

THE GROUP OF 77 IN UNCTAD:  
ANATOMY OF A THIRD WORLD COALITION

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ABSTRACT

This thesis attempts to evaluate the processes through which members of the Group of Seventy-Seven manage to maintain the coalition. The analysis is concerned with the management of conflict within the Group and the development of cooperative strategies. The analysis focuses on the operation of the Group of Seventy-Seven in the institutional context of the United Nations Conference on Trade and Development (UNCTAD). Part One of the study consists of a detailed account of the origins of the Group of Seventy-Seven. The concrete historical circumstances which gave rise to the formation of the coalition are assessed. Part Two attempts to evaluate the importance of organisational characteristics for the development and maintenance of unity in the Group of Seventy-Seven. We investigate the salience of the UNCTAD framework for the development of persistent patterns of group behaviour. We then examine the creation and development of organisational structures and processes specific to the Group of Seventy-Seven. The transformation of the Group from a highly informal coalition to one with highly developed institutional procedures and the influence of these organisational features on coalition behaviour is analysed. Part Three of the study assesses the extent to which the negotiating positions of the Group of Seventy-Seven are affected by the existence of various cleavages within the coalition. Two detailed case-studies provide the data for an analysis of patterns of conflict and conflict management.

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List of Abbreviations

ACM	Andean Common Market
ACP	African, Caribbean and Pacific
ANRPC	Association of Natural Rubber Producing Countries
AOB	African Timber Association
ASEAN	Association of South East Asian Nations
BTN	Brussels Tariff Nomenclature
CACM	Central American Common Market
CARICOM	Caribbean Community and Common Market
CCP	Committee on Commodity Problems
CECLA	Special Committee on Latin American Co-ordination
CECON	Inter-American Special Committee for Consultations and Negotiations
CEMLA	Centre for Monetary Studies
C.F.	Common Fund
CIAP	Inter-American Committee of the Alliance for Progress
CIEC	Conference on International Economic Co-operation
CIES	Inter-American Economic and Social Council
CIPEC	Inter-Governmental Council of Copper Exporting Countries
dic	developing island country
ECA	Economic Commission for Africa
ECAFE	Economic Commission for Asia and the Far East
ECLA	Economic Commission for Latin America

ECOSOC	Economic and Social Council
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EEC	European Economic Community
EFTA	European Free Trade Area
EPTA	Expanded Programme of Technical Assistance
ESCAP	Economic Commission for Asia and the Pacific
FAC	Food Aid Convention
FAO	Food and Agriculture Organization
FEDECAME	Central American, Mexican and Caribbean Coffee Producers Federation
G 75	Group of Seventy-five
G 77	Group of Seventy-seven
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences
GSTP	Global System of Trade Preferences
IA-AIP	Inter-American Committee of the Alliance for Progress
IA-ECOSOC	Inter-American Economic and Social Council
IAEA	International Atomic Energy Agency
IBA	International Bauxite Association
IBRD	International Bank for Reconstruction and Development
ICA	International Commodity Agreement
ICAO	Inter-African Coffee Organisation
ICCA	International Cocoa Agreement
ICCICA	Interim Co-ordinating Committee for Inter- national Commodity Agreements

IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILO	International Labour Organisation
IMCO	Intergovernmental Maritime Consultative Organisation
IPC	Integrated Programme for Commodities
ITC	International Trade Centre
ITO	International Trade Organisation
LAFTA	Latin American Free Trade Area
ldc	less developed country
lddc	least developed developing country
llc	land-locked country
MFN	Most Favoured Nation
NAM	Non-Aligned Movement
NIEO	New International Economic Order
OAMCAF	Organisation of Coffee Producers of Africa and Malagasy
OAS	Organisation of American States
OAU	Organisation of African Unity
OECD	Organisation of Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OPEC	Organisation of Petroleum Exporting Countries
SCP	Special Committee on Preferences
SEALPA	South east Asian Lumber Producers Association
SELA	Latin American Economic System

SITC	Standard International Trade Classification
SUNFED	Special United Nations Fund for Economic Development
TDB	Trade and Development Board
U.K.	United Kingdom
U.N.	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNGA	United Nations General Assembly
UNIDO	United Nations Industrial Development Organisation
UPEB	Union of Banana Exporting Countries
U.S.	United States of America
WHO	World Health Organisation
WIPC	World Intellectual Property Organisation
WTC	Wheat Trade Convention

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CHAPTER 1INTRODUCTION

The wide ranging diversity of its membership and the absence of a permanent institutional framework pose interesting questions concerning the degree of unity attained by the Group of 77(G77). This thesis examines the G77 within the context of the United Nations Conference on Trade and Development. The G77 functions within a number of international organisations and a history of the G77 would have to examine the activities of the group in all these organisations. This thesis is not a history of the G77 and does not seek to document the entire activities of the group. The central questions posed for the analysis are - Why did the developing countries form a coalition in the United Nations on economic issues? What is the nature of this coalition? Why does it continue to persist? These central questions suggest a number of subsidiary ones. How did the coalition develop over time? What are the stresses and strains within the coalition? How do members mediate their differences? In what ways have changes in the international environment and the relative economic strengths of coalition partners affected the functioning and cohesion of the coalition? What are the limits to cooperation? What importance do members attach to the coalition? How successful has been the G77 in attaining its objectives.

Initial interest in this subject was sparked by a curiosity about the relationship among the developing countries in the international economy and their quest for justice and equity in the global system. The importance of UNCTAD in this quest for change led to a consideration of the activities of the developing countries within this forum. It was never intended to complete an analysis

of UNCTAD or of the confrontation between the developed and developing countries within the organisation but to investigate the conflict and cooperation among the developing countries. A central assumption is that an investigation confined to the G77 in UNCTAD will provide an adequate explanation of the nature and behaviour of the wider coalition.

A variety of sources were used in this study. Official documents, issued by UNCTAD and the G77 provide the bulk of the primary research material. This documentary evidence was supplemented with a series of interviews conducted in Geneva over three different periods - March-April 1976, August 1978 and October-November 1979. In addition a wide range of secondary sources were also consulted.

Any analysis of the G77 which seeks to understand the way it functions and to provide a compelling explanation must have three characteristics. The first is an historical perspective.<sup>(1)</sup> It must take account of the fact that the pattern of interactions in the past and the particular processes of transformation experienced serve to structure the existing set of relations in the present. To understand and to explain the current role of the coalition it is necessary to know the origins of the coalition and the history of its organisational framework.<sup>(2)</sup> Second, explanation must come to terms with the reciprocal interactions between organisational<sup>(3)</sup> identity and the roles played by organisational members. The G77 is not independent of nor autonomous from an organisational basis; and the modalities of organisational behaviour are affected by the demands, needs and interventions of the member states. Third, recognition must be given to the fact that bargaining over the most important

issue-areas among the G77's concerns will highlight and reveal more about the parameters to conflict and cooperation within the group than investigation of issue-areas of secondary importance.

These characteristics have been used to create a framework within which the material has been collected and organised into a coherent whole. Accordingly the thesis is divided into three sections. Part One provides a detailed historical analysis of the origins of Third World cooperation on economic issues at the global level. The mass aggregation of Third World demands could only have taken place within the framework of international organisation. The weak bargaining position of the developing countries in international trade and finance and the lacunae in international institutions dealing with trade and development issues led these countries to increase their demands on the U.N. system. Therefore we investigate the growth of Third World solidarity within the context of the U.N. and the General Agreement on Tariffs and Trade, the major postwar organisation responsible for trading issues. It was at UNCTAD I that the G77 first emerged as a significant force in world politics and therefore the immediate origins of the group are to be found in a consideration of events at this conference. Chapter 2 traces the development of cooperation within the U.N. system and chapter 3 analyses the relationships within the G77 at UNCTAD I.

Part Two investigates the organisational framework and the importance of structural and process variables. Realist,<sup>(4)</sup> state-centric analyses of international organisation tend to reduce the activities of the organisation to the characteristics of its members. The approach adopted here explicitly rejects this form of reductionism and posits the existence of a subtle and continuous interactive

process of influence between states and international organisations. Therefore, the behaviour of the G77 cannot be reduced to the attributes of its member states.<sup>(5)</sup> Stable, regularised patterns of activity as Sewell<sup>(6)</sup> noted have significant effects on outcomes. Chapter 4 explores the wider organisational framework within which the G77 is embedded and considers UNCTAD as an environmental framework. The analysis eschews mechanical, structural-functional notions and explores in an historical manner the development of the institution. Attention is paid to organisational dynamics, to UNCTAD's internal working and to the relationship between UNCTAD and the wider international environment. Chapter 5 discusses, first, the organisational structure of the G77. As an informal coalition with no written constitution the development of standard operating procedures are crucial to the maintenance of orderly relations among the member states. The rules and modalities of group interaction are explored with a view to assessing the effect of the institutionalisation of group procedure on group cohesion. Chapter 5 continues with an analysis of the political process of the G77. Organisational structure and process cannot reveal the totality of group dynamics. Only a form of reductionism could infer behaviour solely from institutional features. We therefore investigate the structure of influence, decision-making and the nature and source of conflict within the group.

Part Three consists of two detailed case-studies and provides evidence relating to conflict and conflict-management within the G77. The case studies selected - the Generalised System of Preferences (GSP) and the Integrated Programme of Commodities (IPC) - represent the two most salient issues for North/South relations within the UNCTAD forum during the time period covered by this study. The focus is not on the G77's bargaining strategy but rather on intra-77

relations. The influence of ascriptive, attitudinal and behavioural cleavages on the unity of the G77 and the effect of these cleavages on the final outcomes are assessed.

The concerns of the thesis and the approach described above sets this work sharply at odds with the existing literature on the Third World coalition. Much current writing on the G77 adopts a rational actor model and can be divided into two opposing schools of thought. The first which we term the irrational actors approach<sup>(7)</sup> concludes that the G77 is an irrational coalition of states which defies logic by staying together. The second school we term the nationalist actors approach<sup>(8)</sup> and analysts of this persuasion conclude that the G77 is a coalition which accurately reflects one strand of Third World nationalism. The irrational actors approach stresses the heterogeneity of group membership, the diversity of interests and the differential impact on member states of the various demands made by the G77. These analysts claim to show that if these demands were implemented some states would benefit but others would lose out and that among the beneficiaries gains would not be evenly distributed. They therefore conclude that for some states the costs of membership must outweigh the benefits. These analysts remain perplexed about the continued existence of the fragile coalition. The nationalist actors perspective does not reject this description of the internal structure of the G77 or the likely differential impact of New International Economic Order (NIEO) proposals. Nevertheless, its adherents posit an explanation for the continued existence of the group and modify the claimed divergencies within the G77. These scholars insist first, that the differences are not as large as those claimed by the 'irrational'

approach, and secondly that the most important cleavage in the global political economy is that between rich and poor nations. In other words cleavages exist in the G77 but these are minor compared to the massive fracture between the North and South. The analysis of a dual international economy reflecting wealth and power reinforces a political response of solidarity among the poorer nations. The G77 becomes a rational response of poor, weak, vulnerable states to global stratification. The size of the coalition means that if it is to accommodate the interests of all its members policies cannot by definition benefit them all equally.

