

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD: A BRIEF HISTORICAL OVERVIEW

Prepared by the UNCTAD secretariat

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INTRODUCTION

The United Nations Conference on Trade and Development (UNCTAD) has a long history within the United Nations as the focal point for the "integrated treatment" of trade and development, together with related issues in the areas of investment, finance, technology, enterprise development and sustainable development. However, the general public only has a limited knowledge of the wide range of UNCTAD's activities; such knowledge is usually limited to academic circles. Even for close observers of multilateral development diplomacy, the overall perception people hold of UNCTAD seems to be that, in its heyday, it was a vigorous advocate for radical structural changes in the international economic regime, but that this period has long passed and that it was pointless to examine its current activities.

Whatever the reasons may be for this perception or lack of knowledge, the fact remains that the general public are either indifferent to, or unsure about what UNCTAD does. It is not clear whether UNCTAD is a "mushrooming" UN conference held to discuss issues related to international economic relations, a permanent bureaucratic entity within of the UN, or a group of international civil servants involved in capacity-building and technical cooperation activities in developing countries. The fact is that UNCTAD contains all of these elements.

This paper is intended to contribute to filling the information gap on UNCTAD by providing a brief overview of its present institutional arrangements and historical achievements, as well as highlighting some evolving elements of its institutional and functional structure in the constantly changing international environment. Given the space limitation this paper is inevitably extremely selective in covering UNCTAD's activities, which admittedly does an injustice to many UNCTAD colleagues.

The paper is in two parts: Part I is an introduction to UNCTAD, explaining its background, origins, principal analytical ideas, development strategies, structure and institutional mandate; Part II presents a historical overview of the experience of UNCTAD in the changing international context, with attention being paid on its Conferences. An appendix listing the major achievements of UNCTAD can be found at the end of the paper.

1. INTRODUCTION TO UNCTAD

1.1. The background: institutional fragmentalism

In the post-war period, most matters concerning trade were dealt with in the General Agreement of Tariffs and Trade (GATT) and based on the principle of most favoured nation (MFN) treatment (with the emphasis placed on reciprocity and non-discrimination). But international commodity agreements fell under the responsibility of Economic and Social Council (ECOSOC) committees, as well as the Food and Agricultural Organization (FAO) – a UN specialized agency. Aid questions were handled by two establishments: most multilateral aid was handled by the World Bank (later together with the regional development banks); bilateral aid was overseen by the Development Assistance Committee (DAC) of the Organisation of Economic Co-operation and Development (OECD). Issues touching upon international monetary cooperation were normally discussed within the International Monetary Fund (IMF). Developing countries recognized that they should uphold the common diplomatic stance that all of these — institutionally fragmented but functionally integrated — issues should be considered comprehensively within one central organization.

Thus, beginning in the early 1960s, developing countries forcefully developed a coalition to press for changes in the functioning of the international economic regime by establishing a

universal forum to deal with all development-related issues in a comprehensive fashion. The coalition had its roots in the process of decolonization, the growing disillusionment with the workings of the international economic regime in general and dissatisfaction with the efforts of the Bretton Woods institutions (i.e. the World Bank and the IMF) and GATT to frame an adequate response to the problems of economic development. Feeling marginalized in the decision-making process of the Bretton Woods institutions, as well as in the GATT negotiations, developing countries sought an alternative international forum in which they could articulate and aggregate their interests. Therefore, a key component in the platform within and outside the UN among the developing countries was, first of all, a call for an international conference on trade and development, which was incidentally strongly supported by socialist countries.¹

1.2. Origins

Post-war decolonization led to the creation of the non-aligned movement (NAM), whose origins can be traced back to the Afro-Asian People's Conference held in Bandung, Indonesia in 1955. The decolonization process also increased the representation of developing countries in the UN. In 1960, the entry of Cyprus and 17 African states swelled the ranks of developing countries in the organization, guaranteeing their decisive majority within it.

The first joint action of developing countries from Asia, Africa and Latin America was the Conference on Problems of Developing Countries, held in Cairo in July 1962, which was a non-UN meeting, and was attended by 36 delegations. The Cairo Declaration called for an international conference within the framework of the UN on “all vital questions related to international trade, primary commodity trade and economic relations between developing and developed countries (UNCTAD, 1985: 10)”. Later in the same year, the UN General Assembly decided to convene a conference on trade and development, and established a preparatory committee for it.² Indeed, this decision was a triumph of the developing countries resulting from their persistent pressure over the general opposition of western developed countries.

UNCTAD may be seen as a revival of some of the widely encompassing ideas associated with the scheme of establishing the International Trade Organization (ITO) at the Havana Conference in 1948. It was expected that the Havana Charter which formed the basis of the ITO, would, together with the World Bank and the IMF, constitute an institutional "troika" of international institutions to prevent serious problems in the international economic and financial systems. However, the ITO could not be institutionalized, having failed to achieve ratification by the required number of signatories to the Havana Charter.³

1. As discussed in the text, efforts to establish the International Trade Organization (ITO) were not successful. The GATT negotiations also excluded practically all socialist countries. Thus, prior to the idea of the developing countries, socialist countries had repeatedly called for the convening a trade conference with an intent of establishing an international organization. However, the socialist proposal had always met the strong opposition from the Western developed countries.

2. Western developed countries eventually gave up their opposition for two reasons. First, as discussed in the previous footnote, the socialist "threat to create an international trade organization convinced them that they could not afford to let the developing countries and the Eastern bloc countries form such an organization without them. Second, and perhaps more importantly, the increasing majority of the developing countries in the UN left them no choice (Williams 1994:183).

3. The success of the ITO depended on US participation but domestic opposition to the proposed organization created a climate in which President Truman's efforts to win Congressional approval were unlikely to achieve success. Opponents of the ITO in the business community were effective in securing Congressional support for their case. The Havana Charter was criticized for failing to give adequate protection to US foreign investments, and for inadequate recognition of US interests in its voting arrangements. Congressional opposition to the ITO resulted in President Truman's decision in 1951 not to submit the Havana Charter to Congress for ratification.

GATT, an interim arrangement signed in 1947, called for international cooperation in international trade, and ventured into establishing ground rules (perhaps equivalent to a code of conduct) in tariff regulations. But unlike the ITO, GATT failed to incorporate provisions dealing with commodity agreements, restrictive business practices, foreign investment and preferential trading systems for the developing countries. And these were some of the major areas of interest which developing countries wanted to pursue in negotiations with developed countries in UNCTAD.

Developing countries were critical of the GATT system of negotiations as they always reflected the relative economic strength of the individual "contracting parties", i.e. Member States. GATT negotiations, which began among 23 contracting parties in Geneva, typically took place between the principal sets of producers and consumers for each product group. Concessions agreed in this manner were generalized by being granted to all others by the adoption of the most favoured nation (MFN) principle.⁴ This effectively diminished the impact of developing countries on the negotiations, as they rarely accounted for major market shares either as producers or consumers. In short, representatives of the OECD countries were the most influential participants in multilateral trade negotiations, and GATT itself quickly became a largely technical instrument for managing trade among these countries.

1.3. Principal analytical ideas (the "centre-periphery" structuralist approach)

The intellectual underpinning for the operation of UNCTAD came from the structuralist thesis of Raul Prebisch, the organization's first Secretary-General. The two main tenets of the thesis were: (1) that prices of primary commodities (staple foodstuffs and raw materials), which form the main exports of developing countries, have declined relative to the prices of manufactured exports and that this was an inevitable and continuous process; (2) as a result of this tendency most of the gains from international trade accrue to developed and industrialized countries, while developing countries gain relatively little from their participation in existing international trade relations.

Prebisch based these tenets on differences in the demand characteristics of primaries and manufactures, namely low price and income elasticities of the demand for the former, as opposed to the demand for the latter. The price elasticity demand for primaries, he argued, was low so that reducing their prices through either productivity growth or through currency devaluation would lead to a relatively small increase in quantities sold; this would in turn fail to create any significant increase in the export earnings of developing economies. It was also claimed that technological progress in industrial nations would result in the increased use of synthetics, and thus a reduction in the raw materials' content of manufactured products. Taken together, these factors would result in a growth in demand for primary commodities that would be much slower than for manufactures.

It was thought that unstable and declining primary export prices and restrictive commercial policies of the developed countries meant that it was unlikely that the gap could be closed between the developed economies of the North and the underdeveloped economies of the South, unless there was a great deal of help in the form of capital aid, commodity agreements and compensatory financing schemes. Merely removing trade barriers in developed countries to developing countries' exports would not suffice: establishing preferential access of their

4. In total, 123 sets of negotiations covering 50 000 items were completed and incorporated in GATT, which was signed on 30 October 1947 (Kenwood and Lougheed, 1999: 242).

manufactured exports would be more desirable. Prebisch acknowledged that much import substitution in developing countries, behind high levels of protection, had been costly and inefficient. Consequently, he advocated a new form of the infant industry argument whereby new exporting industries would be assisted by tariff preferences in developed countries.

Two other points of interest in Prebisch's policy prescription entailed advocating for international commodity agreements and compensatory financing schemes, not simply as devices to moderate fluctuations in commodity markets, but as a means of transferring income to the exporters. UNCTAD has concentrated its attention on the stabilization and strengthening of commodity markets.

