, its multifarious technical cooperation operations and its meetings of experts. The Eminent Persons did, however, produce the somewhat impractical idea of making the quadrennial conferences biennial, with a global trade, investment and development forum in the alternate year.

Supachai realized that the report would have little impact unless introduced into intergovernmental discussions, but both Group B and the Group of 77 reacted nervously to this. Neither group had requested a Panel of Eminent Persons and the report contained many suggestions that one group or the other disliked. Eventually, most of the benign proposals found their way into the negotiating text for Accra, but not the proposal of a biennial global trade, investment and development forum.

In the wake of these discussions, the secretariat decided to create two new multi-stakeholder platforms for inclusive discussions on investment and commodities issues – the World Investment Forum and the Global Commodities Forum. These platforms are similar in many ways to the United Nations Global Compact, a multi-stakeholder initiative that officially began in 2000. It is fair to say that the World Investment Forum has demonstrated considerable convening power. In 2010, it attracted 1,800 participants from 120 countries, including nine Heads of State. In 2012, it attracted 1,400 participants from 145 countries, including 30 least developed countries. The participants included a wide range of traditional invest-for-development stakeholders, such as chief executive officers of global companies, heads of investment promotion agencies, negotiators of investment treaties and civil society organizations, as well as new partners such as sovereign wealth fund executives, stock exchange managers and securities regulators. Nevertheless, it is still early days to judge the long-term effectiveness of these two new Forums.

Some of the secretariat's machinery was also streamlined. The number of commissions was reduced from three to two. The 400 technical assistance projects were reduced by half and then were grouped into 17 categories to improve transparency, coherence and interdivisional interfaces. Supachai established a trust fund to enable the participation of developing country experts in intergovernmental meetings. The overall number of UNCTAD serial publications has been reduced, but work on the flagship publications has also been strengthened.

A decision to fold the *Economic Development in Africa Report* into *The Least Developed Countries Report* may, however, have been motivated by other considerations, such as dislike of the *Economic Development in Africa Report's* critical assessment of FDI and a wish to detach the report from the influence of the analytical approach of the *Trade and Development Report*. Due to strong objections from many African delegations, however, the merger of the *Economic Development in Africa Report* and *The Least Developed Countries Report* has never taken place.

While UNCTAD was not able to seize the initiative on the trade front, its work on investment was given a new emphasis. One of the few suggestions in the Panel's report on subject matter was for UNCTAD to take the lead on investment policy. This laid the ground for an important change of emphasis in investment work, under the direction of James Zhan, and resulted in the Investment Policy Framework for Sustainable Development (2012). The tendency of the previous 15 years had been to give priority of emphasis to the freedom of investors – at the least to emphasize the need to dismantle regulations that discriminated against foreign investors and at the most to create an environment that was positively investor-friendly for domestic and foreign investors alike.

Work towards the Investment Policy Framework for Sustainable Development achieved two changes. One was to respond to the sustainable and inclusive growth imperative. The other was to generate a set of principles, national policy guidelines and options for international investment treaties to strengthen the sustainability and inclusiveness of a country's investment strategy. Such a policy toolkit is instrumental for changing the investment–development paradigm.

The first report of the Panel of Eminent Persons contained a few wild cards, but generally speaking it did put in motion some useful rationalization and consolidation of UNCTAD activities to set against the failure to seize the initiative in the trade arena. This was sufficient to create a benign atmosphere for UNCTAD XII, which convened in Accra in April 2008. Rapid rises in food prices were a major concern and led to a renewed call for UNCTAD to revive its work on commodities, which had fallen by the wayside since the 1980s. The São Paulo Conference had called for a new task force on commodities, but funds were never committed to make this possible.

The Accra theme of poverty reduction, which derived from UNCTAD's support of the Millennium Development Goals, was an opportunity to continue to seek agreement on how integration into the global economy could be made consistent with the reduction of poverty. This question is still especially pertinent for commodity-dependent developing economies with dominant extractive sectors. Despite more than a decade of high economic growth, in many of these countries the reduction in poverty has been slight or non-existent. In the oil, gas and mining sectors, domestic value added remains miniscule. In the agricultural sector, too, much remains to be done to assist developing countries in their ascent in the product value chain.

After the Accra Conference, the UNCTAD Special Unit on Commodities was created to assist commodity-dependent developing countries, for example by improving commodity exchanges and supply chain finance. New initiatives have since included the launch of the *Commodities and Development Report* and of a publication promoting smallholder agriculture and the formation of the inter-agency platform, the Agricultural Market Information System.

At Accra, UNCTAD's broad mandate was reaffirmed, including reinforcement for the investment for sustainable development initiative. The Accra Accord noted reassuringly: "Trade and development will remain a core preoccupation in the ongoing reforms of the United Nations, and UNCTAD will have a distinct role to play in carrying forward the trade and development mission of the United Nations." This was a satisfactory outcome for an organization that had been under siege at its previous Conference in Africa.

However, the developed countries did not agree the proposal of the Group of 77 and China for a new commission on globalization and development strategies. Instead, in a compromise, it was agreed that a regular item on globalization and development strategies be placed on the agenda of the annual meeting of the Trade and Development Board. Although there was a fleeting reference in the Accra Declaration to "the onset of current difficulties", it seemed to be assumed that the continuing growth of newly emerging economies would offset them, and that these economies would become the new engine of global growth.

C. The financial and economic crisis of 2007/08

The *Trade and Development Report* of 2004 had warned that "large disparities in the strength of domestic demand persist among the major industrial countries, and increasing trade imbalances among the major economic blocks could... increase instability in currency and financial markets". The *Trade and Development Report* of 2006 pointed out the anomalous and asymmetric situation in which global financial imbalances were being managed. It noted that, as far as developing countries were concerned, their current account deficits were dealt with when they applied to the IMF for drawings on their quotas. Such drawings were always accompanied by strict IMF conditionality. By contrast, when much larger deficits (and surpluses) arose between the major currencies of international trade and payments, they were dealt with in discussions between the countries issuing those currencies in the Group of Seven or Group of Eight. The IMF had no power in the matter and no conditionality applied with respect to the timing or magnitude of the required adjustment. Since deficits had to be financed, this was an open invitation to dangerous financial innovation. Moreover, since the deficits to be financed were by then very large, the risks involved in such large-scale financing had become systemic risks.

Once the financial crisis of 2007/08 triggered the strongest economic recession since the Great Depression, UNCTAD was able to claim credibly that this outcome had been predictable. The *Trade and Development Report* had laid out the conditions that were fomenting the crisis well before it happened, although it did not say – and could not have said – exactly when and how the bubble economy would finally burst. The epigraph for the *Trade and Development Report* of 2009 was Keynes's famous comment on the causes of the Great Depression: "When the capital development of a country becomes the by-product of the activities of a casino, the job is likely to be ill done." In the report, anonymous "policymakers" and "authorities" were roundly condemned for their blind faith in the efficiency of deregulated financial markets. They had allowed credit leverage to reach unprecedented levels and a casino economy to operate with inadequate capital requirements and supervision.