The perspective offered in this thesis can best be termed an organisational politics approach and differs from the two contending schools in a number of important respects. First, it does not (unlike the nationalist actors approach) accept the unity of the G77 as organic. Rather it seeks to locate this solidarity within an historical process and to account for its growth and development. Thus in distinction to the irrational actors approach it can show concretely how a 'unity of opposites' was forged, the reasoning of the participants and the exact nature and meaning of this unity. Secondly, a longer historical perspective on the activities of the coalition is taken here and this contrasts with the post 1973 oil crisis perspective of almost all currently available analysis on the G77. Thirdly, existing analysis is largely reductionist at the level of state actors. In probing the interaction between state actors, international organisations and the structure and processes of the global environment the thesis provides a more satisfactory level of explanation. Fourthly, the existence of cleavages are not

merely assumed and behaviour inferred from their existence. We use cleavage analysis to explore the patterns of conflict and conflict resolution, documenting the influence of a variety of variables on final outcomes. Fifthly, studies to date have concentrated on North/South relations, analysing intra-77 relations only as a subset of a wider concern. In other words they tend to begin with the already formulated G77 demand and then attempt to explain why this result was reached. On the other hand, this work starts from the opposite perspective and focuses on the G77; and bargaining within the group. A reversion of the order of existing analyses this thesis attempts to show the process through which G77 positions are arrived. Sixthly, the economic arguments are not taken as a given in this study, on the contrary conflict over the economic rationale of various proposals is shown to be a key explanatory variable. The simplistic notion that either the G77's analyses are economically unsound or that Group B refuses to heed sound economic logic is rejected and we show that the debates over the substantive content of the negotiations is of crucial importance in explaining the G77's strategy.

To summarise, this analysis of the G77 is different from already published work in three important respects. First, it takes a deeper historical perspective whereas current analyses only look in any detail at events after 1973. Secondly, the coalition is not reduced to the characteristics of its member states; state interaction is firmly situated within a changing organisational context. Thirdly, the main focus is on intra-77 relations and not on North/South relations. Apart from these specific differences the present work is also the first major study of the G77 in UNCTAD. Although it covers areas previously touched on by others (e.g. UNCTAD, the GSP negotia-

tions and the IPC and Common Fund negotiations), other studies have not approached these topics from the perspective of the dynamics of the G77. The GSP and IPC have been approached as exercises in North/South bargaining and the nature of the Third World coalition has either been taken as a given or if treated as problematic not probed in any detail. Work on UNCTAD has been concerned with the organisation either as a forum for the developing countries<sup>(9)</sup> or as a principal instrument in the North/South encounter.<sup>(10)</sup> These two perspectives are here combined with an added stress on UNCTAD as an environment for the shaping and maintenance of the coalition. When this study was first conceived no published sources existed on the organisational structure of the G77. This defect has been remedied by Karl Sauvart - The Group of 77<sup>(11)</sup> but this work in a wide ranging if rather short treatment of the G77 only devotes twenty-five pages to Group activities in UNCTAD. This thesis, then seeks to advance understanding of the cohesion and functioning of the G77 through the use of historical, organisational and conflict analytical techniques.

### Theoretical Considerations

A variety of methodologies are employed in the analysis of the empirical material. Three general theoretical areas provide relevant guidelines for the analysis of data. No general, over-arching theory is developed to explain the behaviour of the G77. Theoretical concepts pertaining to conference diplomacy and international negotiations; selected concepts from the theory of conflict; and insights from the study of political cleavages provide us with the theoretical frame of reference for our study.

Conflict and cooperation can be conceived as being the two separate ends of a continuum spanning inter-governmental relations. Pure conflict and pure cooperation are ideal states within any model of international relations but in reality international behaviour reflects some aspect of each ideal type. Inter-state relations in other words exhibit characteristics of both conflict and cooperation. In pursuance of their various aims and objectives states may either find themselves in conflict with other states or they discover that they share similar or compatible goals and decide to cooperate in order to maximise individual gains. Within international organisations this paradigmatic state of international relations is conditioned by the prevailing institutional rules and norms. UNCTAD's internal structure consists of a principal organ, the Conference, various committees and a permanent secretariat. State behaviour within an international organisation is constrained by the agenda, rules of procedure, various elements of the decisional process (e.g. voting provisions, time available to arrive at decisions, type of decision permitted) and the size of the organisation (e.g. number of members, budgetary provisions). The size and importance of the plenary and the structure of decision-making influences the political process within the organisation. The larger the assembly, the more likely it is that states will form caucusing groups or blocs. Within the United Nations system the phenomenon of bloc politics developed early in its history.<sup>(12)</sup> UNCTAD developed from and is a part of the UN system and therefore politics within UNCTAD reflects to a significant extent politics within the UN system as a whole.

The development diplomacy practised at UNCTAD conferences is similar to parliamentary diplomacy in that it involves public debates followed by votes on resolutions.<sup>(13)</sup> These public debates are a visible aspect of an extremely complex negotiating process. A large part of the the negotiations takes place outside the formal framework in contact groups and bilateral discussions. This private face of conference diplomacy, "the fine art of corridor sitting", in Marya Mannes' striking phrase is not subject to scrutiny by the researcher. The researcher must be aware of and show sensitivity to this process in the evaluation of public documents but cannot have access to this aspect of the decision-making process.<sup>(14)</sup> The close face-to-face contact characteristic of conference diplomacy not only increases the ability and range of inter-governmental communication but changes the quantity and mode of interstate contact.<sup>(15)</sup> Moreover, this type of diplomatic exchange increases the amount and type of pressure that can be brought to bear on individual governments e.g. given the social importance of groups<sup>(16)</sup> strong pressure can be used in order to ensure group cohesion. Of particular importance as a determinant of state behaviour is the overall decisional framework of the international organisation. UNCTAD's decision-making competence, i.e. whether the organisation is primarily deliberative or legislative<sup>(17)</sup> is a contested issue. The developing countries have argued from the outset that UNCTAD is a negotiating forum but the developed nations have insisted that it is merely a deliberative body. The political dispute concerning the nature and consequence of Conference resolutions was evident from the Geneva Conference and the failure to negotiate any specific agreements concerning international trade was a significant factor in persuading the developing countries of the

need for increased unity. The unwieldy nature of the Conference agenda, the large number of countries involved and the 3-4 weeks time span of the proceedings provide definite parameters within which intra-group relations must be understood.

The type of negotiations which take place within this general framework provide important clues to understanding the nature of intra-group relations. In so far as the G77 acts as a pressure group there are two sets of negotiations which occur in the organisational framework. First, negotiations within the group to arrive at a common negotiating position and strategy and, secondly, negotiations between the G77 and Groups B and D. Three distinct analytical modes of bargaining can be identified:<sup>(18)</sup>

- i) Distributive bargaining - the process in which the parties attempt to maximise their share of a fixed 'cake';
- ii) Integrative bargaining - the process in which the parties attempt to increase the share of the joint gain;
- iii) Mixed bargaining - the process in which the parties attempt to increase joint gain and decide how to allocate the shares of the 'cake'.

Most bargaining situations are mixed and intra-77 bargaining corresponds to the mixed bargaining mode. Negotiations between the G77 and Groups B and D, however, most closely correspond to the distributive bargaining mode. In this respect moving along Midgaard's continuum from strictly cooperative negotiation to pure bargaining,<sup>(19)</sup> relations within the G77 is closer to the strictly cooperative negotiating end and G77 relations with other groups closer to the other end of the continuum, pure bargaining. Outcomes

are conditioned by the relevant bargaining mode and the method for arriving at collective decisions. Five ways of arriving at collective decisions,<sup>(20)</sup> four of which are pertinent to intra-G77 relations can be identified. These are:

- i) Coercion - the attempt at injuring or threatening to injure the other party;
- ii) Persuasion - the attempt to persuade the other party by appeals to shared values or showing them where their real advantage lies;
- iii) Adjudication - the use of third parties to make an award;
- iv) Bargaining - the trading off of different goals;
- v) Institutionalisation - the influence of persisting, stable patterns of conduct sustained by norms and sanctions e.g. use of selected offices.

The first method is irrelevant to G77 politics but as the study will show elements of the remaining four methods are continually used within the political process of the group.<sup>(21)</sup> The bargaining situation which can be defined as the interrelationship between the bargaining mode and bargaining method is dependent on the specific conflict strategy. March and Simon distinguish two types of conflict strategies - bargaining and analytical processes. They argue that bargaining approaches are appropriate when disagreement over goals is taken as fixed whereas analytical processes require an assumption that objectives are shared or "...that disagreement over sub-goals can be mediated by reference to common goals".<sup>(22)</sup> Within the context of UNCTAD's organisational framework both types of conflict strategies have been evident. Intra-G77 relations have more closely corresponded to the latter strategy whilst relations between the developed and developing countries vary depending upon the issue-area and

time-frame. In the early years of the organisation when North/South relations were distinctly confrontational a bargaining process obtained across the spectrum but as the organisation matured the conflict strategy varied with the particular issue. Haas's typology of decision-making<sup>(23)</sup> - minimum common denominator, splitting the difference and upgrading the common interest will be employed where relevant.

Central to this study is the concept of conflict and therefore a definition of this term at the outset is necessary. A conflict is defined as the existence of an incompatibility of interests between two or more parties. We distinguish between two types of conflicts - latent and real. A latent conflict exists when the incompatibility of interest may be perceived by an observer but is not seen as such by the participants. Real or actual conflicts exist when the participants perceive the existence of differences in their goal seeking behaviour. Behavioural scientists emmeshed in a positivist methodology usually study actual conflict situations.<sup>(24)</sup> Although this study concentrates on real conflict situations the analysis of ascriptive cleavages reveals the existence, in certain cases, of latent conflict. Further, it should be stressed that a conflict situation may arise from a similarity or from a dissimilarity of objectives. This is important because we must examine both those situations when we can observe governments pursuing different interests and those when the pursuit of a common goal can lead to conflict.