Structuralist arguments have not been voiced as much as they once were in UNCTAD forums. By the early 1990s, explicit references to the "centre-periphery" approach had all but disappeared, although the notion of "special and differential treatment" still remained, maintaining that being in a handicapped position, developing countries deserved some forms of "affirmative" actions. Instead, the term "globalization" became popular and found its way into countless discussions. The process of globalization, most dramatically propelled by market-oriented activities in the post-Cold War period – together with technological developments in transport and communications – induced both positive and negative effects on national economies. Discussions on the effects of globalization (including the "exclusion" of many least developed countries from the benefits of globalization) have become a central issue in UNCTAD forums.

In more recent discussions, one major issue that still divides developed and developing countries is the issue of governance in the context of the development process of developing countries. Developed countries tend to emphasize that good governance needs to be pursued, most of all, at the national level, i.e. within developing countries, to foster policies in support of political stability, transparent and accountable governance, as well as the rule of law. On the other hand, developing countries tend to emphasize that good governance needs to be reflected at the international level so as to ensure that important economic policy forums are not only transparent, but also accommodating in terms of their participation.

From the outset, UNCTAD has been a major institutional actor promoting the development of a global trading system that promotes the preferential treatment for developing countries on a non-reciprocal basis as opposed to the MFN treatment for all.

1.4. Development strategies

In the early post-war period, UN development strategies, or more accurately the development strategies advocated by the UN secretariat, were heavily influenced by newly-emerging disciplines of growth theory. Conceived in the context of a transition from industrial backwardness, the strategies were built around two broad challenges facing developing countries. First, the shortage of finance was seen as the biggest constraint for initiating and maintaining faster growth. Second, breaking this constraint could not be achieved by market forces alone. These challenges led to the development strategies of "Global Keynesianism", which stressed that public finance could make a considerable contribution to world development.

In the process of preparing the first UNCTAD Conference in 1964, economic thinking on development also grew in sophistication, and was deepened and defined by academics and policymakers from the developing countries themselves. Thus, efforts to measure the size of the resources gap revealed developing countries to be net exporters of capital, once the repayment of loans, terms-of-trade losses and capital flight were included in the calculation (UNCTAD 2004: 88). Needless to say, the largest contribution was made by Prebisch himself together with his

colleagues in the then Economic Commission of Latin America (ECLA),⁵ the forerunner of the present Economic Commission of Latin America and Caribbean (ECLAC).

The UNCTAD I report, known as the Prebisch report, set out to show that given the structural obstacles to growth for the developing countries, the free play of international economic forces would not by itself lead to the most desirable utilization of the world's productive resources. As for the policy implications for trade and related finance to achieve the target of 5 per cent annual growth rate (for the first UN Development Decade of the 1960s) for developing countries, the report rejected both the import substitution model handed down from the inter-war period and the MFN openness model embodied in GATT. Instead, it spelled out an alternative strategy of strong capital formation and accelerating exports, both traditional and non-traditional, through institutionalizing the practice of preference treatments of their exports, together with financial assistance to fill the remaining "trade gap" (the amount of the foreign exchange needed to maintain a minimum 5 per cent output growth that could not be financed by export earnings). Thus the key development concept is "trade and aid".

1.5. Structure

As mentioned earlier, UNCTAD is an organ of the UN General Assembly,⁶ rather than a specialized agency equipped with its totally own independent budget and supreme governing body. Its annual operational budget, which is drawn from the UN regular budget, is approximately \$57 million for 2005. In addition, technical cooperation activities, financed from extra-budgetary sources, amounted to approximately \$30 million in 2005. In terms of structure, UNCTAD consists of the Conference, the Trade and Development Board (TDB) and subsidiary intergovernmental bodies, together with the secretariat.

1.5.1. The Conference

As its name indicates, UNCTAD initially referred to a specific event, i.e. the first session of the Conference held in Geneva from 23 March to 16 June 1964. Later in the same year, the UN General Assembly authorized UNCTAD to become a permanent body and adopted its charter. There have been periodic sessions held every four years.⁷ Since the first session, an additional ten have been held: New Delhi, India (1 February - 29 March 1968); Santiago, Chile (13 April - 21 May 1972); Nairobi, Kenya (5-31 May 1976); Manila, the Philippines (6-29 May 1979);

5. For further discussions on ECLA's contribution to the UNCTAD development strategies, see Rosenthal (2003: particularly pages 181-194).

6. At UNCTAD I, there was a debate as to whether UNCTAD should be an organ of the UN General Assembly or of the Economic and Social Council (ECOSOC). Developing countries supported the proposal that it should be the General Assembly, whereas developed countries favoured ECOSOC. The former view finally prevailed, with the developing countries arguing that ECOSOC membership was limited and unrepresentative, and that its efforts related to developing country problems were marginal and ineffective. In their view, political support and authority of the highest and most democratic UN body, i.e. the General Assembly, were considered to be indispensable for promoting the cause of economic development and international cooperation (UNCTAD 1984:34).

7. In 1964, the General Assembly adopted Resolution 1995 (XIX), entitled "Establishment of the United Nations Conference on Trade and Development as an organ of the General Assembly", according to which, "the Conference shall be convened at intervals of not more than three years." It soon became clear, however, that the specified interval would be too short for the appropriate preparation of each Conference. Thus, the Conferences have been held practically every four years. Let us note that UNCTAD V met three years after UNCTAD IV. This was at the height of North-South negotiations at the UN General Assembly. The UNCTAD IV resolution calling for the creation of the IPC and the Common Fund had laid down a very rigid timetable, and this demanded that the next Conference be held in 1979 (Williams 1989: 280).

Belgrade, Yugoslavia (6 June - 2 July 1983); Geneva (9 July - 3 August 1987); Cartagena de Indias, Colombia (8-25 February 1992); Midrand, South Africa (27 April - 11 May 1996); Bangkok, Thailand (12-19 February 2000); and most recently Sao Paulo (13-18 June 2004).

The Conference is UNCTAD's highest policymaking body and the forum where member States make assessments of current trade and development issues, discuss policy options and formulate global policy responses. It also formulates major policy guidelines and decides on the programmes of work for the period before the next session. Currently, the Conference membership consists of 192 member States. Many intergovernmental and non-governmental organizations have also actively participated in UNCTAD's work (the Conference and meetings of its subsidiary bodies). These periodic sessions, in the view of the UNCTAD secretariat, should be seen not as isolated events, but as important stages in the ongoing process of dialogue and negotiation on the central issues of trade and development and international economic relations (UNCTAD 1985).

1.5.2. The Trade and Development Board (TDB)

To carry out the functions of the Conference between sessions, a 55-member TDB (expanded in 1976 to include all UNCTAD members) was established as the executive body of the Conference, to take action in implementing Conference decisions and to ensure the overall consistency of UNCTAD's activities with agreed priorities. It also ensures that the activities of the Conference's subsidiary bodies conform with their mandate and are carefully coordinated with other relevant international organizations. The TDB also serves as a preparatory committee for future sessions of the Conference, and is therefore responsible for preparing a provisional agenda and the necessary documentation. The TDB – which used to meet twice a year, but now only once in the autumn – reports annually to the UN General Assembly through ECOSOC. In addition to the regular session, the TDB may meet in executive sessions, each normally lasting only one day, on three occasions throughout the year with six weeks' prior notice. The TDB executive sessions deal with policy, management and institutional matters that cannot be deferred to the regular session.

Currently, there are three principal intergovernmental bodies: (1) The Commission on Trade in Goods and Services, and Commodities; (2) the Commission on Investment, Technology, and Related Financial Issues; and (3) The Commission on Enterprise, Business Facilitation and Development. These Commissions usually meet once a year for five days. The UNCTAD secretariat also services the Commission on Science and Technology for Development, which is a subsidiary body of ECOSOC.

1.5.3. The UNCTAD secretariat

The offices of the UNCTAD secretariat are located within the United Nations Office in Geneva's complex, *Le Palais des Nations*. UNCTAD has a staff of approximately 400, mostly economists, whose principal activities revolve around servicing the Conference, the TDB and the deliberations of their subsidiary bodies; they are also engaged in research (including policy analysis and advice) and technical cooperation activities. At present, the substantive part of the UNCTAD secretariat consists of four divisions and one office, this structure reflects the reforms agreed at UNCTAD IX (1996).

The Division on Globalization and Development Strategies (DGDS) covers macroeconomic and development policies, as well as the international monetary and financial system, and publishes an annual report, *The Trade and Development Report*,⁸ which informs

8. Arguably, the TDR, which has been published since 1981, provides an alternative analysis to the World Bank's

TDB deliberations on various current international issues. The division also houses the UNCTAD statistical office, a unit of technical assistance to Palestinian people, as well as a unit dealing with technical assistance of debt management.⁹

The Division on International Trade in Goods and Services, and Commodities (DITC) covers trade in goods and services, commodities, competition policies and the link between trade and the environment. The division also carries out capacity-building activities on trade-related matters for developing countries, and provides substantive services to the Commission on Trade in Goods and Services, and Commodities.

The Division on Investment, Technology and Enterprise Development (DITE) covers international investment (particularly foreign direct investment) issues, enterprise development and technology matters and publishes *The World Investment Report* on an annual basis. The division also services the Commission on Investment, Technology, and Related Financial Issues, as well as the Commission on Science and Technology for Development.

The Division for Services Infrastructure for Development and Trade Efficiency (SITE) has a strong technical assistance orientation and covers a variety of trade facilitation issues, including transport, customs procedures, provision of trade-related information and e-commerce. The division is responsible for the annual publication of *The Information Economy Report* (formally known as *The E-Commerce and Development Report*), as well as *The Review of Maritime Transport*.

The Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries (OSC-LDC) coordinates UNCTAD's work on these categories of countries. It also provides analyses of the broad development challenges facing these countries and delivers technical assistance. The Office also publishes *The Least Developed Countries Report* and houses a special unit covering issues related to Africa, which produces an annual report on *Economic Development in Africa*. The Division of Management includes the Administrative Services, the Technical Cooperation Services and the Intergovernmental Affairs and Outreach Services (IAOS).

Through its publications, the UNCTAD secretariat has also played a role in raising issues, generating ideas and influencing thoughts, policies and actions in national capitals, as well as in other institutions of the international system. As mentioned earlier, the secretariat has directly interacted with many developing countries (and more recently with countries in transition) through various technical cooperation activities.

With its ultimate mandate being the maximization of the development opportunities of developing countries, the UNCTAD secretariat is in the position of a principal "interest articulator and facilitator" for these countries. One of the major complaints voiced by developed countries about the secretariat has been its lack of impartiality. More often than not, its close association with developing countries has frustrated developed countries. The first Secretary-General of UNCTAD reportedly refuted this by claiming that the secretariat "cannot be neutral on development problems, just as the secretariat of the World Health Organization (WHO) cannot be neutral in the drive to eradicate malaria (Prebisch, as cited in Walters, 1971: 821)".

1.5.4. UNCTAD decision-making: the group system

World Development Report, although its print run is lower than the World Bank's publication.

9. The debt management and financial analysis system (DMFAS) programme, armed with a computer-based software specially designed to help countries manage their external debt, began its operation within the secretariat in 1982. The software has so far been installed in 62 countries. DMFAS programme is arguably the closest allies within the UNCTAD secretariat with the Bretton Woods institutions, as it has almost totally been financed by extra-budgetary sources, mainly from the World Bank.

UNCTAD forums have an egalitarian system of decision-making where each State member is allotted one vote. At the Conference, substantive decisions require a two-thirds majority of the delegations present and voting. Procedural motions only require a simple majority. Decisions in the other forums (including the TDB) are all taken by a simple majority vote of those present and voting.

A central feature of UNCTAD's decision-making process is that deliberations in UNCTAD forums take place in the context of the group system. At UNCTAD I, 77 developing countries presented their common interests under the banner of the Group of 77 (G-77) as an effective political group. The formal purpose of dividing UNCTAD member States into four groups —: Groups A, B, C and D — constituted according to geographical and socio-economic criteria was for the election of representatives to the TDB. Group A (61 members at the time of UNCTAD I) included African and Asian State members and Yugoslavia and was allocated 22 seats in the TDB; Group B, the developed market-economy countries with 22 seats; Group C: the Latin American and Caribbean countries with 9 seats; and Group D: the Socialist countries of Eastern Europe with 6 seats.¹⁰ The G-77 consists of developing countries belonging to Group A and Group C.¹¹

The G-77 members have forged a common position and mutually agreed proposals and apply concerted leverage with bargaining power in its negotiations with Group B members. On the other hand, Group B members, which largely coincide with the OECD membership, have also responded to the demands made on them in a collective fashion. Socialist countries formed their own group — Group D — which, until the end of the 1980s, consistently denounced Group B and gave token support to the G-77. This was because the main diplomatic thrust of the G-77 was directed to Group B, their main trading partners, rather than to Group D. Therefore, the Group D members had little difficulty in supporting the demand of developing countries. Members of each group have reinforced their own common understanding and diplomatic stance vis-à-vis other groups. Thus, UNCTAD has arguably been transformed into a forum where "intra-group" consensus is more important than "inter-group" agreement (Williams 1994:188). Subsequently, the unity of the G-77 has also spread to other UN forums, as well as to the Bretton Woods institutions.

In spite of internal disputes occasioned by the unequal distribution of benefits deriving from specific proposals, the G-77 have taken common positions on a wide array of issues and voted as a bloc in support of those positions. The unity of the G-77 members has preserved group solidarity by upholding a common position that includes the diverse interests of all members. There are countries where the main interest is in improving access to markets abroad for their exports of manufactures. The producers of primary products are concerned with the strength and stability of commodity markets. The poor countries are critically dependent on external resource flows on concessional terms. Yet, all of them have banded together in support of a common position because they generally perceive that the platform based on the common position, when taken as a whole rather than piecemeal, can cover the principal interest of every developing country.

10. For further details, see UN General Assembly Resolution 1995, and particularly its Annex.

11. The combination of Groups A and C to form the G-77 meant that, in practice, three rather than four groups have been active in UNCTAD. While the G-77 membership has grown to include more than 130 countries, the original name has been retained. As it will be discussed in the text later, in the early 1990s Group D ceased to operate as a diplomatic bloc, although its nominal identity has continued to exist. Since its displacement of Taiwan Province of China in 1971, China has continued to nominally maintain its independent position, but has often taken a sympathetic stance vis-à-vis the G-77.

It is often pointed out that the process of achieving consensus in Group B has perhaps not extended much beyond the highest "common denominator". Any concession far beyond this level by any member may be regarded as an act of treason to the spirit of group solidarity. Williams succinctly characterizes the situation: "Maximum demand from the G-77 tended to induce minimal response from Group B (Williams 1994: 194)." It should be noted that the potentially counter-productive rigidity of the group system has been softened by the emergence of "broker states", notably the Nordic countries. They have been relatively more sympathetic and conciliatory towards developing countries and have often been willing to contact some of the G-77 members to resolve difficulties (Jones 1985: 29).

The evaluation of the group system varies. Supporters defend it on two main grounds. First, the diplomatic value of the group system lies in its catalytic role in facilitating the decision-making process by providing for regular consultation and consideration of positions. Second, the group system is praised for its contribution to the formulation of principles and general policies aimed at structural change. The unity of the G-77 is imperative in order to legitimize its demand for change and to increase pressure on the international community.

1.6. Institutional mandate

UNCTAD's mandate has come to be understood as comprising the three following "pillars": consensus-building via the intergovernmental machinery; research and analysis; and capacity-building via technical cooperation. These pillars are the result of a distillation of longstanding institutional practices, but the principal efforts to specify the mandate into the present three-pillar form are relatively new and mainly attributable to the agreements reached at UNCTAD VIII (1992) and UNCTAD IX (1996).¹²

As mentioned earlier, in 1964 the United Nations General Assembly adopted Resolution 1995 (XIX) established UNCTAD as its subsidiary organ. Paragraph 3 of the Resolution spells out its substantive "functions" – which may be more appropriately called "goals" – namely to: "promote international trade; formulate principles and policies on international trade and related problems of economic development; and initiate actions for the negotiations and adoption of multilateral legal instruments in the field of trade."

The major movers of UNCTAD I (1964) strongly wished to formulate a set of new principles that would promote the interest of developing countries, particularly in trade. In this regard, UNCTAD would provide important intergovernmental forums – "a new form of diplomacy for development, involving multilateral parliamentary procedures and techniques" (Cordovez, 1970:5) – for developing countries to collectively negotiate with developed countries in forging concrete principles, measures and agreements. Here, it was expected, perhaps as a matter of course, that the UNCTAD secretariat would provide logistical and substantive support to the forums so as to facilitate intergovernmental negotiations.

In the second half of the 1960s, technical cooperation activities ventured beyond providing assistance to intergovernmental deliberations and negotiations and rapidly evolved thereafter.¹³ The Technical Assistance Coordination Unit was established in the UNCTAD

12. During the 1990s the reform process was initiated with widespread changes in UNCTAD's organization and mandate. Particularly important was the change in the diplomatic climate resulting from the end of the Cold War, which gave the organization a less confrontational role, thereby supposedly improving its effectiveness in realistic and pragmatic terms. In fact, the G-77 members began to refrain from making decisions by a vote as much as possible during the second half of the 1980s. And since the beginning of the 1990s, thus, decisions taken in the UNCTAD forums have been by consensus rather than by vote.

13. UNCTAD's technical cooperation activities were first recognized in 1966 by the General Assembly in

secretariat, forming part of the office of the Secretary-General of UNCTAD. When the Division for Programme Support Services was created in 1976, this unit was renamed the Technical Cooperation Services (TCS) and was integrated into this new Division.

At present, the UNCTAD secretariat spends a significant part of its extra-budgetary resources on technical cooperation activities, often specifically tailored to the requirement of capacity-building of individual developing countries. In the area of trade, for instance, the secretariat has assisted governments in all aspects of trade negotiations, in formulating commodity diversification policies. Various trade-related capacity-building initiatives¹⁴ in support of developing countries have been praised for their practical merits. Investment Policy Reviews have helped public authorities and private enterprises familiarize themselves with the investment environment and policies of different countries.

From the outset, the international monetary and financial system was a major part of the UNCTAD's intergovernmental deliberations, where international financial flows (public and private) would play a role in enhancing the development potential of developing countries by easing the financing need of their development.¹⁵ The establishment of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24) in 1971 intensified the involvement of the UNCTAD secretariat in many issues concerning the Bretton Woods institutions. UNCTAD's assistance in this matter has again consisted of facilitating intergovernmental deliberations and providing technical assistance on policy research and analysis on international monetary and financial issues.