The authorities' reactions to the crisis of 2007/08 also came in for criticism. Monetary easing and large bailout packages were credited with preventing a total meltdown of the financial system, but they were faulted as insufficient to revive demand or prevent rising unemployment. The *Trade and Development Report* of 2009 envisaged a much broader policy agenda and floated a gamut of radical policy proposals. At the national level, the report recommended greater State participation in the ownership of banks, as part of a thoroughgoing restructuring and reregulation of the financial system. At the international level, policies of greater use of capital controls to buffer capital surges were recommended. So was the greater use of SDRs to neutralize the ill effects of the dominance of the dollar in the international finance. Most ambitious of all was the proposal for a new international monetary system based on maintaining the stability of real exchange rates rather than on the fixed but adjustable nominal exchange rates of the Bretton Woods era.

The *Trade and Development Report* 2010 saw signs of economic recovery led by growth in developing countries. It also noted that the coordinated policy of monetary easing and fiscal expansion of the previous year had given way to policy divergence in the developed countries, with Europe taking the path of austerity in the wake of the Greek debt crisis while the United States continued in reflationary mode. The main policy message was the need to achieve growth through the expansion of domestic consumption rather than the growth of exports. Since a rebalancing of domestic consumption between the United States and China could be deflationary, the report recommended a series of policies that could support employment creation there and in other countries. They included low real interest rates and the use of various instruments of industrial policy to encourage investment, and centralized wage bargaining to keep wages in line with productivity growth. Even more heterodox were the suggestions to find ways of strengthening trades unions as institutions for wage bargaining and the use of an incomes policy should inflation begin to accelerate.

The call for Governments to do more to promote employment raises the question of whether they have the fiscal space to do more. The *Trade and Development Report* of 2011 tackled that question. It recognized that fiscal deficits were not the result of fiscal profligacy in the pre-crisis period, but the result of automatic stabilizers coming into effect and the cost of bank bailouts and economic stimulus packages. As the countries of the European Union embraced austerity policies, the report argued that these were not obligatory or required because of the higher debt-to-GDP ratios that prevailed there then. The European Union countries were driven by a desire to appease the financial markets – the very markets that had been so blind to macroeconomic realities a few years previously. According to the *Trade and Development Report*, fiscal space is largely an endogenous factor. An expansionary fiscal policy will boost incomes and therefore tax revenues while reducing transfer spending, whereas a restrictive fiscal policy will reduce incomes and tax revenues and boost transfer spending. With these dynamics, austerity policies can become self-defeating, adding to fiscal deficits in the course of efforts to reduce them.

The arrival of the financial and economic crisis led UNCTAD to take up lines of research and advocacy that were more independent of the views and wishes of the Group B countries than had been the case in the previous four years. Supachai was able to relate the crisis to his own experiences of being lectured by the IMF in 1997/98, and he became personally very vocal in his speeches on the shortcomings of leading industrial countries. The exposure of the failings of deregulated financial markets and the macroeconomic policies of the leading industrial countries seemed to embolden UNCTAD to shake off the remaining vestiges of neo-liberal economic doctrines and strengthen its commitment to neo-Keynesian ideas.

D. The negotiations at the Doha Conference

Inevitably, Supachai's speeches and UNCTAD's more independent stance were not well received by the Group B countries. They had contested UNCTAD's mandate in relation to international monetary issues right from the very first Conference in Geneva. Sidney Dell had been convinced from the start that trade and development, the main theme of UNCTAD's work, could not be treated effectively or realistically outside of the international dimensions of money and finance, and he succeeded in securing an initial resolution setting up an expert study group to make recommendations on monetary reform.

The developed countries and the Bretton Woods institutions were unwilling to allow the United Nations to intrude into this terrain. They wanted monetary issues to be dealt with in international institutions with voting systems weighted in their favour, rather than the one-country-one-vote system of the United Nations. UNCTAD never tried to usurp the functions of the IMF and the World Bank, but it did claim the right to analyse macroeconomic and financial issues and to make recommendations that the IMF and the Bank were free to adopt or reject.

The developed countries were never fully reconciled to this arrangement and, in the 50 years since UNCTAD I, made sporadic attempts to close down this part of UNCTAD's mandate. Their most critical blow was the abolition of the Committee on Invisibles and Financing related to Trade in 1992 as an outcome of UNCTAD VIII at Cartagena, which left UNCTAD with no serious forum to discuss international monetary and financial issues. After the debacle of 2007/08 exposed the developed countries' poor stewardship of the international financial system, and UNCTAD had pointedly underlined the causes and consequences of their failure, the Group B countries returned to the struggle to shut off this source of criticism and alternative policy options. Their opportunity came at the thirteenth session of the Conference (UNCTAD XIII) in Doha in December 2012.

The Secretary-General's report to the Conference was an eloquent denunciation of the unevenness, instability and unfairness produced by finance-driven globalization. At the same time, the report explained how certain countries had been able to achieve strong economic growth. It called for an agenda of rebalancing in order to move towards more development-led globalization. This would involve efforts to build developmental States, making international institutions capable of more robust collective responses and strengthening South–South cooperation. It was a document that invigorated the Group of 77 and civil society, as it represented the alternative vision that they wanted UNCTAD to advocate. Supachai had the opportunity at the end of his term to distance himself from this document, but in fact he chose to defend it strenuously.

The Group B countries came to Doha in militant mood. The United Nations Joint Inspection Unit had just presented a report that criticized some of the practices of UNCTAD management. Although such reports would not normally have been on a Conference agenda, Group B insisted that this one should be discussed at Doha. The report was additional ammunition against the real target, the UNCTAD Division on Globalization and Development Strategies.

The case was made that UNCTAD's macroeconomic and finance work was duplicating the ongoing work of the IMF and the Bank and was therefore a waste of resources. In fact UNCTAD's analyses were very different from those of the Bretton Woods institutions. For example, in its 2006 annual report, the IMF had said that "the dispersion of credit risk by banks to a broader and more diverse set of investors", rather than warehousing such risk on their balance sheets, had helped make the "banking and overall financial system more resilient". Furthermore, such dispersion of risk would mitigate and absorb shocks to the financial system with the result that improved resilience might be seen in fewer bank failures and more consistent credit provision. One has to ask: how could any official institution become so completely captured by the groupthink of the private banking industry? This was after the *Trade and Development Report* of 2004 had already warned of the coming increased instability in currency and financial markets.

Group B's next line of attack was to concede that UNCTAD had been ahead of the intellectual curve before the financial collapse of 2007/08, but that by 2012 the IMF had completely revised its thinking, and the existence of this new and wiser IMF made the continuation of UNCTAD's work in this area redundant.

Given that since 1987 all UNCTAD Conferences have had to end with an accord – an outcome document – agreed by consensus that mandated the work programme of the next four years, the developing countries struggled to find an outcome that would not undermine UNCTAD's finance work. Some, such as Ethiopia, Indonesia, Morocco, Thailand and Tunisia, took a more emollient attitude, while other wanted to resist outright any clipping of UNCTAD's finance wings. The hardliners included Algeria, Bolivia, Egypt, Peru and Zimbabwe, with support from China. With the developed countries adamant in their demands, for most of the Conference it seemed that, for the first time since 1987, no consensus on the next mandate would be reached. Supachai wrote subsequently: "This complex environment made the negotiation of the Doha Mandate more difficult than that of many previous outcome documents."

The negotiation turned on whether the new accord should "build on" or "reaffirm and build on" the Accra Accord. The first phrase would have allowed part of the previous mandate to be cut out, while the second would prevent that. At the very last moment, the trade ministers of India and South Africa – who had prioritized a BRICS (Brazil, Russian Federation, India, China and South Africa) meeting in Mexico over the long-arranged UNCTAD XIII in Doha – arrived and took charge of making the final deals on wording with the European Union and the non-European Union OECD groups. The final Doha Accord contained the phrase "reaffirm and build on", thanks to the intervention of the BRICS heavyweights on the side of the Group of 77.