In order to analyse the conflictual process within the G77 the concept of cleavage will be employed.<sup>(25)</sup> The G77 is a heterogeneous grouping and the political analysis of cleavages which examines the effect of attribute and behavioural differences on outcomes is a relevant analytical tool. There are three types of cleavage - i). ascriptive (trait); ii). attitudinal; and iii). behavioural. With regard to the G77 ascriptive cleavages would include levels of development, patterns of alignment and the structure of domestic economies. Attitudinal cleavages refer for example to a government's analysis of the political economy of trade and development, ideological orientations and perceptions of the benefits to be gained from the proposed measures. Behavioural cleavages result from trait and attitudinal cleavages and refer for example to organisational membership and voting behaviour. The existence of cleavages does not determine the political dynamics of group behaviour. It is the intensity of the relevant cleavage i.e. the strength of the actor's beliefs which determine the homogeneity or heterogeneity of the group (ascriptive cleavage), the existence of consensus or dissensus (attitudinal cleavage) and cohesion or fractionalisation (behavioural cleavage). The intensity of a cleavage is dependent for ascriptive cleavages on the political importance attached to a trait; for attitudinal cleavages on the strength with which a particular conviction is held; and for behavioural cleavages on the significance attached to relevant actors' actions. The use of cleavages is particularly helpful when attempting to assess the extent of division (fragmentation); the similarity (commonality) of interests; the existence of cross-cutting conflicts and the existence of overlapping interests within the G77.

These theoretical approaches are used in this study to better understand and aid in providing a key to answer some of the salient questions addressed. Specifically this thesis investigates the nature and source of conflict within the G77 and the techniques of conflict management; the areas of common agreement and the development of cooperative strategies; the influence of the organisational environment on the presentation of demands and the outcome of negotiations.

FOOTNOTES

1. For a methodologically different approach see D.C. Smyth, "The Global Economy and the Third World: Coalition or Cleavage?" World Politics (July 1977) pp.584-610; which uses content analysis of the Sixth and Seventh Special Sessions of the UNGA to investigate the conflictual patterns within the G77 and can only therefore provide inadequate answers to his hypotheses.
2. Here we are referring specifically to UNCTAD. The wider organisational framework i.e. the UN system is relevant in so far as it provides part of the environment within which UNCTAD operates.
3. In this context the organisational framework is meant to include the organisational characteristics of the G77. Hence in the thesis two sets of organisational structures are considered - i). UNCTAD; ii). the G77.
4. The international relations power political approach and not philosophical realism.
5. An error which is made by all analysts of the G77 with the exception of Karl Sauvart.
6. J.P. Sewell, UNESCO and World Politics (Princeton University Press 1975).
7. In this school I would include Robert Rothstein, Roger Hansen and C.P. Brown.
8. In this school I would include Karl Sauvart and Robert Mortimer.
9. See Robert Walters, "International Organization and Political Communication: The Use of UNCTAD by Less Developed Countries" International Organization (Autumn 1971) pp.824-841.
10. See B. Gosovic, "Unctad: North-South Encounter" International Conciliation (May 1968) pp.1-80; B. Gosovic, UNCTAD: Conflict and Compromise (Leyden: A.W. Sijthoff 1972) and D. Cordovez, UNCTAD and Development Diplomacy (Journal of World Trade Law 1975).
11. K.P. Sauvart, The Group of 77. Evolution, Structure and Organisation (New York: Oceana Publications 1981).
12. Various authorities have identified different numbers of groups operating in the U.N. e.g. Thomas Hovet (8), H.G. Nicholas (7), R.O. Keohane (6), G.L. Goodwin (5) and P. Willetts (5).
13. See C.F. Alger, "Personal Contact in Intergovernmental Organizations" in R.W. Gregg & M. Barkun (eds.), The United Nations System and its Functions (New York: Van Nostrand 1968) p.106.

14. See J.G. Hadwen&J. Kaufmann, How United Nations Decisions Are Made (Leyden:A.W. Sijthoff 1960)pp.49-54 for an account by two UN diplomats of this aspect of the negotiating process.
15. See Alger op.cit. pp.108-113.
16. 'A group is a social system rather than a mere collection of individuals' Peter Warr, Psychology and Collective Bargaining (London:Hutchinson 1973) p.13.
17. See J. Kaufmann, Conference Diplomacy (Leyden:A.W. Sijthoff 1968). for a discussion of this and other aspects of conference diplomacy.
18. See R.E. Walton&R.B. McKersie, A Behavioural Theory of Labor Negotiations:An Analysis of a Social Interaction System (New York:M Graw-Hill 1965) p.13 and Warr op.cit. pp.17-20.
19. See K. Midgaard, "Co-operative Negotiations and Bargaining:Some Notes on Power and Powerlessness" in B.Barry (ed.), Power and Political Theory (London:John Wiley 1976) pp.118-121.
20. See Louis Kriesberg, "International Decision-Making" in M. Haas (ed.), International Systems:ABehavioural Approach (New York: Chandler Publishing Company 1974) pp.234-237.
21. An alternative categorization might give three modes of conflict resolution - reconciliation, compromise and award.
22. J.G. March&H.A. Simon quoted in J.M. Thomas&W.G. Bennis, Management of Change and Conflict (Harmondworth,Middx.:Penguin Books 1972) p.21.
23. E.B. Haas, Beyond The Nation-State (Stanford:Stanford University Press 1964) pp.103-113.
24. See Michael Nicholson, Conflict Analysis (London:The English Universities Press 1968) for a behavioural view of conflict.
25. My use of the concept is based on Douglas W. Rae & Michael Taylor, The Analysis of Political Cleavages (New Haven:Yale University Press 1970).

CHAPTER 2THE ORIGINS OF COOPERATION : Political  
and Institutional Issues Prior to 1964

The diplomatic solidarity of the developing countries highlighted at many multilateral conferences over the last two decades and now a major feature of world politics is the outgrowth of a series of developments beginning in the immediate postwar period. This solidarity is not organic and neither was its growth inevitable; it was the result of political processes within the United Nations and elsewhere. Indeed, an astute political commentator as late as 1964 would have been showing an unerring degree of prophecy were s/he to have predicted the extent of Southern diplomatic cooperation which has since taken place.<sup>(1)</sup> The aim of this chapter is to discuss and explain the origins of this cooperation in the period prior to the establishment of the G77. The third world coalition is the result of an historical process an examination of which will show not only how and why it came into existence but enable us to understand its longevity. As will be seen, this was not a straightforward logical process but the result of the coincidence of a number of disparate events which, nevertheless, was the response to specific underlying global and domestic political and economic forces. The most significant factors in this period are the developing countries' disillusionment with their economic position in the postwar period, their frustration with the efforts of existing international economic institutions to remedy their perceived problems and the way in which international organisational processes structured ldc's and dc's into distinct groupings and helped ldc's aggregate their interests. In other words distinctions were made between developed and underdeveloped countries thus helping to identify interest groups. This, coupled with the emergence of the Afro-Asian

and non-aligned movements within the context of global cold war, accentuated the self-identification of the Third World. Two important consequences for action developed as a result of these political perceptions. First, the realisation of a certain commonality of interests; in other words a feeling of shared problems arising from the generally underdeveloped nature of their economies and their peripheral location within the world productive system.<sup>(2)</sup> Secondly, the awareness that the necessary institutional changes could only be brought about by the use of concerted pressure<sup>(3)</sup> which entailed the papering over of differences, the presentation of a common front to the developed countries and the reliance on superior numbers in the voting context<sup>(4)</sup>. These integrative tendencies were balanced by disintegrative ones from the outset. A variety of political loyalties cross-cut this block interest and ascriptive and attitudinal cleavages exist within the Group. Moreover the responses of the West and the communist states and the climate of international political relations are also salient factors affecting the process of coalition formation.

This chapter therefore traces the origins of developing countries' cooperation on economic issues within the U.N. system through (i) an investigation of their diplomatic activity within that environment; (ii) an examination of the institutional structure of world trade 1945-1964; (iii) an analysis of the major changes in international economic relations with specific emphasis being placed on the problems of the developing countries; and (iv), a discussion of the changing international political environment. In our examination of each of these issue-areas close attention will be given to the development of the coalition. In other words, the solidarity was the result of an historical process and not an already existent reality in 1945 as most writers seem to maintain.<sup>(5)</sup>

## 2.1 The Restructuring of the International Economic System

During the second world war American and British negotiators began making plans for the restructuring of international economic relations at the end of the war.<sup>(6)</sup> These discussions were initiated by the United States and progressed from the Atlantic Charter (1941) through the Mutual Aid Agreement (1942) to the discussions based around the plans of John Maynard Keynes and Harry Dexter White (1943) culminating in the meeting at Bretton Woods, New Hampshire in July 1944, which agreed the creation of the International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD). This latter conference, although a multilateral affair, was dominated by the United States and the United Kingdom<sup>(7)</sup> and must be seen in the context of Anglo-American financial collaboration rather than as an ad hoc international conference. The plans which delegates agreed to had largely been decided upon in advance by the U.S. and to a minor extent the United Kingdom.

Given this background to the Conference it obviously reflected the interests and concerns of the United States the hegemonic power in postwar international relations and not those of the under-developed countries. It is therefore a reflection of power and not of representation which is the important factor in understanding why the Bretton Woods framework failed to satisfy the requirements of the LDCs. This is a vital point because it has become almost a commonplace to argue that when the immediate postwar economic organisations were created and the rules framed to institutionalise international trade and payments, the majority of countries which currently constitute the developing world were not independent and hence not represented at these talks. It is further argued that not only were their interests overlooked but also that the very system negotiated was constructed to work against their interests and keep them in economic subservience.<sup>(8)</sup> The lack of representation

argument cannot be sustained in the face of the evidence that the ldc's had a numerical majority at Bretton Woods. Of the forty-four allied and associated nations which took part in the conferences leading to the establishment of the IMF and IBRD, twenty-eight can firmly be classified as being underdeveloped. These countries failed to achieve any significant 'gains' at this conference for a variety of reasons. First, the United States was the most powerful country economically and politically<sup>(9)</sup> and it almost singlehandedly dictated the shape of the postwar institutions. Secondly, the problems of economic growth and development as they subsequently unfolded, did not exercise the consciousness of either the politicians or general public in the developed countries.<sup>(10)</sup> Thirdly, the intellectual leap necessary to recognise the special economic problems facing underdeveloped countries had not been taken.<sup>(11)</sup> Finally, the planners of the post-war economic and political order did not envisage the dramatic increase in the number of sovereign states which subsequently occurred thus providing both the necessity and the means by which the problem of world poverty was placed on the international agenda. The developing countries at that time were still mainly colonies and hence the concern for their development rested with the metropolitan countries who saw colonial development as being dependent on the health of the metropolises' own economies.<sup>(12)</sup> The predominance in emphasis on the problem of the developed market economies was not one based on numerical superiority but on the prevailing distribution of political and economic power and on the prevalence of a liberal philosophy of international economic relations.