1.7. Summary

UNCTAD is an international institution, or more specifically, an integral organ within the UN (equipped with various subsidiaries and a permanent secretariat), which has periodically held intergovernmental gatherings to address and pursue international economic issues, not merely in narrow sectoral terms, but comprehensively in terms of interactions and their interrelationships. It is increasingly concerned with a broad range encompassing trade, development, investment, technology, enterprise development and sustainable development. No forum or institution has addressed and pursued the vital issues related to the development of developing countries in such a broad and universal manner as UNCTAD. In addition, UNCTAD, or more accurately the secretariat, has also been increasingly active in the field of technical cooperation in developing countries and has recently become active in countries in transition (former socialist countries).

Resolution 2207 (XXI) which recommended that the Secretary-General of UNCTAD become a member of UNDP's Interagency Consultative Board, a body which comprised all the executive heads of the participating organizations, and invited UNDP and the Secretary-General of the UN to give all due consideration to request from the developing countries for technical assistances in the fields of export promotion and "invisibles", including shipping, insurance, and tourism. UNCTAD became a fully-fledged participating and executing agency of UNDP in 1968, and remains so until this day. General Assembly Resolution 2207 (XXI) was an endorsement of a TDB resolution of the same content that had been previously. In a similar fashion, in 1968 General Assembly Resolution 2401 (XXXIII) was also adopted as an endorsement of TDB Resolution 44 (VII).

14. An example of this is UNCTAD's integrated customs system, known as ASYCUDA, which has been installed in over 80 countries, and helped to speed up customs clearance procedures and helped governments to organize and modernize their custom procedures and management systems. UNCTAD's computerized cargo tracking system has been installed in 20 developing countries.

15. In the early days, the IMF's compensatory financing facility (CFF) drew considerable, critical attention in UNCTAD forums. The CFF was designed to extend support to member countries experiencing external deficits due to temporary export shortfalls (especially exports of primary commodities). The criticisms of the UNCTAD secretariat (as well as those voiced in UNCTAD forums) were concerned with: (1) the method of measuring export shortfalls to isolate the short-term portion of a change in the balance-of-payments position of a country; (2) the procedures for drawing and repayments; and (3) the size of the facility (Kasahara, 2004: 36).

While the trend seems to have been softened somewhat, developing countries have tended to perceive UNCTAD as the principal institution for establishing "international transfer mechanisms" based on generalized preferences and concessions made by the developed countries. On the other hand, developed countries have also tended to regard UNCTAD as one of many international institutions for communication but without a "negotiating" role.¹⁶

In retrospect, deliberations in various UNCTAD forums have led to decisions which have contributed to the signing of numerous international agreements. UNCTAD has also forged new perceptions and concepts and encouraged new approaches and actions in many areas of international concern. It has been instrumental, among other things, in the preparation of codifying trade preferences for developing countries and the establishment of arrangements to stabilize commodity prices. UNCTAD has also played a leading role in requesting more aid for the developing countries and ensuring that their voice is heard in debates on international monetary reform. Many of these issues have been on the Conference's agenda and, over the years, progress has been made in other institutions in implementing facilities for trade and development. Other areas of UNCTAD's contribution include, among others, transfer of technology, shipping, trade among countries with different economic and social systems, economic cooperation among developing countries and insurance.

2. THE CHANGING INTERNATIONAL CONTEXT SURROUNDING UNCTAD

The international situation in which UNCTAD exists has been in a constant state of movement and change, which has inevitably affected its operations. This section will discuss the evolution of UNCTAD's activities in the past four decades. For the purpose of analysis, the presentation is made by dividing the post-war period into relatively distinct sub-periods.

2.1. Initial period: the 1960s and the early 1970s

UNCTAD I was held when the Kennedy Round of GATT negotiations (1964-1967) was about to embark, or at a time of expansion in the world economy where the need for major cooperative efforts for the developing countries was broadly recognized. It was the belief that such efforts should be made especially to assist the developing countries to participate in world trade by improving market access abroad, strengthening and stabilizing commodity markets and enlarging financial flows to them. These issues have continued to be of paramount concern to UNCTAD.

In the field of trade, many concerned observers came to realize that the principle of reciprocity in trade concessions would constitute a formidable problem for the majority of developing countries. After all, the principle of reciprocity, not to mention the principle of the most favoured nation (MFN) treatment, was based on non-discriminatory multilateralism, i.e. treating all countries on an equal footing regardless of their stage of development. Consequently, considerable interest was expressed in the possibility of introducing exceptional cases whereby preferential tariffs by developed countries for exports from developing trade partners should be implemented on a non-reciprocal basis. This possibility was formally discussed at a GATT

16. Some member countries have been sensitive about the use of the term "negotiation". It seems that they have reserved the term for the process of making the legally-binding international agreements, as in the case of the GATT/WTO instruments. Thus, while the term used to be a regular expression, it has recently disappeared from UNCTAD documents.

Ministerial Meeting in May 1963, and afterwards in a working party set up to this end.

This new emphasis on the trade and development problems of developing countries culminated in a revision of the General Agreements of GATT in 1965 and the addition of Part IV, a chapter on trade and development.¹⁷ It calls on all GATT Contracting Parties to refrain from increasing trade barriers against products of specific concern to the developing countries, gives priority to the reduction and elimination of such barriers, and implements a standstill on internal taxation on tropical products. It also calls for joint actions to promote trade and development, which was the basis for establishing a Trade and Development Committee in GATT to work on the elimination and reduction of trade barriers.

Despite the fact that the Kennedy Round negotiations constituted the first negotiating setting that followed the implementation of Part IV, the (limited) participation of developing countries failed to create any decisive challenge to the principles of reciprocity and the MFN treatment.¹⁸ In fact, the general expectation was that as long as the principles of reciprocity and of MFN treatment were upheld; it was unlikely that the Kennedy Round would have brought about any substantive gains for developing countries.

2.1.1. UNCTAD I (Geneva 1964)

This historic Conference was held in Geneva from 26 March to 6 June 1964, and attended by the representatives of 120 countries, together with those of numerous international organizations. The substantive discussions were grouped into six agenda items: (1) expansion of international trade and its significance for economic development; (2) international commodity problems; (3) trade in manufactures and semi-manufactures; (4) improvement of the invisible trade of developing countries; (5) implications of regional economic groupings; and (6) institutional arrangements, methods and machinery to implement measures relating to the expansion of international trade. These agenda items were divided up among five substantive committees. Towards the end of the Conference, member States took note of the reports of these committees and took action on the draft recommendations included therein. This working procedure of the Conference has continued to the present.

The Final Act adopted by UNCTAD I contained, among others, the following principal aims: (1) increasing market access for the developing countries' exports, both by introducing preferential treatments of their manufactured and semi-manufactured exports, as well as by reducing agricultural protectionism; (2) regulating and stabilizing commodity markets to offset the deteriorating trend in the terms of trade of the developing countries by raising primary prices to a remunerative level; and (3) adopting measures to increase financial flows to the developing

17. The idea of adding Part IV, which formally came into effect in June 1966, was first proposed in the Harberler report of 1958. In the 1950s, the complaints from developing countries that their interests were not adequately taken into consideration, this led to the establishment of the expert committee (with Harberler as chairman and Mead, Tinbergen and Campos as members). The Harberler report called for developing countries' exports to be expanded, stating that problems faced by many of them were due to trade policies of developed countries. Furthermore, a GATT Ministerial Meeting in October 1965 decided to set up a working party to identify impediments to trade of special interest to developing countries and consider how these impediments might be removed.

18. These principles were basically the universal application of those of commercial diplomacy of the United States. The idea of creating an open trading system through negotiations to remove trade barriers had originated with the US Reciprocal Trade Agreement of 1934, which led to a series of bilateral negotiations. Tariff reductions in these negotiations were based on reciprocity (that is mutual advantage), a system that supposedly headed off potential domestic political opposition to tariff reduction. The negotiated reductions were broadened under the MFN treatments that the country had established with numerous countries under various commercial treaties (Spero 1990: 72).

countries, as well as to decrease the outflows from them. Probably the most noteworthy achievement of UNCTAD I was the decision to recommend the UN General Assembly that it authorize the UNCTAD's transformation into a permanent institution that would provide the basis for a continuing debate and policymaking process aimed at trying to achieve consensus among different countries. The General Assembly subsequently agreed to this recommendation.

2.1.2. UNCTAD II (New Delhi 1968)

In October 1967, the G-77 developing countries held a ministerial meeting – now standard practice before each Conference – as their own final preparatory process for UNCTAD II. Group B and Group D also held their own consultative meeting to clarify their respective group positions. Meanwhile, the TDB, the four principal committees and other intergovernmental bodies considered various substantive issues.

This building-up of a body of technical expertise and knowledge of the various groups' positions continued until the fifth session of the TDB just before the Conference. Secretary-General Prebisch thought that several "points of crystallization" had emerged during the preparatory process as possible topics for which concrete measures could be agreed for adoption. These points were: (1) manufactures and semi-manufactures (basically a general preference scheme in favour of developing countries); (2) financing; (3) shipping (greater participation in shipping by developing countries); (4) commodity policy (price support/stabilization and diversification); (5) trade relating among developing countries; (6) trade of developing countries with socialist countries; and (7) others.