E. Long-term continuities and changes

What happened at Doha gives an insight into some of the long-term continuities and changes in the 50-year history of UNCTAD. One element of continuity is the periodic resurfacing of the North–South divide. Despite UNCTAD's change of tactics in the mid-1980s from confrontation to cooperation, the goal of partnership in the broadest sense has not been attained. This should not be surprising, since that goal was always unrealistic. Kenneth Dadzie, UNCTAD's first African Secretary-General who drove its tactical reversal and transformation, understood this perfectly well. As he put it in 1986:

> It seems most unlikely that in the near future there could be in a world of over 160 extremely heterogeneous nations a common, universal understanding of the meaning of development or of the measures and policies by which the development objectives of States may be attained. Whilst there are some areas of convergence, there remain wide differences of outlook and method as between developing countries and donors of development assistance.

He added that these differences had become crystallized in the frictions between the developing countries and the IMF and World Bank.

It is often argued that the North–South divide is artificial and misleading, since what the statistics show is a continuous spectrum of levels of development from the richest to the poorest countries. However, the divide remains real precisely because countries divide themselves into groups to champion the differing outlooks and methods to which Dadzie referred. Another element of continuity over the last 50 years has been the presence and stability of the OECD as the organization that constructs and represents the outlook and methods of the original 20, but now 34, rich countries that are its members. The Group of 77 – now with more than 130 members – was intended as a counterweight to the OECD, but has always been a less well-resourced and less stable organization. By now, it has become a collection of regional groupings, with New York defining the direction of the Group but without taking on board issues from elsewhere.

The events of Doha 2012 illustrate how the Group of 77 has changed since its inception. In the early years of UNCTAD, the Group shaped its general outlook and confrontational tactics, but relied very heavily for the construction of policies on the recommendations of the UNCTAD secretariat. This produced tensions between the Group of 77 and the secretariat when the policies failed to produce the expected results, but these were managed until the early 1990s. Although the effect of Dadzie's procedural changes at UNCTAD VII was to disempower the Group of 77's block voting tactic, Dadzie himself kept very close relations with the Group, even during General Assembly sessions when the Department of Economic and Social Affairs of the United Nations was keeping its distance. It is noteworthy that since Dadzie, no regular meetings have taken place between the Group of 77 and an UNCTAD Secretary-General.

Ever since Pérez-Guerrero's abortive attempt to animate the creation of a Group of 77 secretariat (referred to in chapter IV), the absence of such an institution had complicated the position of the UNCTAD secretariat. Shridath "Sonny" Ramphal acknowledged the problem: “We tried to turn UNCTAD into the [Group of 77’s] secretariat, and of course the inevitable happened. The big countries who were paying for UNCTAD said, ‘We are not going to allow you to do this.’ So we don’t have it in UNCTAD.” A permanent independent research secretariat for the South was the logical extension of the brief existence (1987/90) of Julius Nyerere’s South Commission, but it took a further five years before the establishment of the South Centre in Geneva as an intergovernmental organization. Many who were sympathetic to the aspirations of the South felt that this was not only too late but also too little. According to Adebayo Adedeji, “the South Centre was established by Nyerere to set up a kind of south OECD. I think Nyerere died a frustrated man because he could not realize that goal. The South has the capacity of generating enough resources to do that. But it simply refused.” Nevertheless, in place of Nyerere’s grand ambition, the South Centre today flourishes as a smallish think tank that produces good research and powerful advocacy in the original spirit of the Group of 77.

The South Centre is not the only new organization that provides research and advice to developing countries on trade and development matters. The International Centre for Trade and Sustainable Development, a non-profit non-governmental organization, was set up in 1996 in Geneva. The United Nations Development Programme, which had in the past been generous in supporting UNCTAD’s technical cooperation, entered the trade and development arena in the late 1990s under the auspices of the Enhanced Integrated Framework and now does its own analytical and substantive work in this field. These new undertakings mean that the symbiotic link between UNCTAD and the Group of 77 has been broken, and developing countries have a range of choices from which to obtain advice and assistance. No longer the automatic choice, UNCTAD must continuously sharpen its competitive edge.

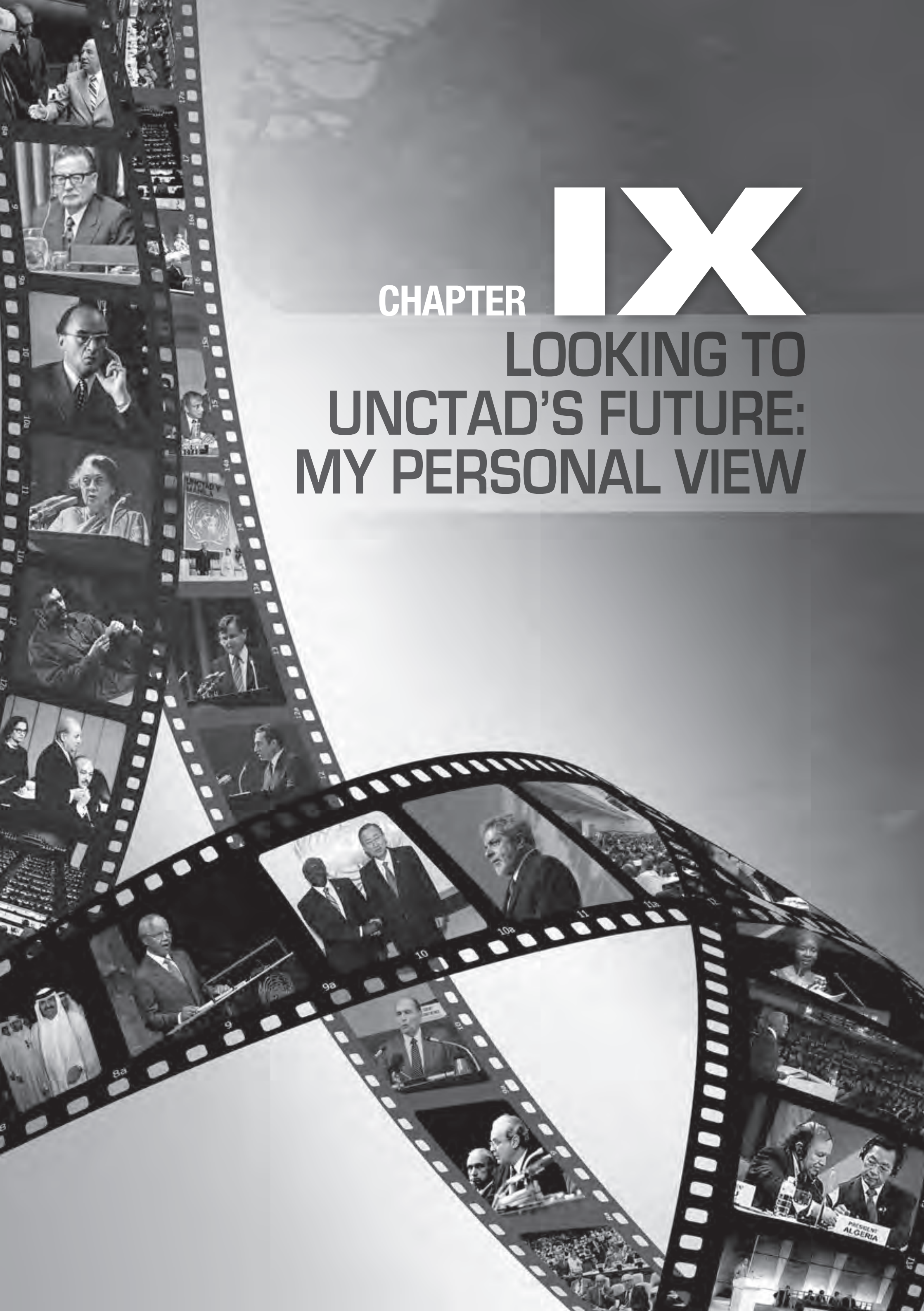
The growth of WTO activities has created another difficulty for UNCTAD. Every international organization needs to have interlocutors at the national level, in addition to the foreign ministry officials who attend meetings at its headquarters. For UNCTAD, these national interlocutors – to the extent that they existed – were to be found in national ministries of trade. The attention of trade ministries is now focused much more heavily on the WTO. UNCTAD’s more heterogeneous portfolio of activities in trade-related matters such as finance, investment, enterprise and technology no longer has a single connection point inside national Governments. This is twofold problem because Governments need to be able to give political direction to the international organizations that they support, and those organizations need to have a portal through which they can seek to channel their influence into national policymaking discussions.