The necessity to create an institutional structure for world trade arose mainly because with the development of a truly international economy national economic policies to be effective had to take cognisance of the international dimension.<sup>(13)</sup> An international economy had begun to emerge during the nineteenth century, the result of the spread of

industrialisation, changes in the technological base of societies, the development of communication networks, the massive export of long-term capital and the high levels of European migration.<sup>(14)</sup> By the turn of the century there was a difference in both the scope and structure of world trade and payments such as to make the internationalisation of the world economy a reality. Specialised productive power grew with a consequent increase in the volume of international trade and this was matched by a diversification in both output and demand. The extension of international credit became wider and the factors of production, both labour and capital, moved in greater volume and along new channels. With the second wave of industrialisation, after 1870, due primarily to technological advances industrial, financial and commercial capital became more interdependent. The second wave of colonisation led to the development of infrastructural facilities in African economies which increased further the links between Africa, previously the most backward region, and Europe.<sup>(15)</sup> This expansion of international exchange necessitated consultation at both bilateral and multilateral levels to regulate these flows, resulting in the creation of various functional agencies and the signing of trade treaties, e.g. the Cobden-Chevalier Treaty of 1860 which ushered in reduced tariffs throughout Europe.<sup>(16)</sup> The high degree interdependence of the world economy was obscured and distorted by the First World War. Trade barriers at the end of the war were higher than in 1914 and the channels of trade were disrupted with the demise of the Austro-Hungarian and Ottoman Empires and the creation of a Bolshevik State in Russia. The successor states in a drive for self-sufficiency attempted to turn their largely agricultural countries into industrial ones through the uses of tariffs and other trade barriers.<sup>(17)</sup> The debt problem at the end of the war was a further barrier to trade. The depression of the 1930s heralded a fall in industrial activity and consequently in world trade. There was no

radical change in the international trading pattern but the aggregate level of activity fell. Governments reacted to the world crisis in narrow and parochial fashion which in its manifest failure to solve the problems or even to deal adequately with it served to show the integration of the various sectors of the world economy. The competitive devaluations and beggar-my-neighbour policies contributed to a deepening of the crisis.<sup>(18)</sup> The economic nationalism of the 1930s was reflected in the protectionist policies followed by the major states despite the efforts of the League of Nations<sup>(19)</sup> to develop new approaches and principles for free trade.<sup>(20)</sup> The schemes for international cooperation after World War II were based on the belief that the failure to solve the economic problems of the 1930s had been due to a lack of understanding and cooperation and faith that the construction of a liberal framework of trade and payments would ensure both a return to free trade and contribute to world peace. This is not to argue that the League of Nations had been dormant during the period 1930-39, but that it had been a failure. Its failure, however, needs to be understood within its historical context and it should be remembered as Koul points out that

"From the standpoint of international trade and economic law, it is concluded that the League of Nations in the period 1930 to 1939 strived to achieve the formulation of the standard 'most favoured nation' clause. This standard clause has been invariably used in the subsequent bilateral and multilateral agreements".<sup>(21)</sup>

It was believed by many that a link existed between economic instability leading to war.<sup>(22)</sup> A foremost exponent of this view was Cordell Hull, the United States Secretary of State.<sup>(23)</sup> There was thus on the one hand a recognition of the interdependence of national economies and the existence of an international economy which needed certain global management features if prosperity was to ensue for all, and on the other a clear and explicit connection between the political

settlement and the economic one. This appreciation of the problems facing the world community could have remained solely at the theoretical level if it had not coincided with the interests of the dominant state within the system.<sup>(24)</sup> A liberal international economic framework benefiting all countries was perceived by the decision makers in the United States government to be coincidental with their own interests. The United States stood astride the postwar world like a colossus. It had expanded its industrial production whilst other countries had shrunk. A clear priority was the necessity of finding export markets for surplus production estimated to be between \$10 bn - \$14 bn.<sup>(25)</sup> Standing in the way of U.S. exporters were the various discriminatory and protectionist schemes being used by U.S. competitors.

Two particular areas of concern were the British Imperial Preference System which governed trade between the U.K., dominions and colonies<sup>(26)</sup> and the systems of protection which had arisen in many underdeveloped (mainly Latin American) countries during the war to boost home production. At this time the U.S. government still felt that the British would pose a serious threat to U.S. interests in the postwar period. The full extent of Britain's physical (economic) decline was not visible and the U.S. administration extracted concessions of "good behaviour" in return for loans. The underdeveloped world represented vast untapped reservoirs where the U.S. could supplant the economically weak colonial powers but needed access to these markets to be retained through the prohibition of nationalist economic policies. American hegemony was therefore in favour of the creation of a non-discriminatory, multi-lateral system of trade and payments. In technical terms this meant the institution of the most favoured national principle, international supervision of tariff policy and the outlawing of quantitative restrictions in the trade field and fixed exchange rates and freely convertible currencies in the monetary field.

The tasks of reconstruction were conceived to be an essential prerequisite to the satisfactory working of such a system. Hence, attention was focused on those war-damaged economies which had previously enjoyed a high standard of living and needed outside assistance to regain a high level of effective demand; in other words, provide markets for American goods. There was also a strong political motive behind reconstruction. Healthy European economies would provide the base against which the spread of communism would be halted. Further, the European governments themselves acquiesced in these priorities<sup>(27)</sup> since economic revival was important not solely for the sake of their countries but also for their political futures. The Cold War was an added systemic consideration to those who remembered the chaos in European financial arrangements at the end of the First World War. All concerned were determined not to repeat the mistakes of the post World War I settlement. It is also important to remember that Europe included important members of the states system - Britain and France whose participation was vital for an orderly return to peace. In this context, there was a justified fear about the possibility of recession in the developed world. The developing countries then were hardly awarded any priority. Moreover, at this time primary commodities were scarce and consequently enjoyed high prices. Hence there was little urgency attached to finding solutions to ldc 'problems'.

Although the major motivation of the postwar planners was to mitigate the effects of the war and not to eliminate poverty, the major preoccupation of the ldc's, we can still note the minor influence exerted by these states at Bretton Woods. Here the viewpoint of the underdeveloped countries was especially represented by the Latin American countries who were concerned about the priorities to be attached to the proposed World Bank. Afraid that the allocation of resources would be biased in favour of reconstruction leaving meagre resources for develop-

mental purposes, they proposed that the Bank should annually allocate equal amounts for reconstruction and development. Limited success was achieved by having the word 'development' added to the name of the Bank and including in its Articles provisions that equal emphasis should be given to reconstruction and development.<sup>(28)</sup> Article III, section (a) states that

"The resources and facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration for development and projects for reconstruction alike".

The insistence on the inclusion of development functions of the Bank was a concession granted by the U.S. in order that Latin American countries would be willing to join the I.M.F., access to the Bank's lending being tied to membership of the Fund.<sup>(29)</sup>

The developing countries played a minimal role in the institutionalisation of economic relations at the end of the Second World War. The institutions and rules created reflected the interest and concerns of the major trading states, principally the United States of America. At this time, there was some common identification of an underdeveloped country's position but it was a hazy and unformed notion.

## 2.2. The Institutional Structure of World Trade 1945-63

Central to the vision of the creation of a managed system of international economic relations was the idea of a global trade organisation. Subsequent to its proposals in the monetary and financial fields, the U.S. government published proposals for the creation of an international trade regime on 6th December 1945.<sup>(30)</sup> These proposals were taken up within the U.N., and the Economic and Social Council (ECOSOC) in February 1946 proposed the convening of an International Conference on Trade and Employment, "for the purpose of

promoting the expansion of the production, exchange and consumption of goods".<sup>(31)</sup> A nineteen-nation<sup>(32)</sup> preparatory committee was established and it held two sessions - October 15-22 November 1946 in London and April 4 - 22 August 1947 in Geneva. A 53-nation conference (The United Nations Conference on Trade and Employment) was held at Havana, Cuba, from November 21st 1947 to March 24th 1948. The outcome of the preparatory committee and the conference was the Havana Charter for an International Trade Organisation which comprised an outline for an International Trade Organisation (ITO) and a Code of Conduct for ITO members with regard to international trade.

It is possible to identify the developing countries<sup>(33)</sup> as a specific interest group during these negotiations. From the very first meeting of the Preparatory Committee, the ldc's espoused a different view from the developed countries,<sup>(34)</sup> arguing that the thrust of the developed countries' proposals was negative, in prohibiting restraints on trade rather than seeking to stimulate it. They wanted the developed countries to take a more positive attitude towards trade promotion including the exchange of technical skills, producer goods and credits and the provision of non-remunerative funds.<sup>(35)</sup> The ldc's put forward several arguments and proposals to support a claim for special treatment within the new institutions. First, a relaxation of the proposed trade rules would enable governments to promote industrialisation through the use of protectionist measures such as import quotas; and, secondly, the inclusion of a Charter on Economic Development would permit the underdeveloped countries to impose restrictions on trade in order to aid their new industries. Although defeated on most of these issues the ldc's were able to secure the inclusion of eight articles dealing with development issues and a whole chapter (chapter VI) devoted to international commodity agreements in the Final Act. Despite this success the general tenor of

the agreement was one of free-trade; anti-preferential arrangements and restrictions on trade and subsidies. It was agreed that international commodity agreements (ICAs) in their efforts to help producers should not take any measures which were likely to worsen the equilibrium situation and producers and consumers should be given equal weight in the negotiated ICA.<sup>(36)</sup> This left the developing countries dissatisfied<sup>(37)</sup>, although it can be argued that their economic analysis was erroneous<sup>(38)</sup> and therefore the claimed benefits, from an agreement partial to ldc demands, largely illusory. This is a somewhat moot point because the Havana Charter was never ratified and its provisions including the ITO died an abortive death. With the decision of President Truman in 1950 not to submit the Charter to Congress for ratification,<sup>(39)</sup> the ITO was effectively dead. Without U.S. approval it would have proved unworkable and no other government would bother to ratify. In fact, prior to the U.S. decision, only two countries - Australia and Liberia - had formally ratified the treaty. With the demise of the ITO, an institutional vacuum was created in world trade, the effects of which were partially responsible for the development of the Third World coalition. It was in the efforts to fill the gap left by the ITO and the dissatisfaction with the work of its erstwhile successor the GATT which provided the underdeveloped countries with a focus of common interest and stimulus toward collective action.

The organisation that was left holding the centre of the stage was one that in many respects was ill-equipped to deal with the spotlight. GATT has been termed, "a slender reed on which to base progress toward a multilateral regime .... (which was) permeated by an atmosphere of impermanence";<sup>(40)</sup> and in the context of the ITO, Eugene Black, the former President of the World Bank, reflected that it was, "a sad monument to our unwillingness in the late nineteen-forties to adhere to the still-born International Trade Organisation".<sup>(41)</sup> The role of GATT

in the period under discussion is a contentious one and it should be made clear that our aim is not to analyse the effect of GATT on the developing countries trade prospects but rather to analyse the political process of the activities of these countries within GATT.