Developed countries in Group B came to UNCTAD II with a major contribution in the field of trade preference for developing countries, but not much else. It became apparent half-way through the Conference that basic differences were undermining efforts to agree on the "points of crystallizations", Prebisch took the floor and expressed his opposition to a "global rhetorical solution without concrete measures" and insisted that "no global strategy is possible without some fundamental solution based on convergent measures by the developed and developing countries". In retrospect, at the first two Conferences, developing countries first and foremost urged the international acceptance of some sort of trade preference – which later became known as the Generalized System of Preferences (GSP) – that would favour exports from developing countries on a non-reciprocal basis.¹⁹ The Special Committee on Preferences, established at UNCTAD II as a subsidiary body of the TDB, completed its work on the GSP in 1970 on the basis of submissions by developed countries and a detailed technical examination of questions relating to rules of origin. In June 1971, GATT Contracting Parties also decided to waive the provisions of Article I of the General Agreement for a period of 10 years to allow developed Contracting Parties to grant preferential tariff treatments to products originating in developing countries. In addition to active participation in UNCTAD forums, a recognizable caucus of developing countries slowly emerged within GATT. These developments were taking place simultaneously with the growth of collective pressure by developing countries on economic issues in the UN General Assembly.

In proclaiming the Second United Nations Development Decade from 1 January 1971, the UN General Assembly included the trade preference arrangements as an integral part of the

19. While developing countries supported the idea of adopting a new instrument of general applicability within the framework of an international development policy, the developed countries insisted on having the GSP inserted into the existing legal system. In other words, developing countries opposed giving the GSP of an amendment to the principle of MFN treatment (Article 1 of GATT), and thus ensured the maintenance of the judicial status quo. And for that matter, they also opposed founding the GSP on the possible and coherent (Brethoud 1985, p.78).

International Development Strategy for the decade. The TDB devoted extensive discussions in 1968 and 1969 to the establishment of agreed texts that could be forwarded to the UN General Assembly and the preparatory Committee for the Second UN Development Decade (for the 1970s) for incorporation in the final text of the Strategy. For instance, the 1 per cent target (of GDP of donors) of financial flows to developing countries recommended by UNCTAD II was incorporated into the Strategy.

Another noteworthy event that evolved towards the end of the 1960s was the institutional decision whereby UNCTAD became a participating agency for the United Nations Development Programme (UNDP), the original idea had been advanced at UNCTAD II. In 1969, a Technical Coordination Unit was established within the UNCTAD secretariat. In subsequent years, the UNCTAD secretariat became increasingly active in providing technical assistance to developing countries. By means of advisory services and training beyond the facilitation of intergovernmental negotiations, the field covered by UNCTAD's technical assistance has rapidly expanded. A great deal of effort was put into building the capacity of developing countries – most importantly in the area of international market access, i.e. export promotion and marketing in order to activate their development process.²⁰

2.1.3. UNCTAD III (Santiago 1972)

The third Conference was held in Santiago, Chile from 13 April to 21 May 1972, with the participation of representatives of 131 member countries, including, for the first time representatives of China, together with those of numerous international organizations. The Conference was held after the first movement in the breakdown process of the Bretton Woods monetary system.²¹ All participants understood that the basic mission of UNCTAD III was to promote the implementation of the most essential objectives and commitments of the International Development Strategy for the Second UN Development Decade.

By the early 1970s, it had become clear that the decline of ODA flows in real terms was of a secular character. Developing countries therefore exerted a concerted pressure to reverse the trend by introducing quantitative targets (as shares of industrialized donors' GNP) for financial flows (private and public) to developing countries. One of the dominant themes in the statements of all developing countries was the international monetary crisis, the initial debacle of the post-war international monetary system (known as the Bretton Woods system) in 1971. Developing countries argued that while they were in no way responsible for the monetary crisis and they had to bear the brunt of the uncertainty engendered by the crisis, and the subsequent currency realignments contributed to the depletion and erosion of the value of their foreign reserves.

The international monetary turbulence aggravated particularly the economic situations of those countries whose currencies had appreciated in dollar terms, thereby causing a most

20. In earlier years, the recipients of UNCTAD's technical assistance were mainly developing country governments. As it will be discussed in the text, in the post-Cold war period, technical assistance activities extended to former socialist countries. Furthermore, recently the private sector has benefited to an increasing extent.

21. The initial shock took place in August 1971 when the United States announced that its monetary authorities would no longer maintain the US Dollar-gold exchange rate, and would allow the foreign exchange rate to float. In December of the same year, the Group of Ten developed countries reached the Smithsonian agreement, by which the US Dollar was devalued in terms of gold and the major currencies were appreciated in terms of this key currency. The Smithsonian Agreement, however, proved to be only a temporary solution to the crisis. A second devaluation of the US Dollar was announced in February 1973, and before long Japan and the EEC countries decided to let their currencies float. At that time, these events were thought of as temporary measures to deal with speculation and capital shifts, but they turned out to be permanent measures to end of the system of established par values.

unfavourable impact on their already deteriorating terms of trade. The international monetary crisis, therefore, created a perception that the US dollar ought to be replaced by a new currency. In this regard, the G-77 took an initiative at UNCTAD III (1972) to attempt to achieve a breakthrough on the question of the "aid-SDR link", arguing that the special drawing rights (SDRs) of the IMF could potentially replace the US Dollar, provided there was a substantial increase in the amount in circulation and that it was linked to the financial needs of developing countries. The UNCTAD secretariat, for its part, sought to establish a "link" between the expansion of aid and international liquidity, with the hope that the financial needs of the developing countries would be met by the expansion of SDRs to the maximum extent possible.

As mentioned in Part I, the establishment of the G-24 among developing countries in 1971 also intensified the involvement of UNCTAD in many international monetary and financial issues.

2.2. The period of systemic turbulence: the 1970s

The 1970s witnessed the rise and fall of so-called "commodity power", the continued disintegration of the international monetary system, an erosion of the multilateral trading system, and a slowdown in world economic growth rates. All induced adverse consequences for trade and economic development of many developing countries.

Commodity prices – not just the price of oil, but the prices of a number of other industrial raw materials, food and tropical beverages – had risen sharply in the first half of the 1970s. The example of the oil cartel in particular suggested to developing countries that other commodities could be also cartelized. In the 1970s, the operations of the Organization of Petroleum Exporting Countries (OPEC) were without doubt the most important factor affecting the international political and economic scene. As a result, developing countries were keen to consolidate the progress that had been made in the market, with a new and strong perception that meaningful negotiations could be arranged between grossly unequal partners of developing countries. Bhagwati explains:

"Just as the GSP had become the symbol of the New Delhi UNCTAD II in 1968, commodity schemes were the symbol of the early 1970s and indeed at the Nairobi UNCTAD IV in 1976 when the negotiations on the Integrated Program for Commodities were agreed upon (Bhagwati, 1984: 25)."

As was seen at the Sixth and Seventh Special Sessions of the UN General Assembly, held in April 1974 and September 1975, respectively, the diplomatic scene at the UN had also been highly politicized, with the G-77 vigorously pushing for the establishment of a New International Economic Order (NIEO). While the programme for the NIEO touched all aspects of international economic relations, the G-77 placed special emphasis on trade reform. It called for a further reduction in tariff barriers by the industrialized countries on a non-reciprocal basis for a wider range of products from developing countries.

2.2.1. UNCTAD IV (1976)

By the time UNCTAD IV took place, the prices of many commodities had fallen well below their 1974-1975 peak. The Conference was dominated by discussions on the Integrated Programme for Commodities (IPC). In contrast to previous approaches, the essential characteristic of the IPC was the objective of dealing with commodity problems in a "comprehensive and systematic" fashion. It stipulated that agreements for 18 specific commodities would be negotiated or renegotiated within the UNCTAD framework with the principal objective of stabilizing them "at a level remunerative to the producers and equitable to the consumers". A number of factors supported the momentum for international action to adopt

the IPC. It was evident that if the oil price increase had come to stay, oil-importing developing countries would, in the long run, be able to manage their rising import bill through the enhancement of their export earnings rather than through emergency assistance. One of the ideas that was discussed but seldom directly stated was that the oil producers could themselves help by providing financial support for action to strengthen markets of other commodities (UNCTAD, 1985: 63).

It was thought that buffer stocks would ensure the price stability of the identified commodities. While this kind of agreement had met with limited success in the past, the UNCTAD programme contained one very important feature, the financing mechanism based on a Common Fund. It was envisaged that the Fund would link up individual international commodity agreements (ICAs), enabling the temporary weakness of any of the agreement to be compensated by the strength of others. Despite the adoption of the IPC at UNCTAD IV, the prevailing belief in commodity power continued to erode, and it was stipulated that oil was a special case.

In the period between UNCTAD IV (1976) and UNCTAD V (1979), despite several meetings on as many as 12 commodities under the IPC but not covered by international agreements, only one product, namely rubber, was brought to the stage of a negotiating conference. Seemingly, there was a mutual reinforcement between the slow progress in the negotiating process for individual products on the one hand, and a delay in the establishment of the Common Fund on the other. However, the international community had to wait until 1989 for the minimum number of ratifications required before the Fund could be activated. As regards the developed countries, their perceived vulnerability to commodity power (perhaps with the exception of oil) diminished towards the end of the decade. As a result, the sense of urgency to accommodate their developing counterparts' requests to set up multilateral arrangements for North-South negotiation also faded.

The period between UNCTAD IV and V roughly coincide with the period of the most intensive multilateral negotiations of the GATT Tokyo Round. The activities of UNCTAD in the sphere of international trade negotiations were rather limited and confined to assisting developing countries in actively participating in the negotiations, closely following developments in the negotiations, and providing relevant documentation to the GATT bodies for use as they deemed appropriate (UNCTAD, 1985: 117). While developed countries failed to agree on a uniformly applicable system, they nonetheless individually adopted similar, but different schemes of tariff preferences during the first half of the 1970s. These preference schemes not only remained "temporary" in the sense that developed countries reserved the right to grant preferences in accordance with their own timeframe, but were also "geographically specific" in the sense that the developed countries had their own geographical coverage of developing countries to which these preferences may be applied.²² It is interesting to note that GATT's success in general trade liberalization gradually reduced the difference between preferential treatment and general treatment, thereby eroding the advantage of the former over the latter. As a result, developing countries shifted their target from tariff barriers to non-tariff barriers of the developed countries.