In the 1990s, some economically powerful developing countries, such as Mexico and the Republic of Korea, left the Group of 77 in order to join the OECD. Since 2000, the most powerful developing countries – Brazil, China and India – have downgraded their relations with UNCTAD and the Group of 77. South Africa had always kept its distance. These countries have been more concerned with building links between themselves and the Russian Federation and constructing their own BRICS initiatives, than with leading the Group of 77. Their absence from Doha until the last moment signals where their priorities lie, but their ultimate intervention on the side of the Group of 77 is testimony to their continuing practical solidarity with the Group. The BRICS may have abandoned the leadership of the Group of 77 to smaller and weaker countries, but their solidarity with the Group remains strong.

After 50 years UNCTAD today faces new challenges as the context within which it operates has become more difficult. It must live with enduring global divisions that suddenly resurface, the gradual dissolution of its traditional constituency and the emergence of competitors in its familiar areas of work. These challenges are formidable, and in the look into the future I will give a personal viewpoint on how they might be addressed.

CHAPTER IX

LOOKING TO UNCTAD'S FUTURE: MY PERSONAL VIEW



A. Multilateralism in difficulties

It must be a debatable question among philosophers whether historians, immersed as they are in the past, can know less about the future than other people, but if it were possible, they probably would. This acknowledgement of my incapacity is a necessary preface to stating a personal view of UNCTAD's future in this chapter. I have no magic spectacles or crystal ball, so I must admit, like Sam Weller in *The Pickwick Papers*, that my vision is limited.

What can a historian say? My first piece of advice would be: do not make an idol of the past. In my view, UNCTAD has not yet entirely escaped from a lingering nostalgia for the time when it was a larger organization and left a bigger footprint on the world stage. This can affect both staff members and distort the judgement of external commentators who celebrate the 1960s and 1970s as "the golden years". These were indeed years when UNCTAD briefly had a charismatic leader in Raúl Prebisch, a team of exceptionally talented and dedicated officials and a worthy objective of advancing the development of poor countries. Yet, with the exception of some notable achievements, this period was followed by a decade of disappointment and frustration.

Thirty years on from the great challenge that the New International Economic Order presented to the economic hegemony of the West, the geopolitical conditions that at that time seemed to put the New Order within the reach of developing countries have utterly changed. There is no possibility today of using the oil weapon against the West, and there is no threat of defection to the Soviet camp, since it long ago imploded. Moreover, even when these threats were still potent, they proved insufficient to induce transformative global change.

The values and principles that inspired Prebisch's cause – economic justice, fair treatment and the end of exploitation – are timeless and have not changed. They are as valid today as they were 50 years ago. Yet the implementation of these values and principles must be a pragmatic process, in which success is conditioned on actual existing circumstances.

The real key to understanding UNCTAD's past and its future lies in the idea of globalization – but globalization is an idea that is often misinterpreted. Some say that globalization is benign, some say that it is malign and some say that it is in any case irreversible and therefore must constrain the possibility of inclusive and sustainable development. None of these simple views is adequate. In my understanding, what is measured statistically as "globalization" (increasing international trade and investment flows) is the resultant of two quite distinct but related vectors.

One is spontaneous and arises in the private sector. Inventors and entrepreneurs bring about technical changes that result in increasing specialization and the division of labour, and this can make foreign trade and investment more profitable and prevalent. The other driving force is seen in the deliberate policies that decision makers in the public sector adopt to join international collective action aimed at removing existing obstacles to trade and financial flows. The decision to join with others in collective action is what necessarily limits a nation's sovereign discretion.

It should be clear from this definition that neither the spontaneous nor the deliberate type of globalization is inherently benign in relation to the potential for sound economic development. Spontaneous technical change can give rise to new kinds of risks that are inimical to trade and investment flows, while poor policy choices will constrain national policy space without deriving equivalent benefits from collective action. Nor is globalization irreversible. It can be spontaneously undermined, and in addition national Governments can choose to reverse their participation in international collective action, as happens when existing customs unions are dissolved.

It is also important to appreciate how little globalization has taken place as yet, and how much of the globalization that statisticians measure derives simply from the integration of the European Union economies – about 40 per cent of the total. Counting North America (Canada and the United States) and Asia would push the percentage even higher. The popular perception of the globalization juggernaut arises in part because such globalization as has occurred has not always been inclusive and sustainable, but rather at times based on unequal bargaining power and coercion. The belief that globalization has not reached its limits but still has some way to go implies that the path ahead can be made more inclusive and sustainable. Development-led globalization, as described in Supachai's report to UNCTAD XIII, is indeed a credible aspiration for the future.

The international dominance regime that flourished in the twentieth century, in which a small group of rich countries invited others to participate in collective action – but without ceding much control to them, has now been exposed as inadequate for the future. The global economy needs more and better international governance, and this cannot be brought about any longer under the old and discredited dominance regime.

UNCTAD realized this from the start. It was brought into being on the back of discontent with the international dominance regime arising from the failure to implement the Havana Charter. It sought a novel and different form of integration into the world economy for developing countries, one based on the redress of historic inequalities through policies of non-reciprocal preferential treatment. Pragmatically, this method of integration produced indifferent results, as many of the sought after policies were contentious and the dominance regime was still strong enough to thwart them. In addition, many poor countries have failed, for various reasons, to take advantage of the preferential treatment that was granted to them.

Recognizing the force of the blockage at the time, UNCTAD took a new turn and embarked on facilitating a different and more familiar method of integration for developing countries – full participation in the work of the relevant international organizations. This provided an alternative path for the integration of developing countries into the world economy, which they took in the hope of enhancing their development prospects. However, this path, which looked so promising, has by now also run into obstacles.