GATT was a direct result of the negotiations leading to the Havana Charter. In March 1947, when the prospects for the successful conclusion of the ITO were encouraging, 23 nations met in Geneva to negotiate the tariff concessions envisaged in Article 17 of the Havana Charter. In January 1948, in the same hopeful atmosphere, these provisions were put into effect. The major aspect of this trade agreement incorporating reciprocal tariff concessions between the contracting parties was the existence of the most-favoured nation clause. It was envisaged that with the establishment of the ITO, GATT would cease to exist. GATT is different from all existing international organisations in that it is not a standing organisation but a contractual agreement among its members.<sup>(42)</sup> It has never been ratified by its members and exists through a "protocol of provisional application". But it has acquired new organisational features during its existence and has an independent secretariat<sup>(43)</sup> and various tribunals concerned with dispute settlement. The main principle governing GATT's activities is the most-favoured nation (MFN) principle. This means that any concession granted to one Contracting Party must be extended to all others - hence the basis for a liberal, multilateral, non-discriminatory system was established. The GATT authorities favoured the use of tariffs as the only permitted protectionist device. The original General Agreement consisted of three parts. Part I contained the MFN clause and the tariff schedules of the contracting parties; Part II, the commercial policy regulations; and Part III, inter alia, the provisions on territorial applications and regional arrangements.

From the standpoint of the developing countries the original agreement was notable for its omissions, rather than its inclusions. It excluded the development provisions and commodity framework of the Havana Charter. The ldc's dissatisfaction with the scope of the agreement was reflected by the fact that the exclusion of the eight articles on development questions, the restrictions on the use of quantitative restrictions, subsidies and preferential agreements, and the omission of Chapter VI of the Havana Charter concerning commodity agreements, led only three Latin American countries (Brazil, Chile and Cuba) to sign the original General Agreement, whereas seventeen had signed the Havana Charter.<sup>(44)</sup> The specific provision of primary interest to the developing countries in the original agreement was Article XVIII entitled, "Adjustment in Connection with Economic Development". This article permitted countries to apply restrictions to trade under certain defined conditions. Paragraph C therein sanctioned the use of quantitative restrictions for the purposes of economic development. Nevertheless, this could only be done to promote an indigenous primary industry and not a secondary one, or one which had developed under war-time circumstances and the consent of the Contracting Parties was needed before such action could be taken. In practice, this article was hardly ever used. Between 1948 and its revision in 1954, only four countries availed themselves of its use - Ceylon, Cuba, Haiti and India - getting the consent of the Contracting Parties to impose quantitative restrictions on thirty-two commodity groups (twenty-nine of them alone for Ceylon). The developed Contracting Parties were thus able to frustrate the attempts of the developing countries to resort to Article XVIII and could (perhaps) argue that they were attempting to forestall a situation whereby, "an unwise use of such measures would impose undue burdens on their own economies (ldcs) and unwarranted restrictions on international trade".<sup>(45)</sup> The non-automaticity of Article XVIII inhibited many

developing countries from invoking it and they turned instead to Article XII which permitted import restrictions for balance of payments reasons. The disgruntlement at the limited application of Article XVIII was one of the first unifying elements among the developing countries in GATT and led to efforts to reform the Article. The ineffectuality of Article XVIII was well expressed by the Ceylon Minister of Commerce, Trade and Fisheries to the Ninth Session of the Contracting Parties,

"Those of us who have had recourse to its provisions - and Ceylon I think has had most experience of its incidence - find that the restrictions and limitations it places practically destroy the benefits that it professes to 'confer'". (46)

It has also been argued that the developing countries resented having to go 'cap in hand' to the richer Contracting Parties asking for permission to impose restrictions when the richer Contracting Parties were unilaterally imposing restrictions to protect their own high-cost agriculture.<sup>(47)</sup> Apart from Article XVIII the developing countries had other specific complaints against the operation of GATT in the nineteen-fifties. First, many felt that the price of entry was too high, because on entry a country had to make certain tariff concessions in equivalence for tariff reductions already made by existing members of the agreement.<sup>(48)</sup> Secondly, many found that the rates at which they had "bound" their tariffs on entering GATT were too low when their infant industries began to develop and this became a difficulty because of the cumbersome nature of the negotiations concerned with opting out of their obligations. Thirdly, the mode of negotiating in GATT favoured the more developed states, marginalising the weaker ones. The combination of the twin principles of reciprocity and non-discrimination meant that to be successful a country needed a competitive position in the world market; bargaining focused on

commodities of special interest to the more powerful negotiating countries, hence indirectly discriminating against Third parties; and thirdly, the spillover of the benefits of tariff concessions to third parties resulting from MFN treatment is limited.<sup>(49)</sup> In practice, this meant that ldc participation in the five completed 'rounds' of tariff cutting prior to UNCTADI was minimal.<sup>(50)</sup> For example, only Chile, Haiti, India, Israel, Nigeria, Pakistan and Peru of the twenty ldc GATT contracting Parties participated in the Dillon Round. See Table 2:1.

TABLE 2.1

LDC Membership of GATT 1960-61

1. Contracting parties to GATT

Brazil	Israel
Burma	Malaysia
Ceylon	Nicaragua
Chile	Nigeria
Cuba	Pakistan
Dominican Republic	Peru
Ghana	Sierra Leone
Haiti	Southern Rhodesia
India	Tanganyika
Indonesia	Uruguay

2. Countries which have acceded provisionally

Tunisia

3. Countries which participate in the work of the contracting parties under special arrangements

Argentina  
Cambodia  
Yugoslavia

Source : GATT - Trends in International Trade 1962

Of some 4,400 tariff concessions, only 160 bindings or reductions of duties were on items of interest to the ldcs.<sup>(51)</sup> The asymmetry of benefit in the application of the rules was succinctly expressed by an ldc spokesman when he said, "Equality of treatment is equitable only among equals".<sup>(52)</sup>

Fourthly, they had little influence and means of exerting pressure, e.g. the rich states instituted a system of agricultural protectionism which discriminated against ldc exports but which the ldcs could not change. Fifthly, although permitting the development of the European Community, GATT was held to be inflexible towards regional groupings among developing countries.<sup>(53)</sup> Finally, many ldcs felt that the implementation of GATT reports was unsatisfactory.<sup>(54)</sup>

The specific interests and needs of the ldcs and their recognition by spokesmen of both developed and developing countries was the beginning of a process that would lead third world countries to cooperate in seeking institutional change. The ability to exert pressure given their small share of world trade would be to a large extent dependent on their numerical strength within the organisation.

TABLE 2.2

Growth in ldc membership of GATT, 1952-1964

1952	1953	1955	1957-58	1960	1961	1962	1964(Feb)	1964(Nov)
13(33)	14(34)	14(35)	16(37)	18(39)	20(43)	35(59)	38(62)	40(64)

Figures in parentheses give the total number of GATT members

Sources : GATT Trends in International Trade (Annual) 1952-65

See Table 2.2 above

The development of a political consciousness and solidarity of the ldcs can be traced in the efforts at reform within the GATT. Certain features within this process stand out: (i) the overall satisfaction of the rich countries with the workings of the agreement and their resistance to changes in the rules governing world trade; (ii) the increasing polarisation of opinion and the increasing stridency of the ldcs; (iii) the clearer definition of a developing country; (iv) the rather

piece-meal attempts at reform which, instead of quelling resistance, only served to increase demands. We thus see a heightening of stridency and militancy at the same time as efforts at reform are increased.

There were two major reform initiatives - the 1954/55 review of the General Agreement and the series of events ushered in by the Haberler Report. The original impetus behind the 1954/5 revisions was not to make concessions to the ldc's but to make the GATT provisions even more stringent.<sup>(55)</sup> For the developing countries the major significance of the revision was the implementation of a new Article XVIII entitled "Governmental Assistance to Economic Development".<sup>(56)</sup> This new article consisted of four sections. Section A granted ldc's a certain latitude in modifying or withdrawing a concession in order to protect specified branches of activity already established or those about to be. Section B allowed ldc's to apply quantitative restrictions to safeguard the external payments situation and ensure an adequate level of reserves for economic development programmes. Section C authorised the adoption of measures to stimulate specific branches of production. Section D, similar to Section C, governed economies more developed than the lowest. Measures taken under Sections A and C were to be notified to the Contracting Parties. Measures taken under Section B were subject to review every two years, unlike quantitative restrictions imposed by developed countries which were subject to annual review. Measures taken under Section D needed the prior approval of the Contracting Parties. The new article made it clear that its provisions would only apply to a country,

"the economy of which can only support low standards of living and is in the early stages of development". (57)

This served to exclude certain states - South Africa, Israel, Yugoslavia, Australia and New Zealand - which were sometimes classified as ldcs from the underdeveloped category, although some of these countries continued to be treated as underdeveloped. A further distinction was made in paragraph 4 between contracting parties with the type of economy referred to above and those which are in the process of development but can support higher standards of living. This was an important step in the self-identification of developing countries.

The concern expressed by delegates to the 12th session of the Contracting Parties in 1957 concerning the slow growth rates experienced by the developing countries led to the convening of a panel of experts to examine trends in international trade with particular reference to "the failure of the trade of less developed countries to develop as rapidly as that of industrialised countries, excessive short-term fluctuations in prices of primary products and widespread resort to agricultural protection".<sup>(58)</sup> In 1958, the results were published (Trends of International Trade. Report by a Panel of Experts)<sup>(59)</sup> and this ushered in a process of consultation and discussion concerning ldc problems. In this context the attention of the Contracting Parties was turned firmly towards the obstacles to the export prospects of the ldcs. The report had stated unequivocally,

".... the prospects for exports of non-industrial countries are very sensitive to internal policies in the industrial countries and that on balance their development will probably fall short of the increase in world trade as a whole".<sup>(60)</sup>

As a consequence of the report, the Contracting Parties decided in November 1958 to formulate a Programme of Action Directed Towards an Expansion of International Trade. To assist in this task three committees were established: Committee I was supposed to encourage general tariff reductions; Committee II to examine the problems of international trade arising from the agricultural protectionist policies of the rich

countries; and Committee III to examine other restrictive practices impeding the flow of exports of primary processes and manufactured products from ldc's to the developed countries. Although Committee II's investigations showed that agricultural protectionism was widespread it was unable to record any progress on the elimination of non-tariff barriers. Committee III was the most important in its attempt at fulfilling its terms of reference. It approached its task in four ways. First, an identification of barriers to trade on a commodity by commodity basis. Secondly, through continuing efforts to achieve the removal of these barriers using available GATT machinery, e.g. the Action Committee, the Special Group on Tropical Products. Thirdly, parallel extension of the commodity by commodity approach into a broader study of development plans and export potential. Finally, consideration of other measures to expand exports, e.g. preferences, trade information and trade promotion services.<sup>(61)</sup>

Parallel to and as a consequence of these studies, the developing countries began to organise as a pressure group within GATT. A note submitted in May 1959 by Brazil, Burma, Cambodia, Chile, Cuba, the Federation of Malaya, the Federation of Rhodesia and Nyasaland, Ghana, Greece, India, Indonesia, Pakistan, Peru and Uruguay was the first joint action by these countries in GATT and the outcome of their first meetings as a distinct group in this forum.<sup>(62)</sup> In this note on the Expansion of International Trade Programme, they pointed out that their capacity to participate in tariff negotiations was limited but this was an important part of commercial policy since they needed tariffs for fiscal and development purposes. They asked the industrialised countries to consider making unilateral concessions in this area. Among their demands was the granting of a facility whereby they would have the ability to negotiate on high internal revenue charges. Above all, these states stressed the urgency of finding a solution to the

problem of increased export earnings and the early provision of  
 (63)  
 tangible results.