As partly touched upon earlier, the 1970s was a turbulent period in the post-war

22. The schemes have usually been subject to ceiling limitation on the quantity or value of any particular import receiving preference. In addition, many products have been excluded from individual preferential treatment including many import-sensitive goods in which developing countries enjoy a comparative advantage.

international monetary system in general, as well as probably the most critical period for the IMF's legitimacy. The IMF had been closely monitoring the fixed exchange rate system in the post-war period and had failed to prevent its eventual collapse. The unilateral decision of the United States on 15 August 1971 to suspend dollar-gold convertibility, without prior consultation with other major industrial countries or the IMF, triggered the initial debacle of the Bretton Woods system. The attempt to create a new system of fixed parities through the Smithsonian Agreement of December 1971 ended in failure, which led to the floating of all the major currencies in April 1973. The initiative of the principal industrialized countries to coordinate policy among themselves (through the Group of 10) rather than in IMF forums had the effect of marginalizing the function of the IMF. To some observers, therefore, it appeared in the 1970s that the IMF was heading for extinction.

2.2.2. UNCTAD V (1979)

At UNCTAD V, an attempt was again made by developing countries to initiate wide-ranging negotiations basically along the lines of the UN General Assembly Resolution 3202 (S-VI) on the Programme of Action on the Establishment of a New International Economic Order. These countries claimed that all issues relevant to their well-being ought to be dealt with in a comprehensive dialogue. This was rejected by Group B members which, as mentioned earlier, were now less fearful of commodity power.

The impact of rising oil prices on the oil-importing developing countries and growing economic divergence between the newly-industrialized economies (NIEs) and many developing countries (including the so-called least developed countries) was particularly divisive. Furthermore, the successful recycling of petrodollars to several of the more developed of the developing countries meant that these were now being integrated into the current international regime. Thus, their capacity to adopt militant, radical reformist positions in relation to developed countries was increasingly undermined, making the G-77 solidarity less of a reality (Bhagwati, 1984: 26).

2.3. The "second" Cold War and global recession: the 1980s

At the very end of the 1970s, we began to witness the re-emergence of superpower rivalry²³ and the commitment of massive resources to armaments. In the first half of the 1980s, we also found ourselves in an environment of global economic recession and crisis characterized by inflation and unemployment and serious payments problems. The situation was particularly devastating for most developing countries. In effect, meaningful North-South negotiations ended at UNCTAD V (South Commission, 1990: 217). Two years later, in 1981, the Cancun Summit took place with 22 countries taking part and was co-chaired by the President of Mexico and the Prime Minister of Canada. The Summit was held to find political support for a sustained process of North-South negotiations, but once again, it was unsuccessful. The 1980s as a whole would later be characterized as "the lost decade for development", with sub-Saharan African countries suffering the most severely. In the first half of the 1980s, over half of the developing countries experienced a contraction in per capita GDP, while over the decade as a whole developing

23. December 1979 is thought to have marked a transition in East-West affairs. NATO agreed to deploy land-based Cruise and Pershing II missiles in Europe if negotiations with the Soviet Union did not reduce what NATO saw as a serious imbalance. Later in the month, Soviet armed forces intervened in Afghanistan to support their allies. Meanwhile, the newly formed Reagan administration in the United States adopted a more confrontational approach with the Soviet Union. In the same year, Soviet air defense shot down a South Korean civilian airliner in the airspace of the Soviet Union, which created a climate of great tension in East-West relations. US intervention in Grenada in 1983 and attack on Libya in 1986 were also seen as evidence of a new climate of belligerence.

countries as a group faced a 10 per cent decline in per capita GDP (Thomas 1997: 457).

From the viewpoint of the UN, this was arguably the lowest point in multilateral economic diplomacy. In many UN forums, dialogue and negotiations between developing and developed countries had practically reached deadlock. The UNCTAD secretariat admits:

"A perceptible loss of confidence occurred in UNCTAD's role as a facilitator of consensus and conciliator of diverse views. Multilateral methods of dealing with international trade and development problems were eroded and several countries began to prefer a bilateral approach (UNCTAD 1994: 3)"

The IMF, which had appeared to be moribund in the early 1970s, gradually regained some of its international legitimacy, but not in the sphere of international monetary supervision. Its newly found importance, arising from the debt crisis, lay in the sphere of financial support to developing countries. Indeed, during the 1980s, the IMF not only developed its role in the area of financial assistance to developing countries, but also spearheaded a change in international development policy by imposing "conditionalities" on its financial assistance – i.e. a set of policy prescriptions of macroeconomic management and structural reforms that generally consisted of fiscal and monetary austerity, economic deregulation and privatization, trade liberalization, currency devaluation.

The IMF's involvement in reform programmes in developing countries was the beginning of a new period of closer collaboration with the World Bank. For the latter, the establishment of the structural adjustment loan (SAL) in 1980, initiated in response to the worsening problem of external debt in many developing countries, was also considered as a major turning point in its lending policy. Indeed, the move to adjustment lending shifted the goal of the World Bank's activities from poverty alleviation, advocated in the 1970s, to policy dialogue. By means of the SAL, developing countries were forced to implement programmes of specific policy change and institutional reforms to improve their external payments accounts, maintain economic growth in the face of severe constraints, and increase inflow of external assistance. Increased cooperation between the Bretton Woods institutions had the effect of getting the World Bank to place greater emphasis on market-oriented reforms and the IMF to take more interest in market-oriented development.

As far as developing countries were concerned, deterioration in terms of trade, high interest rates, falling concessional assistance and restrictions on lending by commercial banks (particularly after the debt crisis of 1982) left them no recourse but to become more receptive to the adjustment lending of the Bretton Woods institutions. Diversification among developing countries in terms of their development strategies and performance increased in the 1980s. It became increasingly more difficult for them to maintain their solidarity in multilateral diplomatic forums, although the G-77 was reluctant to accept the principle of differentiation among its members.

Meanwhile, the UNCTAD secretariat became increasingly concerned with a specific subgroup of the G-77, the least developed countries (LDCs). The United Nations Conference on the Least Developed Countries was held in Paris from 1 to 14 September 1981. The Secretary-General of UNCTAD was designated as Secretary-General of this Conference; the UNCTAD secretariat served as its secretariat, and an UNCTAD intergovernmental group served as its Preparatory Committee.²⁴ In addition to numerous other studies, the UNCTAD secretariat

24. Three UN Conferences on the LDCs have been held to date: the first in 1981, the second in 1990, and third in 2001. The first conference adopted a Substantive New Programme of Action (SNPA) for LDCs for the 1980s, while

launched in 1984 the annual publication of the *Least Developed Countries Report*, which assesses the socio-economic performance of these countries, reviews national and international policy in the light of their interest, and presents a basic data series on them.

2.3.1. UNCTAD VI (1983)

By the time of UNCTAD VI, the drive for international economic restructuring had appeared to be unrealistic, particularly in the light of the newly-formed conservative administrations in some of the principal industrial countries.²⁵ At the Conference, another attempt was made to revive the North-South dialogue which was based on a revised rationale: "the need to reactivate development in the South as an essential means of stimulating the global economy and reinforcing recovery in the industrialized countries themselves (South Commission, 1990: 217-218)". This was again turned down by the industrialized countries, which argued that recovery in their economies was already under way and would in due course spill over to developing countries.

Thus, rather than putting forward any new proposals for structural reforms of the international economic regime, the UNCTAD secretariat itself, began to emphasize that the Conference could now play a role in initiating and sustaining world recovery. The Secretary-General of UNCTAD was quoted as saying at UNCTAD VI: "What we are seeking today is not so much to negotiate new innovation in policy but rather to give effect to approaches and goals which have for long been the subject of consensus in the international community (Ansari, 1986: 274)". Regardless of the outlook on their feasibility, the Conference, nevertheless, emphasized various measures designed to improve the creation of a medium-term financial facility to channel SDRs to developing countries; gold sales by the IMF for the benefit of poorer developing countries; further liberalization of the IMF's Compensatory Financing Facility (CFF); accelerated disbursements by the World Bank and a more flexible approach in its conditionality on structural adjustment lending; an increase in ODA; and a variety of debt relief measures (UNCTAD, 1985: 86). The position of many developed countries was that any serious attempt to stimulate the economies of developing countries would tend to create inflationary pressures, and that these countries should undertake adjustment, i.e. austerity policies, until the spillover effects of the recovery in the developed countries took place (South Commission, 1990: 218).

2.3.2. UNCTAD VII (1987)

As there had been no offer forthcoming from a developing country to host the Conference, UNCTAD VII was held in Geneva. On the eve of unexpected, international political turbulence with global ramifications, UNCTAD VII reiterated virtually the same elements of international action as it had in the previous Conference.