What are the obstacles that are blocking the way? At the most general level, one can say that most international organizations are faced with a trade-off between legitimacy and effectiveness. The more inclusive they become, the less able they are to perform their functions and achieve their goals. One can see this clearly enough in the trade field. In 1964, the GATT, notoriously "a rich man's club", lacked legitimacy but succeeded to a surprising extent in its aim of lowering barriers to trade in industrial goods and thereby stimulating economic growth. UNCTAD, with a more universal membership, had much greater legitimacy, but struggled to get agreement on its chosen policy agenda of historical redress for the economic distortions of colonialism. Since 1995, the transformation of the GATT into the WTO and the rapid expansion of its membership have cured its legitimacy deficit, but it is highly significant that in the nearly 20 years of its existence, the WTO has not delivered a major round of trade liberalization – only the very slim pickings in the "Bali Package" of December 2013.

The legitimacy versus effectiveness trade-off is not confined to the trade arena. It is evident in the enlargement of the European Union and the subsequent eurozone crisis. It is also visible in the 20 years of fruitless global negotiations towards a binding climate change protocol. The trade-off is a general problem of multilateral diplomacy and affects many different arenas. Its root cause is the increasing difficulty in finding consensus or compromise as the number of participants in any negotiation expands.

A further obstacle is the growth of diversity among developing countries. In the last 50 years, a key trend – perhaps the most important trend – has been the economic differentiation of the developing countries. In 1964, they were already a heterogeneous category – from densely populated subcontinents, to impoverished islands and virtual city-States – but over the last 50 years their economic fortunes have increasingly diverged. Some have experienced growth at historically unprecedented rates, some have grown just fast enough to keep up with their burgeoning populations and some have entered a spiral of economic decline. UNCTAD recognized this divergence by pioneering the United Nations category of the least developed countries in the 1970s and further special categories such as landlocked developing countries and small island developing States thereafter. The outcome of differentiation is that the most economically powerful of the developing countries are now powerful enough to stand in the way of new international agreements that run contrary to their perceived interests. Economic differentiation has thrown additional sand into the wheels of multilateral diplomacy.

B. Five threats to globalization

Multilateral agreement is generally regarded as the ideal method of securing deliberate public action to advance globalization. The increased difficulty in the current state of the world in forging such agreements – there have been remarkably few new ones in any field in the twenty-first century – implies that there now exist a number of spontaneously generated threats to globalization that are not being adequately addressed. These threats are looming precisely because of the gaps that exist in the architecture of international governance. Some of them will have implications for the future work programme of UNCTAD.

For UNCTAD's first 20 years, Prebisch's account of foreign exchange constraints on the development of developing countries provided the organization with the rationale for the pursuit of commodity agreements, supplementary financing and trade preferences. For the last 30 years, its meta-narrative has been about harvesting the benefits of a liberalizing world economy. For the reasons just set out, a new meta-narrative would be timely. It should start from the crisis of multilateralism in an increasingly polycentric world and the risks to inclusive and sustainable globalization that such a world poses.

Without pretending to be exhaustive, one can indicate five major risks that are already present and unaddressed. In the field of trade and investment, the lack of multilateral progress has sparked a proliferation of regional agreements and bilateralism, which has been fast and sometimes chaotic. It has resulted in what has been colourfully described as a “spaghetti bowl”. The multiplication of bilateral investment treaties has been encouraged with scant regard for their effectiveness in increasing or improving the quality of FDI flows. It is most unlikely that every agreement and treaty is fully consistent with open multilateralism. It is time to try and bring some order into this situation.

The global financial and economic crisis, from which the world is just starting to recover, is perhaps a more obvious recent example of a threat to globalization. Financial innovation in an environment of inadequate national and international regulation produced a crisis that reduced trade, investment and output growth and set back development aspirations across the globe. Without any doubt, spontaneous financial innovation is set to continue; what is doubtful is whether such new international safeguards as have been put in place will be adequate to prevent a repetition of the crisis and the consequent financial contagion.

The most powerful spontaneous driver of globalization has been the rapid advance in information technology, especially the new commercial opportunities opened up by the creation of the Internet. However, the use of the Internet is very difficult to regulate and, in any case, such regulation is widely opposed on political grounds. Cybercrime has become widespread and extends from sophisticated forms of embezzlement, to the theft of commercial and industrial secrets. Because cybercriminals can operate via computers in third countries, the perpetrators are hard to detect, let alone punish. Yet national police authorities are reluctant to collaborate with others, although cybercrime is not a problem that can be defused unilaterally.

The fourth threat to globalization is unruly international migration. Cross-border migration has strong economic effects both on the sending and the receiving country. The brain drain and the accompanying export of capital deplete the resources of the sending country, while the receipt of foreign remittances counterbalances these negative effects to some extent. The host country gains the benefit of extra skills and tax revenue but these may come with increased social division and disruption. When international migration becomes unruly, that is, prone to large or unexpected surges, Governments will intervene to put up barriers. However, national attempts at regulation in these circumstances usually stimulate illegal migration by less skilled workers, bringing the host country diminished benefits, most of all in terms of reduced tax revenue.

Finally, certain types of economic development can end up threatening globalization. Economic development that is heavily dependent on energy produced from burning fossil fuel increases carbon emissions and thereby accelerates man-made climate change. Rising global temperatures change weather patterns, increase the frequency and intensity of natural disasters and will make some areas of the world uninhabitable. Globalization cannot be development-friendly if the very basis of development is itself unsustainable.

Here then are five major threats to inclusive and sustainable globalization in the years ahead. Countries acting alone have no power to resist them. That is why these threats to globalization are also threats that arise from premature globalization. Forms of globalization that go ahead regardless of gaps in the international governance regime can be dangerous and damaging. Although multilateral agreement on the provision of required international public goods is currently difficult to come by, it is vital to preserve the possibility of multilateral action in the future. This will be the context for UNCTAD's future operations, and it provides the pointers to the sorts of research, advocacy and technical cooperation that UNCTAD, in collaboration with other international actors, may be able usefully to undertake.

C. Implications for UNCTAD's future work

The implication of the first threat concerns open multilateralism. As long as diplomatic gridlock is stalling the negotiation of enforceable international rules, by default a different modality must be employed to counter the threat. In contrast to the "hard" rules that are no longer being put on place, this modality can be called "soft rule-making". UNCTAD has already pioneered soft rule-making in the area of national competition policies. Within a mandate from 1981, UNCTAD first developed a model national competition policy. Using that as a template, member countries were invited to volunteer to subject their national competition and consumer protection policies to review by their peers. To those of the volunteer countries that, in the light of the peer review, wished to make changes to their national policies, UNCTAD offered technical assistance for that purpose. A process that is initially launched in one region can be extended to others until it becomes available on a global scale. At no point does this close off the possibility of ultimately arriving at agreed multilateral rules.

The modality of a voluntary peer review leading to technical assistance for change could be applied in other areas. Trade policy could be improved by application of such a process to countries' membership of the 400-odd regional trade agreements – from free trade areas to full economic unions – that are currently in force. Some countries are signatories to 20 or more regional trade agreements. They are often the outcome of asymmetric bargaining between an economically stronger developed country and a weaker group of developing countries, to the disadvantage of the latter. They are just as likely to produce trade diversion as trade creation, with third parties – often developing countries – being disadvantaged thereby. It is also not clear from the empirical evidence that regional trade agreements do much to improve the productive capacity of their members or to stimulate economic growth.

A voluntary audit of the membership of the various regional trade agreements, with a view to countries withdrawing from those that are not compatible with open multilateralism, would be a very worthwhile goal. This is currently beyond UNCTAD's capacity, however. Additional staff would be needed, and it could be done only in collaboration with the United Nations regional commissions.