A special report of Committee III was presented to the Contracting Parties in 1961 and this said inter alia that 'insufficient progress had been made' and called for 'prompt and positive actions by governments'. At the 19th session of the Contracting Parties in November a 'Declaration on Promotion of the Trade of Less-Developed Countries' was adopted. This placed particular emphasis on the industrialised countries to give greater access to the ldc's through the elimination and/or progressive removal of quantitative restrictions, tariffs, revenue duties and fiscal charges. This basis for the future work of the committee was held to be too conservative by the ldc's, nineteen of whom submitted a note to the Ministers calling for a programme of action to help their export prospects. A separate note by Nigeria called for the immediate elimination of tariffs on tropical products. The continuing gap between intention and performance continued to draw the ldc's together and in 1962, twentyone ldc's<sup>(64)</sup> submitted a seven-point programme of action (later increased to eight, following a speech by an IBRD representative to Committee III on 1 April 1963). The programme called for:

- a) a standstill on new tariffs and non-tariff barriers,
- b) the elimination of quantitative restrictions within a year (at the latest, by the end of 1965),
- c) duty-free entry for tropical products by 31/12/63,
- d) elimination of tariffs on primary products,
- e) reduction and elimination of tariff barriers on semi-processed and processed products from ldc's on a scheduled basis providing for a reduction of at least 5% of present duties over the next three years,
- f) reduction of internal fiscal charges and revenue duties on products wholly or mainly produced in ldc's (completely eliminated by 31/13/63),
- g) reporting procedures to help insure implementation of the action programme,

- h) other measures for facilitating diversification and expansion of export capacity and foreign exchange earnings of the economies of the ldc's.(65)

This 8-point Programme of Action was discussed at the GATT Ministerial Meeting 16-21 May 1963. Many reservations were expressed (mainly by the EEC) as to the scope and speed of implementation. It was decided not to take specific action but to set up an action committee to clarify and elaborate the programme in more consistent and concrete terms. The Action Committee, which began work in September 1963, was submerged by other developments within the GATT. First, the guidelines for the Kennedy Round were agreed upon and, secondly, the Contracting Parties began to take measures to modify the agreement to take account of the special problems of the ldc's.(66) Hence, immediately prior to UNCTADI in Spring 1964, the Contracting Parties drafted Part IV of the General Agreement, a new chapter on Trade and Development which was added to the General Agreement in February 1965. Another new development was the opening of the GATT International Trade Centre in Geneva in 1964 to provide market information for ldc's and a liaison system to facilitate communication among governments.

The increased ldc membership of GATT and the recognition of their special problems - weak bargaining position attributable to small market shares and low tariff structures; desire to protect infant industries and accumulate capital quickly; the ability of the developed countries to use 'waivers' which affected ldc export prospects; and the unequal results of the operation of the MFN principle - led to studies of these problems by the Contracting Parties which stimulated the ldc's to press for greater revisions of the agreement. Concerted ldc pressure in GATT coupled with the challenges posed to the organisation by developments within the wider institutional context of world trade led to a serious consideration of the obstacles to ldc trade and a major revision of the

principles upon which the agreement had been based. A recognisable caucus of developing countries emerged within the organisation and was a forerunner of Third World solidarity.

2.2.2. In 1963, one study<sup>(67)</sup> listed 43 international organisations concerned with trade and commodity problems. This was more than five times the number of such organisations existing in 1945. The mushrooming of international organisations in this field contributed to the growth of Third World solidarity in two distinct ways. First, the lack of a central organisation and the haphazard manner in which bodies grew up, sometimes duplicating each other's efforts but never seeming to fill the existing vacuum provided the basis of a common grievance and a rallying point for efforts to reform the system with the creation of a central institution. Secondly, one type of organisation - the regional economic commissions - were important centres where ldc's could exchange information and coordinate policy.

We are concerned not with the operation of the various commodity bodies, per se, but only with the way in which they affected cooperation among developing countries.<sup>(68)</sup> It is principally a perceptual process with which the analysis is concerned, i.e. not objective reality but reality as perceived by the low-income countries. The central organs dealing with trade and related problems were the United Nations General Assembly, the Second Committee (Economic and Financial), the Economic and Social Council (ECOSOC), the Commission on International Commodity Trade (CICT), Committee on Commodity Problems (CCP), GATT, the Interim Coordinating Committee for International Commodity Agreements (ICCICA) and the three regional economic commission in the developing world - Economic Commission for Latin America (ECLA), Economic Commission for Asia and the Far East (ECAFE), Economic Commission for Africa (ECA).

From the perspective of the developing countries these organisations were deficient and incapable of filling the gap left by the demise of the ITO. The Second Committee of the General Assembly and ECOSOC had overcrowded agendas and the eighteen-nation ECOSOC was held to be unrepresentative, hence the ldc's launched a campaign to increase its (ECOSOC) membership to twenty-four. The ICCICA, CCP and CICT were merely consultative organisation and hence of limited usefulness in attaining the goals sought by the ldc's. The twin goals of the developing countries were the stabilisation of their export earnings through the creation of commodity agreements and the provision of compensatory financing to remedy fluctuating export receipts. In the link between specific trade problem pressures and the creation of institutions can be seen the basic human tendency to establish institutions to solve problems and to provide an orderly framework for the conduct of activities in particular fields of interest.<sup>(69)</sup> In the analysis of the genesis of the coalition 1960-63, this stress on the perceived inadequacy of existing institutions and its use as a focal point for ldc agreement will be discussed.

The regional economic commissions served as centres for ideas which were developed and refined to be used in the struggle against the developed countries. Here, detailed research was undertaken and statistics computed to embellish and support the Third World's claims for greater justice in the global economic system. The later importance of the regional economic commissions in the group politics of the G77 and its regional organisation is a direct outgrowth of this early involvement in institutional politics. The supreme example of this interest aggregation and articulation function is provided by ECLA and the doctrines of Raul Prebisch.<sup>(70)</sup> Further, the desire of the ldc's to play an increasingly important role in the economic activities of their regions led to a de facto situation where the regional economic

commissions were performing functions that were questionable from a de jure approach. This tension between competing interpretations and the asymmetry between intent and performance came to a conclusion at the end of the nineteen-fifties and the meetings of the three regional commissions in 1960 produced a situation where it was no longer possible to ignore the change in their status. At its sixteenth session held in 1959-60, ECAFE adopted Resolution 31(XVI) on regional economic co-operation for the development of trade and industry recommending that the countries of the region develop joint projects, carry out industry possibility surveys, encourage domestic savings and adopt measures for attracting domestic and foreign investment into productive enterprises.<sup>(71)</sup> Similar initiatives were taken by ECA and ECLA.<sup>(72)</sup> The attempt to remedy this discrepancy and to increase the power of the regional bodies was made in the General Assembly, as a result of which G.A. Resolution 1518(XV) entitled 'Decentralization of the United Nations economic and social activities and strengthening of the regional economic commissions', requested the Secretary-General inter alia to:

"make every effort to strengthen the secretariats of the regional economic commissions"

and

"to consult the regional economic commissions at their next annual sessions and the specialised agencies, and to report to the Economic and Social Council at its thirty-second session and to the General Assembly at its sixteenth session on the steps taken in implementation of Council resolution 793(XX) regarding the decentralization of activities and operations and the increased utilization of the services of the regional economic commissions".<sup>(73)</sup>

The institutional deficiencies within the global economic system became more noticeable as the ldc's found themselves in a disadvantageous position as a result of the operation of market forces during this period. The institutional issue became important when individual efforts at problem-solving proved ineffectual. Therefore it is to an examination of the (common) trade problems of these countries that we turn.

### 2.3 The Developing Countries in the International Economy 1945-64

The definition or identification of a developing country<sup>(74)</sup> is one that is fraught with controversy and it is not the aim of this study to enter into the controversy. Here a procedural definition will be followed, namely, a developing country is one which considers itself as such and is generally included in this category by international trade and financial institutions; thus, there is both an element of self-selection and independent validation for this status. Further, since membership of any international caucusing group is both voluntary and dependent on the approval of existing members, membership of a developing country caucusing group will be taken to confirm this status. Accepting a political definition does not imply that economic criteria are irrelevant, merely that they are not sufficient as a single factor distinguishing characteristic. It is possible to use certain economic indices to categorise states in the global economy. Per capita G.N.P., level of industrialisation, rate of infant mortality, percentage of doctors per 1,000 of population, ratio of manufactured goods to primary commodity exports, the ratio of exports to national income, levels of illiteracy, incidence of malnutrition and disease are all indices that when used together gives a picture of a stratified international society with poles of wealth and poverty reflecting the unevenness of economic development.

The uneven development of capital does not simply create two classes of country. There are many disparities in income and wealth within the developing country category. There is a distinct absence of homogeneity within the group. √Developing countries vary enormously in

- (a) size - India and Brazil compared with Grenada and the Gambia;
- (b) population and population density - in the mid-1960's, India's population was around 500 million and the Gambia's approximately 300,000. Malta's population density was over 2,600 people per square mile whilst

Mauretania had a population density of 3; (c) natural resource endowment - from mineral rich states like Nigeria and Zaire to Chad with no known mineral resources; (d) industrial development - Brazil and India compared with Benin and the Central African Republic; (e) per capita GNP in 1963 from Kuwait's \$3,000 to Haiti's \$80.7 These differences between countries also extend to differences between regions. In 1963 the average per capita income was for Africa \$106, Asia \$92, Latin America \$333 and the Middle East \$222. By African and Asian standards, Latin America as a region is prosperous. Given these differences, it is advisable not to generalise from the special case of a particular country to the general needs of the developing countries and vice versa. Cognisance of the differences among developing countries is crucial for the subsequent analysis. However, it is on the differences between developed and developing countries that we concentrate, since it was around this duality that the coalition was constructed. The developing countries as a distinct group and their peculiar trade problems are the concern of this section.