There were new noteworthy developments in international development around this time. One of them was the Common Fund for Commodities. The Common Fund (CF) was a mechanism agreed in 1980 for stabilizing the commodities markets by financing buffer stocks of specific commodities, as well as commodity development activities such as research and marketing. The CF was formulated as a financial arm, so to speak, to facilitate the operation of the Integrated Programme of Commodities (IPC) approved at UNCTAD IV (1976). During

the second conference critically reviewed the SNPA and adopted Paris Declaration and Programme of Actions for the 1990s. The third conference similarly adopted Brussels Declaration and Programmes of Actions for the 2001-2010 period.

25. In addition, the governments of most of the industrialized countries had been preoccupied with fighting inflation at home, and gave no priority to agreeing on a new basis for North-South economic relations or to defining the nature, scope, and prospects of interdependence links in the world economy (the South Commission 1990:217).

1987, seven additional States adhered to the Agreement, bringing the total adherents to 99, nine above the number required for the Agreement to enter into force.²⁶ The CF entered into force as an autonomous institution in 1989; by then, however, the policy direction it embodied (i.e. intervention in commodity markets by producer-consumer bodies through buffer stocks) had been essentially abandoned. As a result, the CF had to search for a new role, basically centred around the objective of commodity development.

Another new and noteworthy event was the launch of the Global System of Trade Preferences (GSTP), a system of trade preference among developing countries. The initial proposal had been discussed among G-77 members in the early 1970s and presented at UNCTAD IV (1976). In 1982, the G-77 Ministers of Foreign Affairs in New York decided to set up the GSTP Negotiating Committee. In 1985, the New Delhi Ministerial Meeting defined the general negotiating approaches and prepared a timetable of the negotiation process. In 1986, the Brasilia Ministerial Meeting launched the first round of negotiations; in the following year in Belgrade, 48 countries entered into an intensive phase of negotiations of mutual trade concessions. The Agreement on the first round entered into force in 1989 with 41 countries having ratified it. The third round of the GSTP was launched at UNCTAD XI (2004).

2.4. Global uncertainty: the period from the mid-1980s to the mid-1990s

For some years at least, GATT appeared to be successful in lowering high tariff walls and expanding world trade considerably. Nevertheless, non-tariff barriers (NTBs) had also risen to such an extent that much of the progress that had been made was undone. In the 1980s, many observers viewed the initiative to form regional free trade frameworks in the western hemisphere, and greater momentum among the European Community (EC) member countries for deeper integration, as a threat to universal multilateralism.²⁷ These initiatives were accompanied by "result-oriented, bilateral reciprocity" (even on a sectoral basis) in relations with those outside of their respective regions (particularly in the case of the NAFTA), and were armed with a tightly recognized economic and institutional integration of geographically specific national economies (in the case of the EU). These were in contrast with a "rule-based, multilateral reciprocity" in accordance with the MFN treatment and "generalized" reciprocity.

From the 1980s onwards, trade restrictions such as Multi-Fibre Arrangements (MFAs) in textiles and clothing that had originated in 1974, Voluntary Export Restraints (VERs) in many manufactured goods and other restrictive measures were introduced and reinforced. The Uruguay Round of GATT negotiations, which had been launched in 1986, failed to reach agreement by the scheduled deadline (the end of 1990). This was also an additional factor that contributed to the view that discriminatory regionalism was gaining the upper hand over universalism.²⁸ In the early 1990s, the catastrophic "general breakdown" of universalism and "regional fragmentation" reflected widely-held concerns that deadlock was the likely outcome in

26. The only remaining requirement then was that the ratifying countries represented two thirds of the Common Fund's capital. In December 1987, when the Soviet Union became the 99th government to ratify, those countries collectively accounted for 66 per cent of the capital.

27. While the United States used to refrain from making use of Article XXIV of GATT (the formation of regional free trade agreements), its policy stance changed in the 1980s. The new policy line consists of a series of bilateral agreements: the agreement with the Caribbean countries (Caribbean Basin Act of 1983), with Israel (1985) and with Canada (1988). After the US-Canada agreement, negotiations with Mexico to subscribe to the agreement eventually led to the conclusion of the North American Free Trade Agreement (NAFTA) in 1994.

28. Some observers may argue that regionalism is consistent with universalism as long as it remains as what is called "open regionalism". This is because regionalism may be considered functioning as a building bloc rather than as a stumbling bloc in the realization of universalism.

the trade negotiations. The GATT-based international trading system was only saved by the Final Agreement of the Uruguay Round in 1994 and the birth of the WTO in 1995.

Towards the end of the 1980s, we witnessed the beginning of the most dramatic political changes of the post-war period: the socialist regimes in Eastern and Central Europe collapsed in a rapid succession and the Soviet Union disintegrated in 1991. It was in response to economic and security concerns arising from frustrations and tensions in the former socialist transition countries that the new impetus for global cooperation was generated. With political changes taking place in many parts of these economies, the concept of development as taken up in UN forums rapidly evolved, and was now widely understood to be linked to a multidimensional undertaking and a people-centred process. Furthermore, various social and environmental issues associated with development activities began to be discussed more seriously within UN forums. Meanwhile, the role of the Bretton Woods institutions in the management of international economic relations was further enhanced as they were assigned a central role in assisting the economies in transition.

2.4.1 UNCTAD VIII (1992)

Against the background of these dramatic political and economic changes in the international community, one of the immediate concerns of UNCTAD VIII was how to meet the large and growing financial needs of the transition countries without diverting development resources, particularly flows, away from traditional recipients, i.e. developing countries. The transition countries also presented a systemic challenge — how their integration into the international financial system could be carried through without creating undue stress on the system itself. As for international trade, the Conference reaffirmed the need to curtail protectionism and maintain an open and non-discriminatory trading system. But the scope of multilateral trade negotiations — i.e. the ongoing Uruguay Round negotiations since 1986 — was vastly expanded to include trade in services, intellectual property, environment-related issues, trade policy reforms, improvement in competition, facilitation of structural adjustment and the optimization of the relationship between investment and technology (UNCTAD, 1994:19).

Immediately after UNCTAD VIII, there was a general euphoria, referred to as the "Spirit of Cartagena", about the role of UNCTAD in the post-Cold War period. It was spelled out in the final document that the functions of UNCTAD would comprise: "policy analysis, inter-governmental deliberations; consensus-building and negotiations; monitoring, implementing and follow-up; and technical cooperation" (para. 50). By highlighting the importance of consensus-building (para.55), it was understood that the results of deliberative processes in the TDB and its subsidiary bodies "need not take the form of resolution" (para.50), and that greater use should be made of "agreed conclusions, assessments or summings-up by presiding officers, particularly when the issues are new or difficult ones, requiring further exploration and the building of common perceptions" (ibid.). As for the workings of its institutional machinery, the Conference now urged "greater flexibility in the manner in which governments join with others within UNCTAD to pursue common objectives" (UNCTAD 1994:18), which may be interpreted as a clear sign of the departure from the traditional group system.

In more analytical terms, according to Diekmann, two fundamental changes in the institutional characteristics of UNCTAD brought about by the Conference are:

"First, there was a change in the perception of UNCTAD, which is now to serve more to shape opinions and reach consensus rather than as a negotiating forum. Secondly, a new economic philosophy took hold which departed from old dirigistic tenets in favour of a market approach to trade and development policy and was reflected in the interpretation of UNCTAD's mission (Diekmann 1996: 222-223)."

It was anticipated that the end of the Cold War, and therefore the end of the East-West confrontation in the UN, would release sizeable resources via the global institution. There was also the hope that savings from disarmament would generate greater financial flows, a "peace dividend", for all countries in need. Developing countries argued that if progress could be made towards disarmament and arms control, there should be an international agreement that part of the savings on armaments expenditure should be set aside for agreed international purposes, particularly for development activities in developing countries (South Commission, 1990: 220).

One of the most significant decisions made at UNCTAD VIII that would critically affect negotiations in UNCTAD was the extensive reorganization of the intergovernmental machinery. Particularly critical was the abolition of the Commission on Invisibles and Financing-related to Trade (CIFT), one of its oldest bodies. It curtailed the contribution of UNCTAD to the debate on the international financial architecture. Since then, issues related to financial architecture have only been discussed in a lukewarm fashion, under the agenda item of "interdependence" at the TDB.

2.5. Period of reform: The mid-1990s onward

The post-Cold War period heralded a period in which the "cost of peace" resulting from increasing armed conflicts was taken into consideration. The arms race, civil wars (in the form of ethnic cleansing and separatist activities) and various kinds of conflict in developing countries, further drew advanced countries and the UN into costly peacemaking and peacekeeping operations in various parts of the world. At the same time, there was increasing call/pressure for reforming the UN system with a view to improving its efficiency, streamlining its organizational structure and making its field operations more effective. Various reform plans for the intergovernmental machinery (including the question of membership of the Security Council) and the UN bureaucracy, were the subjects of intense debate.

At the end of 1993, meanwhile, the long and difficult negotiations of the GATT Uruguay Round were successfully completed, and the decision was taken to create the World Trade Organization (WTO) as of January 1995. The new organization was assigned a broad mandate which extended far beyond tariff reduction, bringing into the ambit of the multilateral trading system a number of what had traditionally been seen as domestic or non-trade issues, such as intellectual property, investment measures and services. Furthermore, by introducing a "single undertaking" character into the multilateral trading system, it virtually ended the option previously available to developing countries to opt out of obligations under some of the multilateral trade agreements. At this stage, concerns were raised about possible duplication of work between UNCTAD and WTO; however, it subsequently became clear that far from duplicating each other, UNCTAD and WTO complemented one another with the latter playing a crucial role in assisting developing countries to better prepared themselves for their negotiations at the WTO.