Investment policy is another sphere suitable for soft rule-making. At present, the global investment scene is highly fragmented. It consists of more than 3,100 core treaties. About 2,200 of these are bilateral investment treaties, and the rest are other agreements that contain investment provisions. A new effort is needed to rationalize the inconsistencies and duplication that mar investment policy at the international level. Given the absence of any international body charged with this responsibility, UNCTAD has an open opportunity to bid for this role.

The rather scanty research on bilateral investment treaties casts some doubt on their effectiveness in increasing the quantity or quality of FDI inflows. Brazil, a major recipient of inward FDI, has no ratified bilateral investment treaties, and South Africa has decided not to renew some of its existing treaties. Moreover, the additional scope that bilateral investment treaties provide for investors to challenge government policies may prove both costly and unhelpful to national development goals. Already tobacco firms are suing the Government of Australia over its plain packaging legislation, foreign investors are suing the Government of Costa Rica over its environmental policy decisions and European corporations are suing the Government of Germany over its decision to withdraw from the production of nuclear energy. These are a foretaste of what may be to come.

All this suggests that there is scope for greater coordination, held in balance with national development needs. In the investment arena, UNCTAD has already constructed a new investment policy framework, and its technical assistance capacity is already strong through the Investment Policy Review mechanism. Other international bodies recognize its expertise on investment. Recent initiatives, such as the Principles for Responsible Agricultural Investment that Respect Rights, Livelihoods and Resources, are indicative of the collaborative work UNCTAD is undertaking with such bodies.

The implication of the second threat concerns the stability of the international financial system. Many people seem to think that, now that the problem of systemic risk has been identified, it has also been solved. That is unfortunately not the case. The measures taken so far to limit systemic risk are piecemeal and inadequate. The IMF has developed a toolkit for detecting systemic risk, with a view to providing early warning of the onset of a future global crisis. Although there are common elements in the build-up to a financial crisis, each one takes a somewhat different path. So tools such as stress tests and capital adequacy requirements for banks cannot be applied mechanically, and there may be no tools capable of gauging the risks attaching to novel forms of financial institutions that are not legally designated as banks.

One of the common elements of imminent financial crises is a general euphoria and a belief that the financial problems of the past have been solved. Insightful risk analysts who believe otherwise are dubbed alarmists and ignored. Even when some officials inside bodies such as the IMF or the Bank for International Settlements entertain well-founded doubts about the sustainability of boom conditions, their voices do not become the official voice of the organization. Despite having an early warning system in place, high-profile organizations are reluctant to sound the alarm for fear of being accused of tipping the world into recession.

In these circumstances, it is vital that UNCTAD continue and strengthen its work on macroeconomics and finance. Many of the same conditions that permitted the last financial crisis to erupt are still in place – the macroeconomic imbalances caused by the pursuit of large trade surpluses, many banks that are still "too big to fail" and have implicit government guarantees and the absence of mechanisms of adjustment to changing productivity levels within the eurozone. Independent monitoring and reporting on these and other sources of global financial fragility is of the utmost importance. UNCTAD is well established as an independent source of expertise on these matters, with a reputation for being willing to speak without fear or favour. Since the task is large, it can be done only with the aid of carefully chosen partner organizations that have an equally impressive track record. The world has thousands of economic think tanks, so selectivity in recruiting partners should be the watchword, rather than organizing a big circus.

The third threat relates to the spread of cybercrime. Cybercrime takes many and varied forms, but UNCTAD's concern should focus on the types of crime that have clear implications for trade and development. They include crimes of embezzlement, bank fraud, identity theft, commercial and industrial espionage and copyright theft that take place across national borders. Research is needed on the true scale of this type of cybercrime and its negative impact on the growth of international commerce.

Advocacy should be directed towards the support of proven methods of prevention. Regional bodies, for example the African Union, are already preparing conventions on cybersecurity. A review of such efforts with an eye to their effectiveness would be a useful service for countries with weak capacity in this area. There is a continuing danger that prevention methods may be costly, may frustrate the transactions that they are designed to protect or may be rendered ineffective as new information technology applications become available. They may also undermine the desirable goals of government transparency and citizens' access to information. Cybersecurity is an area in which technical assistance has an obvious role. UNCTAD is at an advantage here, since the Commission on Science and Technology for Development, for which UNCTAD provides the secretariat, is already at work on Internet governance.

The international migration of labour from less to more productive employment is of clear benefit to the world and its people, considered as a whole. Yet it has mixed results from the viewpoint of both the sending and the receiving nation. The sending nation loses human capital in which it may have invested, but gains financial resources through voluntary remittances. The receiving nation gains labour power and (sometimes) skills, but it has to make adequate provisions for integrating newcomers economically and socially. The mixture of benefits and costs at the national level has driven attempts to erect barriers to the free international movement of people to more productive employment. These barriers create the fourth threat to globalization.

Surprisingly little is known about migrations and their socioeconomic impact. Partly this is because migrations are diverse. Some are forced and some are voluntary. Some are temporary and some are permanent. Some are all male and some are of families. This diversity makes it hard to generalize, so studies of migration tend to be rather specific and fragmented. One outcome of migration that is relatively easy to study is migrants' remittances. Although first-generation migrants account for only 3 per cent of the world's population, they currently generate remittances of around $400 billion, a sum in excess of the world's combined total of official development assistance.

UNCTAD could play a useful role in adding to migration research. Research work has already been done on the cost of sending remittances, with subsequent advocacy on the need to reduce these costs. Another important question is whether remittance inflows act as a form of insurance, rising in times of disaster and falling again when normal times return. This will be an important resilience factor as weather conditions become more extreme.

Remittances are not the only economic aspect of migration. There is also the question of what migrants bring with them, in terms of capital inflows, to finance their initial costs or to set themselves up with a home and a business. What contribution do they make to investment in their new country? Or, if they come empty-handed, what claims should they have on the social provisions of a host country to which they have not yet made any contribution?

Many of the attempts to build barriers against migration are fuelled by ignorance, prejudice and fear. They are often ineffective or have perverse results, such as the encouragement of trafficking in persons and hazardous – and sometimes fatal – journeys. Building a better research base on the socioeconomic effects of migration is a task for UNCTAD and related official migration bodies that could improve national policymaking with beneficial results for poverty reduction.

This is especially urgent, since the fifth threat to globalization – man-made climate change – will surely result in increased migration. Almost all countries will suffer to some degree from global warming and the resulting rise in sea levels and more intense weather conditions. However, the most damaging results are expected to occur in developing countries, such as the Pacific islands, the coastal region of China, low-lying parts of Bangladesh and drought-afflicted areas of Africa. The lopsided distribution of expected damage, coupled with the equally lopsided distribution of the costs of mitigation falling mainly on the industrial countries, is one of the reasons why multilateral negotiation has produced such slight results.

Research by UNCTAD could be helpful in easing this stand-off. Important questions about the location and types of climate change damage remain. For example, how far will so-called tropical diseases spread into hitherto temperate zones? Diseases such as malaria and dengue fever are not unique to the tropics or subtropics and can spread elsewhere if there is no cold season to force the carrier insects into hibernation. As global temperatures rise, which new populations will these diseases (for which incidentally there is no existing vaccine or cure) infect, and what will be the cost in lost output and lost trade? What will be the cost of undertaking preventive measures? A better understanding of the risks to trade and development from climate change could concentrate minds on the importance of climate change mitigation.