The trade problems of the developing countries and their participation in the international economy forms the background to their pressure politics in the trade field during the 1950s.<sup>(75)</sup> Two major problems were foremost during this period - the remuneration given to the developing countries as exporters of raw materials and their receipts of external financial assistance. The ldc trading pattern can be divided into three areas - primary commodities, manufactures and invisibles - and trends in these three areas, provided the environmental context in which economic development policies were formulated. The subsequent slow rate of development, coupled with balance of payments problems, led to a growing dissatisfaction with the existing trading system. The trading environment emerges as a vital contributory factor in the growth of Third World cooperation.

The distorting effect of the Korean War boom makes the comparison of developing countries experience at the beginning and end of this period a difficult enterprise. The abnormally high prices achieved by primary commodity exports means that the decline will look even greater than it is, if the base year used falls during this period. Between 1945 and 1951 raw material exporters were doing so well that the ldc's share of world trade rose from a quarter to a third. Further, in discussing aggregate figures, it is instructive to remember that these give an overall picture and may not correspond to the experience of many of the countries covered in the sample. These qualifications are pertinent for the examination of the empirical material presented below.

As a group, the developing countries' share of world trade declined steadily during this period. Between 1953 and 1961 it fell by 22%, the most marked increase coming after 1955 when the inflationary aspects of the Korean War boom had played itself out (see Table 2.3). This general decline is mirrored in the commodity composition of ldc exports. As Table 2.4 shows, of the five commodity groups examined, fuels was the only one to show an increase.

TABLE 2.3

World Trade : Percentage Shares of Exporting Country Groups in Value of Exports. 1953, 1955, 1960 and 1961

<u>Region</u>	<u>Year</u>			
	<u>1953</u>	<u>1955</u>	<u>1960</u>	<u>1961</u>
Developed Market Economies	59	64	63	67
Developing Market Economies	27	26	22	21
Centrally Planned Economies	10	10	12	12

Source : 'International Trade and its Significance for International Development', Proceedings (1964) Vol. VI.

TABLE 2.4

World : Percentage shares of exporting country groups in value of exports by type of export 1955 and 1961

	Agricultural Raw Materials and Ores		Fuels		Base Metals		Manufacturers			
	1955	1961	1955	1961	1955	1961	1955	1961		
Developed Market Economies	49	55	48	54	32	26	74	74	85	83
Developing Market Economies	42	34	40	35	57	60	16	12	5	4
Centrally Planned Economies	9	11	12	12	11	14	10	14	10	12

Source: Proceedings, (1964) Vol. VI. p. 79  
'International Trade and its Significance  
for Economic Development'

Table 2.5 shows the slow growth in the developing countries' exports, the only significant expansion being exports to the centrally planned economies, but this was slower than the expansion of intra-communist trade and of the developed countries' export to the socialist bloc.

With 70%-90% of their export proceeds coming from primary commodities, the ldc's were naturally concerned at the trends in the price and volume of these products traded internationally. Price and demand instability and the resultant fluctuating export earnings led to calls for some kind of stabilisation scheme. On the import side, ldc's were heavily dependent on imported manufactures since their domestic industrial sectors were small or non-existent. During this period, manufactured exports accounted for between 50%-60% of their import bill. The movement in the relative prices of raw materials and manufactures gave rise to concern about the declining terms of trade of the developing countries.<sup>(76)</sup> The common perception was that the growth of import requirements was outstripping export earnings. Overall, of course, the problem was economic development and these obstacles in the trade field were held to be primary constraints to economic development and causal factors in explaining the rather sluggish growth performance of the poor countries.

The flow of international aid was never as great as the ldc's wanted. Their dissatisfaction with the existing efforts can be seen in the attempt to create SUNFED in the U.N. General Assembly. The net disbursements of the international aid agencies is shown in Table 2.6.

TABLE 2.5

World : Annual rates of growth of value of exports by origin and destination, 1950-1962<sup>a</sup>

Exporting Country Group	Importing Country Group			
	World <sup>b</sup>	Developed Market Economies	Developing Market Economies	Centrally Planned Economies
World	7.1	7.2	5.1	11.0
Developed Market Economies	8.0	8.6	5.8	11.3
Developing Market Economies	3.4	3.8	1.8	8.5
Centrally Planned Economies	11.1	8.2	14.9	11.4

a. Fop. values "Special category" exports of U.S. are excluded components do not always add up to totals because of rounding.

b. Including exports whose destination cannot be allocated.

Source : 'International Trade and its Significance for Economic Development'; Proceedings (1964)  
Vol. VI. p. 72.

TABLE 2.6

Net disbursement by international financial agencies to developing countries 1951-1962

(In millions of dollars)

Organisation	Cumulative Total		Annual Average		
	1951-1962	1951-1955	1956-1959	1960-1961	1962
IBRD	2301	124	243	220	269
IFC	47		3	11	15
IDA	57				57
IDB	53			2	49
EDF	63			10	53
Total:	2521	124	246	243	444

Source : Bureau of General Economic Research and Policies of the U.N. Dept. of Economic and Social Affairs - Finance in International Trade (1964).

This shows a steady increase in disbursements, mainly the result of developing country pressure, but insufficient to meet the demand for increased capital transfers.

This brief profile of the developing countries in the international economy shows that as a group they faced severe problems during this period. A relatively healthy picture at the end of the war had turned into a depressing one by 1964. This gave rise to a sense of injustice concerning the workings of the international economic system. (77)

Three interrelated aspects to the evolving ldc position emerge from the analysis above. First, changes affecting the prices of their imports and exports. Secondly, changes in the volume of their imports and, thirdly, the worsening of their balance of payments positions. The pressures for remedial measures to be taken to cure these ills were mounted in the GATT and the United Nations. Having already discussed developments within the GATT, it is to these efforts in the U.N. and the forging of a united ldc front that we now turn.

#### 2.4 The Developing Countries in the United Nations : Diplomatic Cooperation on Economic issues 1945-63

Diplomatic cooperation among developing countries during this period was affected by a variety of institutional, political and economic factors. A combination of events internal to the U.N. and those arising from the wider network of international political relationships helped to shape a developing coalition. The grouping which successfully created a new international organisation at the end of this period was the outcome of haphazard yet definite developments. The changing perceptions of the developing countries was accompanied by changes in the fabric of world politics which affected the structure and functioning of the United Nations. Foremost among these were the effects of the process of decolonisation which increased the representation of the Third World within the U.N.; the formation of the non-aligned movement; and the changes in the East-West conflict with the ushering in of a phase of 'competitive co-existence'. In the analysis which follows the material is divided into two sub-sections. The first will discuss events until the end of 1960 and the second will be concerned with the immediate events (1961-63) prior to the creation of the G77.

2.4.1 Within the wider UN system there are numerous organisations concerned with trade and development issues, however, this section is concerned with the core organisation and not the wider system. Of the six principal organs, three - the General Assembly, ECOSOC and the Secretariat - are concerned with development diplomacy. The General Assembly and ECOSOC provided organisational contexts within which the unity was forged and the secretariat contributed towards increased awareness and solidarity through its investigation of development problems to affect the modalities through which states can bring economic issues to the global body. e.g. delegations can raise trade and aid questions at the opening sessions of the General Assembly during the general debate. Economic issues are then passed to the Second Committee (Economic and Financial) where detailed consideration is given to the issues. It is here that draft resolutions are first considered and, if successful, transmitted to the General Assembly for debate and voting. The eighteen-nation ECOSOC met twice yearly and its small size was conducive to more serious consideration of issues. However, during this period ECOSOC increasingly played a marginal role partly because the West failed to participate at a high level and partly because the developing countries felt that it was unrepresentative.<sup>(78)</sup> The secretariat in a series of reports from the mid-fifties focused attention on ldc trade problems and showed the limitations of import-substitution policies.<sup>(79)</sup> The U.N.'s interest in development policies developed slowly during this period. At the end of the war the focus was on the war-ravaged economies of Europe and it was not until the inauguration of the Expanded Programme of Technical Assistance (EPTA) in 1950 that the special problems of the ldcs became one of central concern.<sup>(80)</sup> But the U.N. had already made an important contribution with the establishment of ECAFE in 1947 which gave the ldcs, for the first time, a U.N. forum of their own.

The existence of this framework could not, by itself, provide the impetus towards cooperation, the necessary political accommodation had to be found among the ldc's. In the general attempt to translate political independence into economic independence, the United Nations emerged as a relevant forum for pressure mainly because the weak bargaining position of individual ldc's suggested that an aggregation of states was necessary to put sufficient pressure on the West for change. Politics within the U.N. is a reflection of politics in the international political system and the use of the organisation as a centre for foreign policy initiatives by various states. As such, the developing countries as a group and their demands for change were conditioned by the dependent nature of their economies and their general foreign policy orientations. For much of the 1950s any common interests they possessed on economic issues were obscured by the East-West conflict. In other words, cold war alignments were frequently incorporated into economic conflicts, so dividing the ldc's into non-aligned (after 1955);<sup>(81)</sup> those favourable to the West and those favourable to the East. For example, when General Assembly Resolution 520(VI)<sup>(82)</sup> which requested ECOSOC to submit "... a detailed plan for establishing a proposed International Development Authority as soon as circumstances permitted" was sponsored by Argentina and passed by 30 votes in favour (mainly ldc's), 16 against (mainly developed countries) and 11 abstentions (largely socialist countries), the ldc's which voted against or abstained - Brazil, China, Dominican Republic, Haiti, Nicaragua, Thailand and Turkey - were heavily dependent on U.S. military aid. Similarly, at the 11th session of the General Assembly, after Soviet inspired attempts to convene an international trade conference had been defeated, (two) developing countries (Argentina and the Philippines) co-sponsored a draft resolution with Australia, Belgium, Denmark, the United Kingdom and the United States which,

"recognised that existing international bodies and agreements concerned with international trade provide a framework for the effective consideration of trade problems, payments arrangements and related problems of mutual interest". (83)

This was adopted by 55 votes to 7 with 4 abstentions.