2.5.1. UNCTAD IX (1996)

In the run-up to UNCTAD IX, and in pre-Conference negotiations in Geneva, both developed and developing countries repeatedly stressed the complementarity of UNCTAD and WTO.

The main theme of UNCTAD IX was the opportunities and dangers that globalization and liberalization posed for sustainable development. The Conference confirmed the responsibility of each country for its own development and the supremacy of market principles in managing economies. It highlighted that globalization involves both opportunities and risks and that the international community should provide assistance to developing countries in their

efforts to integrate into the global economic system and maximize the benefits they derive from that system. UNCTAD's role in assisting developing countries in their integration into the international trading system by building their supply capacities and their ability to participate effectively in the multilateral trade negotiations was also stressed.

What was also particularly noteworthy was the fact that the Conference grappled with the issue of reforming UNCTAD, as regards not only the structure of intergovernmental machinery (the reduction in the number and frequency of intergovernmental meetings), but more notably the structure of the secretariat and its programme.²⁹ Consequently, UNCTAD IX adopted a revised mandate for the organization, as well as some of the most far-reaching reforms in its history. The final document adopted at the Conference, *A Partnership for Growth and Development*, resulted in a refined and more focused work programme; closer involvement of civil society in the organization's work; and an improved coordination with other organizations.

From a functional viewpoint, the modalities of UNCTAD's work was further crystallized to take in research and analysis, technical assistance and consensus-building. Some observers interpreted this restructuring as an attempt to move UNCTAD away from its traditional role of providing a serious counterbalance to mainstream economic thinking represented by the Bretton Woods institutions and GATT/WTO (Diekmann 1996). Nevertheless, the general analytical thrust of the *Trade and Development Report*, despite the overall transformation of the institutional ideology of UNCTAD, has remained heterodox.

After UNCTAD IX, the secretariat further intensified its efforts to streamline its structure and programmes as well as intergovernmental machinery: Twenty-five separate work programmes and subprogrammes were replaced by one programme and five subprogrammes; nine divisions of the UNCTAD secretariat were reduced to four; and the number of intergovernmental bodies was halved; and their meetings were dramatically cut from 690 in 1992 to 225 in 1997. Many vacant posts in the secretariat remained unoccupied or abolished and early retirement of staff was encouraged. However, the secretariat did strengthen its technical cooperation activities.

2.5.2. UNCTAD X (2000)

UNCTAD's tenth Conference was held in Bangkok, Thailand, under the banner "Developmental Strategies in an Increasingly Interdependent World"; the choice of Thailand as the Conference venue was timely as the country had experienced both the positive and negative aspects of globalization. Many observers welcomed the Conference, claiming that it was being held at an auspicious moment for developing countries. It was the first international conference on global economic issues after the failure of the third WTO Seattle Ministerial Meeting of 1999 to launch a new round of multilateral trade negotiations. Naturally, much of the attention at the Conference was paid to WTO-related issues.

The Conference provided an excellent opportunity to discuss ways and means to deal with economic globalization for the aim of guiding its positive effects towards improving of the world economy, particularly in the developing countries. Nevertheless, there was no clear-cut sign of a North-South convergence of views regarding governance. Developing countries continued to stress the need for improving governance at the international level (particularly as regard their market access to developed countries), while developed countries generally emphasized good governance at the national level (referring to rule of law, the fight against corruption, respect for human rights, etc).

29. It should be noted that the re-organization of the UNCTAD secretariat agreed on at UNCTAD IX was largely identical with the preliminary blueprint the Secretary-General of UNCTAD had proposed prior to the Conference.

Since UNCTAD X, the international community has taken some encouraging initiatives aimed at helping to refocus international attention on trade and development, these include a new round of multilateral trade negotiations now known as the Doha Round, which was launched in December 2001. At the UN level, the Millennium Declaration of September 2000 identified poverty reduction through sustained and broad-based economic growth and development as a priority area of the work of the UN and the international community as a whole. At the third International Conference for the LDCs held in Brussels in 2001, a renewed Programme of Actions comprising concrete commitments and actions for these countries was adopted. By highlighting the need to remove the financial constraints on development, the Monterrey Consensus (adopted at the 2002 International Conference on Financing for Development in Monterrey, Mexico) generated new momentum for the reversal of the declining trend in official development assistance (ODA).

2.5.3. UNCTAD XI (2004)

UNCTAD XI was held in São Paulo, Brazil and coincided with the 40th anniversary of the organization. In the same manner at UNCTAD X, the São Paulo Conference was also held after the failure of the WTO Ministerial Meeting in Cancun (2003). The main theme of the Conference was "Enhancing coherence between national development and global economic process towards economic growth and development, particularly of developing countries".

This Conference theme was based on the belief that resorting exclusively either to national responses or to international processes would not resolve the poverty problems of developing countries. These countries should address the challenge of integrating into the international economy under conditions conducive to their development, where central to this challenge should be the need to identify development strategies and policies that would strengthen their productive capacity and enhance their competitiveness. In this regard, the interface and greater coherence between internationally agreed disciplines and commitments on the one hand, and the development strategies that developing countries need to pursue to achieve their development objectives on the other, are critical.³⁰

One noteworthy and positive event during UNCTAD XI was the launch of the third round of "the Global System of Trade Preference among Developing Countries" (GSTP), a major instrument for the promotion of "South-South" trade.

A further initiative of great relevance to UNCTAD, which was also reflected in the declaration of the WTO's Hong Kong Ministerial Meeting in December 2005, is the Aid for Trade initiative. Based on the increasing recognition of the fact that many developing countries were not able to fully reap the gains from trade liberalization because of insufficient supply capacities, a number of donors have expressed the willingness to provide large sums of finance for strengthening such capacities. While the details of this initiative are still being discussed, it is envisaged that Aid for Trade programme could support trade-related capacity-building (e.g. training on trade rules, trade policymaking), broader capacity building (establishing proper legal frameworks, setting up investment-promotion agencies, etc.), and trade-related infrastructure-projects (ports and road networks). In the long term, it is also expected that such an initiative could assist countries in adjusting to the consequences of trade liberalization.

UNCTAD has highlighted the supply-side constraints of developing countries for many decades, and has gained significant experience in addressing them through analytical and technical cooperation activities in this area. Some of the areas where UNCTAD could make a key contribution to the Aid for Trade initiative include:

30. For further elaborations of the theme, see UNCTAD (2003).

- Capacity-building on trade policymaking, ranging from assistance in the process of accession to WTO to policy advice on how best to strengthen the services sector.
- Trade and competition policy (e.g. adoption/updating of national competition laws and related disciplines in trade agreements). So far, UNCTAD has assisted in the formulation and implementation of competition legislation in 25 developing countries and eight regional groups.
- Trade facilitation platforms (integrated trade and transport facilitation country projects, technology-based automated customs system (ASYCUDA). UNCTAD's customs software has been installed in more than 80 developing countries, and has achieved a significant reduction in the time needed for Customs clearance. In Zimbabwe, the average amount spent clearing Customs was shortened from a little over two weeks to one day.
- Advice on investment policies and strategies and investment promotion activities.
- Enterprise development activities (EMPRETEC, establishing specialized trade finance services, building a regulatory environment and key institutional set-up of modern ICT-based trade-related finance).
- Transport and trade logistics (linking national/regional systems to global transport operators and networks).

The renewed interest in strengthening the supply capacities of developing countries could be seen as a vindication of UNCTAD's efforts over the course of the past four decades. It is to be hoped that, beyond that, the Aid for Trade initiative will also give the organization the opportunity to significantly strengthen its contribution to the equitable integration of developing countries into the world trading system.

Appendix

UNCTAD ACHIEVEMENTS

Intergovernmental negotiations held under UNCTAD's auspices have resulted in international agreements in areas covering trade, commodities, debt management, transport and special categories of developing countries.

Trade

General System of Preference (GSP) (1971): Every year over \$60 billion of developing country exports receive preferential treatment in developed country markets due to the GSP.

Agreement on a Global System of Trade Preference (GSTP) among developing countries (1989).

Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (1980).

Global Trade Point Network (GTPNet), following the UN International Symposium on Trade Efficiency (1994).

Commodities

International commodity agreements covering, among others, cocoa, sugar, natural rubber, jute and jute products, tropical timber, tin, olive oil and wheat.

The Common Fund for Commodities, set up to provide financial backing for the operation of international stocks and for research and development in the field of commodities (1989).

Debt Management

More than 50 poor developing countries have benefited from debt relief of over \$6.5 billion since a resolution of the retroactive adjustment of the ODA debt of low-income developing countries was approved by the TDB (1978).

Guidance for international action in the area of debt rescheduling (1980).

Least Developed, Land-locked and Transition Countries

UNCTAD has played a leading role in mobilizing international support for the least developed countries (LDCs), including through:

Agreement on a Global Framework for Transit Transport Cooperation between Landlocked and Transit Developing Countries and the Donor Countries (1995),

Special New Programme of Action for the LDCs (1981).

Programme of Action for the LDCs for the 1990s (1990).

UNCTAD has also initiated or facilitated the following decisions:

Agreements on ODA target, including the 0.7 per cent of GNP target in donor countries, for developing countries in general, and the 0.15 per cent target for LDCs.

Improvement of International Monetary Fund's Compensatory Financing Facility for export shortfalls of developing countries,

Creation of the Special Drawing Rights (SDRs) by the IMF.

Reduction of commercial bank debt for the heavily indebted poor countries (HIPC).

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