The most hopeful mitigation measure is the adoption of green technologies in the energy and construction sectors of the economy. Here UNCTAD can play an advocacy role, plus, given its expertise in the transfer of technology, create opportunities for technical cooperation. This could focus on disseminating the environmental standards that will need to be met in the future and helping Governments to promote both foreign and domestic investment that meets those standards.

My selection of these five threats to globalization, and from premature globalization, and my suggestions for the sort of work that UNCTAD might do to counter them should not be misconstrued. It is the member States that decide on the mandates of the organization and approve the work programmes derived from them. They may find that some of the previous suggestions are not to their liking.

Also, UNCTAD has the benefit of much other advice on future directions. For example, the Panel of Eminent Persons presented a second report, launched at a special event in May 2013, that recommended future work in a number of substantive areas within UNCTAD's core competence. The report suggested ways of evolving new initiatives in existing areas such as finance, trade, investment, commodities, enterprise and technology. It also made suggestions for activities in the newer areas of international migration, the green economy, women's empowerment and informal sector growth.

D. Changing UNCTAD's culture

A renewed meta-narrative for UNCTAD's mission such as "safeguarding inclusive and sustainable globalization in a polycentric world" can be the banner under which UNCTAD is involved in meeting some of the major challenges of the next decade. However, scoping some of the substantive work that would be involved in delivering results from this mission is only one dimension of the problem of leading UNCTAD to a flourishing future. The question of "what to do?" has to be complemented by the question of "how to do it?"

It is somewhat dispiriting to discover from the United Nations Joint Inspection Unit report of 2012 that some of UNCTAD's long-standing weaknesses of management and administration were still apparent then. The criticism of an over-mighty secretariat usurping the rightful activities of the member States, such as the drafting of consensus texts, was aired as long ago as the "green papers" of the Group B reflection group in the early 1980s (see chapter VI), but the practice had not disappeared. From one point of view, the member States have only themselves to blame if they do not discharge their responsibilities for drafting key texts, and the issue is one of finding ways to engage their representatives more closely with the organization and enable them to give the secretariat the required political direction.

Given that any organization can be as good only as the people who staff it, it is also dispiriting to read of the staff's dissatisfaction and frustration with past human resources management and their perception of a weak link between performance and promotion. To some extent it is a mistake to lay this malaise entirely at the door of the top management in Geneva. They are bound by United Nations-wide human resources regulations that are overly bureaucratic, politically correct and not necessarily effective in securing the services of the most qualified person. They are also subject to pressure from member States to recruit and promote their national candidates – pressure that they should always resist, but sometimes cannot. Nevertheless, operating staff career development that is transparent and related to performance will have a powerful, positive effect on the organization's morale and its capacity to carry out its mission. By the same token, failure to do so will be powerfully undermining.

Where top management in Geneva bears a less divided responsibility is in the matter of creating a unified institutional identity and a team leadership approach. Past Secretaries-General and their Deputies have at times become isolated at the pinnacle of the pyramid, becoming cut off from the staff despite personally operating at full stretch. When this happens, the next level of management retreats into its separate "silos" – the divisions – and institutional coherence wanes. A structural change is required whereby some form of cabinet responsibility for management is instituted, with division directors being delegated a functional responsibility, such a fundraising or external partnerships, in addition to their divisional job specification. If a genuine team management culture is to be developed, it will need some such formal change at the top.

Technical cooperation has tended to be seen unjustifiably as a less prestigious function of the secretariat than research and advocacy. This second-class status persisted because its financial basis was insecure and depended on short-term donor support. Understandably, this led to concerns when the growth of technical cooperation came to absorb 40 per cent of the total of regular plus extrabudgetary spending. Yet the fact that some of the technical cooperation activities have been among UNCTAD's important achievements points to the need to search for a stronger and more permanent financial underpinning for technical cooperation. Technical cooperation must be seen as one valuable way in which UNCTAD can continue to act as the custodian of the special interests of developing countries.

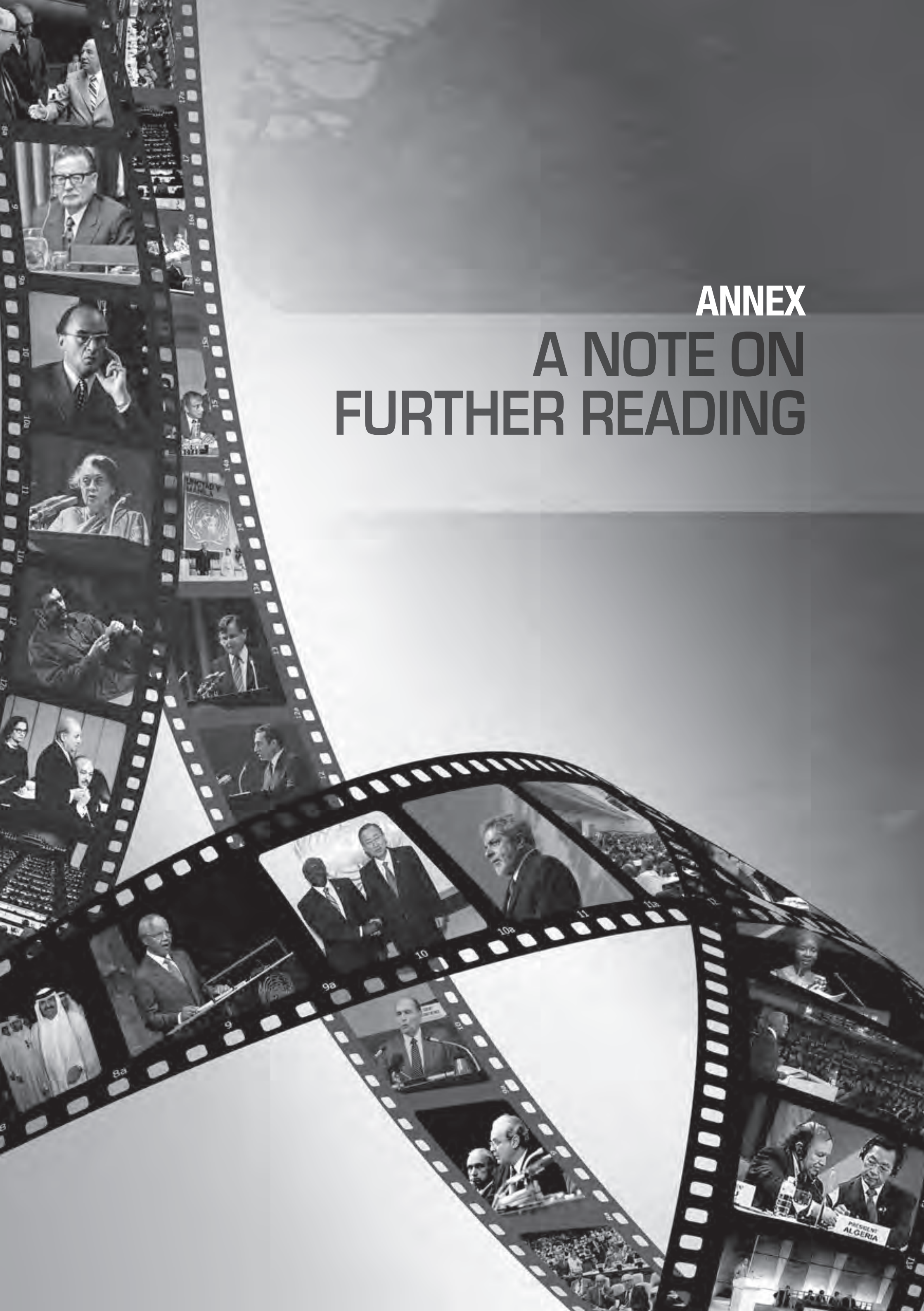
E. Competition among international economic institutions

In the final analysis, does the world really need an UNCTAD? Although UNCTAD was spared after the WTO was established, there are many who are still not reconciled to its continued existence. It has to be admitted that no international organization has a prescriptive right to a place in the global economic architecture. Indeed, the metaphor of "architecture" is itself misleading, since it implies a once-for-all design of institutions, rather than a flexible United Nations responding to changing global threats that call for the provision of new international public goods.

On both sides of the debate about UNCTAD, inconsistent views are maintained. The OECD view is that, while UNCTAD may be doing some useful tasks of research, data collection or technical assistance, they could be done equally well – if not better – by the World Bank or the IMF. The Southern view is that institutions controlled by the North are trying to undermine UNCTAD by poaching functions where it has established a comparative advantage. Each side appeals at the same time both to the logic of a fixed assignment of functions and to the criterion of superior performance. Each group has its own inconsistent and unconvincing form of special pleading.

If we abandon the misleading metaphor of institutional architecture, we embrace thereby the prospect of competition between international institutions. If people are to be judged on performance, then the principle should apply also to entire international economic institutions. That makes us recognize that institutions may do some things well and other things badly, and that it is vital for those institutions to find out which is which as quickly as possible, so that remedial action can be taken.

So perhaps the most urgent and imperative of the recommendations of the 2012 Joint Inspection Unit report is its final one – number 11. That was "to ensure the sufficient allocation of resources for strengthening an independent and efficient evaluation capacity within the UNCTAD secretariat". The World Bank has had its independent Operations Evaluation Department since 1975, and the evidence is that it helped the Bank to move more quickly out of activities where it found that it was failing. The IMF belatedly set up its Independent Evaluation Office in 2001, and this helped to bolster its claim to have learned the lessons of the 2007/08 crisis. If UNCTAD is to compete successfully in the many different areas of trade, investment, finance and technology that make up its current portfolio of activities, the independent evaluation of its activity outcomes is, it seems to me, its foremost need for a successful future.



ANNEX
A NOTE ON FURTHER READING

Readers who wish to explore the subject matter of this brief history in greater depth could turn first of all to John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance and Development* (Indiana University Press, 2004). This sets out the research basis of the first five chapters of the current volume. Those who are interested in Raúl Prebisch's background as well as his leadership of UNCTAD should turn to Edgar Dosman's excellent biography of the man, *The Life and Times of Raul Prebisch 1901–1986* (McGill Queens University Press, 2008). Insights from this biography have been very helpful in strengthening my chapters II and III.

An account of the Bellagio conference will be found in *New Directions for World Trade* (Royal Institute of International Affairs, London, 1963). The early days of UNCTAD are discussed in Diego Cordovez, The making of UNCTAD, *Journal of World Trade Law*, 1:3, 1967, 243–328. Thomas G. Weiss and Hans W. Singer explore the implications of group negotiation in *Multilateral Development Diplomacy in UNCTAD: The lessons of Group Negotiations, 1964–1984*, (Macmillan, London, 1986). Anindya K. Bhattacharya explores the secretariat's role in the article, The influence of the international secretariat: UNCTAD and generalized tariff preferences, *International Organization*, 30:1, 1976, 75–90.

An overview of the early New International Economic Order negotiations is Robert L. Rothstein, *Global Bargaining: UNCTAD and the Quest for a New International Economic Order*, (Princeton University Press, Princeton, 1979). For a better understanding of Gamani Corea's thinking on the issue of the New International Economic Order and the role of commodity agreements, his own volume *Taming Commodity Markets: The Integrated Programme and the Common Fund in UNCTAD* (Manchester University Press, 1992) is illuminating. See also his article, UNCTAD and the New International Economic Order, in *International Affairs*, 53:2, 1977, 177–87. For a more critical view of the campaign for the Integrated Programme, see Christopher P. Brown, *The Social and Political Economy of Commodity Control* (Macmillan, 1980).

A representative example of the exposition of neo-liberal theories and policy ideas of the 1980s is Ian Little's *Economic Development: Theory, Policy and International Relations* (Basic Books, 1982), which in part derives from research that he did earlier for the OECD with Tibor Scitovsky and Maurice Scott, *Industry and Trade in Some Developing Countries* (Oxford University Press, 1970)

Several useful studies relate to the new path taken by UNCTAD in the 1980s. One is Kathryn C. Lavelle, Ideas within a context: The African group in an evolving UNCTAD, in *The Journal of Modern African Studies* (39:1, 25–50). Another is Carlston B. Boucher and Wolfgang E. Siebeck, UNCTAD VII: New Spirit in North–South Relations?, in *Finance and Development* (24:4, 14–16). Chapter 5 of Ian Taylor and Karen Smith's *United Nations Conference on Trade and Development (UNCTAD)* (Routledge, 2007) is a reliable guide to the events of this period. Marc Williams analyses the evolution of the Group of 77 in *Third World Cooperation: The Group of 77 in UNCTAD*, (Pinter, London, 1991).

Kenneth Dadzie left little behind to throw light on his ideas, but one good source is his chapter, The United Nations and the problem of economic development, in Adam Roberts and Benedict Kingsbury, editors, *United Nations, Divided World: the UN's Roles in International Relations* (Clarendon Press, 1988: 139–157).

An authoritative commentary on the meaning of the WTO agreements is Bhagirath Lal Das, *The World Trade Organization: a Guide to the Framework of International Trade* (Zed Books, 1999). A variety of views on the relationship of the WTO to other international organizations, including UNCTAD, can be found in Anne O. Krueger, editor, *The WTO as an International Organization* (University of Chicago Press, 1998). An exploration of the many policy issues on the table in Bangkok at UNCTAD X is John Toye, editor, *Trade and Development: Directions for the 21st Century* (Elgar, 2003).

Susan Prowse provided a trenchant critique of trade-related capacity building and suggestions for its reform in the article, The role of international and national agencies in trade-related capacity-building, in *The World Economy* (25:9, 2002, 1235–1261). The reports of the UNCTAD Panel of Eminent Persons are available on the UNCTAD website. Intelligent popular accounts of the causes and consequences of the 2007/08 financial crisis include Gillian Tett *Fool's Gold* (Abacus, 2009), Vince Cable *The Storm: The World Economic Crisis & What It Means* (Atlantic Books, 2009) and Raghuram G. Rajan, *Fault Lines: How Hidden Fractures Still Threaten the World Economy* (Princeton University Press, 2010).

The second half of Mark Mazower's volume, *Governing the World: the History of an Idea* (Penguin, 2012) is an impressive survey of international governance over the last 50 years, including some pertinent observations on UNCTAD. Thomas G. Weiss has given his diagnosis of *What's Wrong with the United Nations and*

How to Fix It (Polity Press, Cambridge, 2012). Ian Goldin and Kenneth A. Reinert's *Globalization for Development: Meeting new Challenges* (Oxford University Press, 2012) explores the threats to globalization and what can be done about them. Murray Jennex has written on UNCTAD's efforts in the area of electronic commerce in the article, UNCTAD and e-commerce success, in *The Electronic Journal of Information Systems in Developing Countries*, 11, 2003.

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