Despite the existence of these divisions there were examples of concerted pressure during this period. The major thrust was for the establishment of a Special United Nations Fund for Economic Development (SUNFED) and the creation of the CICT in 1955 against the wishes of the United States and United Kingdom, was the first occasion on which the ldc's had been able to erect an institution opposed by the major trading states. (84) This pressure began to be channelled more effectively with the increase in U.N. membership after 1955 and the emergence of the non-aligned movement. Between 1955-1959 twenty-three states were admitted to the U.N., among them twelve African and Asian ldc's and four Communist European countries. The increase in membership sparked off a battle between the U.S. and Soviet Union for leadership within the General Assembly during the period of competitive co-existence. The Soviet Union attempted to seize the initiative by making various proposals from 1956 onward for the convening of an international trade conference. (85) The developing countries, dependent on the West for aid and knowing that the West opposed such a move, refused to support the Soviet bid. The Afro-Asian Conference at Bandung, Indonesia, 18-24 April 1955, had important repercussions for the emerging coalition. Apart from stressing the features of global economic inequality the Final Act inter alia urged its members to make greater use of international organisations and to join those to which they did not at present belong and to work together in international organisations to promote their mutual economic interests. (86) The policy of non-alignment gave the ldc's a common basis for political cooperation and

proved attractive to countries gaining independence who joined the group. Moreover, the image of a non-aligned Third World began to be accepted by the West and East as well as by the Afro-Asian countries themselves and although at this time it was inaccurate the image was applied to Latin America. In political terms, the argument for a separation of cold war and economic development issues proved highly effective. The argument that the ldc's could not join alliances in order to gain development assistance began to be accepted by the West and thus they were therefore able to put pressure on economic development issues without making any concessions on security matters.<sup>(87)</sup>

This was still in many senses a nascent development because at this juncture security matters still dominated the agenda of the non-aligned. Further changes in the political and economic, institutional and environmental frameworks were to produce both an intensification of pressure for negotiated change and the evolution of Third World cooperation into a distinct negotiating group.

2.4.2 Many of the features present in the earlier period were reinforced between 1961-63. In 1960 the entry of 17 African states and Cyprus swelled the ranks of the developing countries guaranteeing a decisive majority in the General Assembly. The new African states, generally at a lower level of economic development, perceived economic growth as one of the most important problems facing their regimes and at the international level infused a new intensity to the demands for reform of the trading system. Simultaneously with these demands, international organisations were taking a greater interest in trade and development matters. The investigations by GATT, following the publication of the Haberler Report, were continuing and the ensuing discussion led to the GATT Declaration on the Promotion of Trade of

Less Developed Countries in November 1961. Earlier that year, the Group of Experts established through General Assembly Resolution 1423 (XIV) had published their report entitled, "International Compensation for Fluctuations in Commodity Trade" (Posthuma Plan); which called for the creation of a Development Insurance Fund in order to counteract the 'adverse effects of instability in commodity trade, particularly in the less developed of the primary producing countries', and also urged the creation of compensatory financing schemes to protect the ldc's against 'setbacks in their development caused by instability in the world commodity markets'.<sup>(88)</sup> Thirdly, the non-aligned countries made a specific contribution to this debate. At the Belgrade Conference of Non-Aligned Nations attended by 25 countries, 1-6 September 1961, some states demanded better terms of trade for the poor countries and called for efforts to eliminate excessive fluctuations in primary commodity trade as well as restrictive practices. The Final Act of the conference - the Belgrade Declaration - called for the convening of an international trade conference to discuss the trade problems of the developing countries.<sup>(89)</sup>

It was with this background that the 16th Session of the General Assembly which centred on trade and development was convened in September 1961. During the debates of the Second Committee, the Posthuma Plan and Belgrade Declaration were constantly mentioned by spokesmen from the developing countries.<sup>(90)</sup> The 16th Session of the General Assembly marked the onset of a struggle to create a new institutional mechanism in the trade field and it is in an examination of this process that we can chart the final stages in the formation of the coalition. It was not a clear-cut question of the ldc's combining to use their numerical majority against developed country opposition to form a new trade organisation. Rather, it is a process in which the radical African and Asian states who pressed the institutional issue and the

more conservative Latin American states who wanted a discussion of development problems but no new machinery, began to find a common position. Once the conference was decided upon, they coalesced their efforts in order to get the maximum benefits from the conference.<sup>(91)</sup> In this sense differences could still exist within the group but any gains made at the conference would be in the face of stiff Western opposition and the best hope of mounting effective pressure lay in unity which provided a numerical majority. The organisational context provided both the opportunity and necessity for pressure group politics. The decisional framework of the U.N., in particular, majoritarianism created conditions conducive to the formation of a Third World coalition.

Two draft resolutions, on the subject of international trade were introduced in the Second Committee in 1961 by developing countries. Six Latin American countries submitted one entitled, "International Trade as a Main Instrument for Economic Development"<sup>(92)</sup> and sixteen African states and Indonesia one entitled "Promotion of International Trade".<sup>(93)</sup> Although dealing with the same problem and similar in outlook, the seventeen-power draft resolution was more forceful and on the institutional issue called for a world trade conference. Although the latter resolution was withdrawn in favour of the Latin American text, because of a lack of support, the African states and Indonesia introduced an amendment reiterating their demand for an international trade conference,<sup>(94)</sup> and when this met with fierce objection they changed the wording so that the Secretary-General was no longer requested to prepare a provisional agenda but to "consult the Governments of Member States concerning the advisability of holding an international conference".<sup>(95)</sup> But even this softening of tone proved too radical for many ldc's and the amendment, although adopted by 45 votes to 36 with 10 abstentions, highlighted the disunity of the developing countries. All the Latin American countries with the exception of Cuba (at best a marginal

member of the Latin American group) voted against and Cyprus, Ethiopia, Iran, the Philippines and Thailand abstained  $\sqrt{\text{New Zealand}}$ , an original member of the Group of 75, voted against<sup>7</sup>. The Latin American draft resolution was then adopted by 81 votes to none with 11 abstentions.<sup>(96)</sup> This resolution, amended in the General Assembly<sup>(97)</sup> to placate those who did not want a conference, became General Assembly Resolution 1707 (XVI) - "International Trade as the primary instrument for economic development".<sup>(98)</sup> The developing countries had cooperated on the substantive discussions of their problems but were seriously divided over the question of holding a conference to discuss these problems. The coolness of the Latin American countries towards the idea of a trade conference can be explained as an attempt to maintain leadership in the U.N., on trade and development issues by acting 'responsibly' or, as the result of pressure by the U.S. administration, to adopt a more moderate stance.<sup>(99)</sup>

The adoption by the General Assembly of Resolution 1710(XVI) on 19 December 1961 which inaugurated the (first) Development Decade,<sup>(100)</sup> did much to bring economic development to the forefront of the U.N. concern and, consequently, to affect the process of diplomatic co-operation among the ldc's. The existence of the concept of an international development decade ensured that action would be taken to concretize the previously abstract idea. If one is genuinely working toward a common goal then one must be seen to be striving to attain that goal. With a target minimum annual growth rate of national income of 5 per cent to be achieved, the onus was on the developing countries to be more assertive and the resolution was instrumental in removing one of the defences of the major trading powers in their support of the existing system. If achievements were being measured against the hopeful tenor of such a resolution, the rich countries had to justify more clearly their current policies and to be seen to be making positive efforts, if only as a public relations exercise.

1962 was a crucial year, both for the development of solidarity among developing countries and in the drive towards an international trade conference. The Conference on the Problems of Economic Development held in Cairo 9-18 July 1962, was an event of paramount importance in the shaping of Third World solidarity on economic issues. Attended by thirty-six countries from Africa, Asia and Latin America, it was significant for two reasons. It was the first time that the Latin American countries had attended such a conference,<sup>(101)</sup> in other words, the Bandung coalition was being extended from its Afro-Asian base to a genuinely Third World one. The conference was a first stage crystallisation of a belief held by many developing countries and succinctly expressed by a Brazilian delegate at the previous session of the General Assembly,

"The world is not divided merely into East and West. This ideological cleavage makes us forget the existence of yet another division, not ideological, but economic and social - that between the Northern and Southern hemispheres". (102)

The 'Have vs. Have-Not' psychology became important for political analysis when the 'Have-Nots' attempted to unite to promote their interests. Secondly, the Cairo Declaration of Developing Countries which constituted the Final Act of the conference had political importance in showing that the developing countries could act jointly on trade and development issues. Further, in outlining a strategy to be adopted, the declaration had a continuing relevance for future action. As one authority has stated,

"Inasmuch as the participants held in many respects conflicting views with regard to most of the questions discussed the mere fact that a Declaration setting out a common position was adopted added considerable significance to the Conference". (103)

The Declaration which called for common action by developing countries in the U.N. and GATT declared itself,

"resolutely in favour of the holding of an international economic conference within the framework of the United Nations" whose agenda shall include, "all vital questions relating to trade, primary commodity trade, economic relations between developing and developed countries". (104)

Decisive as it was in the developing of the Third World coalition, it was not as Cordovez<sup>(105)</sup> maintains the first attempt to coordinate ldc policies with the aim of acting jointly in the U.N., as our discussion of Bandung makes clear; what it did was widen the constituency.

Within the U.N., discussions continued on the issue of a trade conference. The 34th session of ECOSOC (July-August 1962) was important in this respect. The Secretary-General submitted the replies of Governments to his letter on the desirability of holding a world trade conference.<sup>(106)</sup> This showed that 45 were in favour, 18 opposed and 3 non-committal. The only developing countries which replied negatively were Colombia and Nicaragua. In the face of this evidence and the new-found solidarity of the developing countries after Cairo, the West gave up its opposition<sup>(107)</sup> and a five-nation (Brazil, Ethiopia, India, Senegal and Yugoslavia) draft resolution<sup>(108)</sup>, which called for the convening of a United Nations Conference on Trade and Development, the setting up of a preparatory committee of experts to consider the agenda and documentation for the conference and requested the U.N. Secretary-General to prepare documentation for the Committee, was adopted as ECOSOC Resolution 917(XXXIV).<sup>(109)</sup> A delaying resolution by the United States to create a Group of Experts to study trade problems co-sponsored Uruguay, thus showing that the coalition was not fully formed, was adopted once the Conference had been secured.<sup>(110)</sup>

Differences between the developing countries on the institutional question still continued in the autumn of 1962 during the meetings of the Second Committee. The twenty-eight nation draft resolution<sup>(111)</sup> submitted by the developing countries did not call for the creation of a new international trade organisation; therefore Brazil, Iraq and Lebanon introduced an amendment<sup>(112)</sup> to this effect. Whilst the majority of developing countries were in favour of new institutional machinery, some leading members of the group, e.g. Yugoslavia, India, Argentina, Uruguay and Tunisia were opposed. It is therefore incorrect to argue that the NAM was a radical force in the creation of the coalition since two of its three leading members at this time opposed the initiative for a new trade organisation. Another issue which caused division among the developing countries was over the proposed date of the conference. Whilst the Third World states voted as a bloc in favour of calling the conference in 1963, the Francophone African states took the Western view in favour of 1964 mainly because they felt that the earlier date was an implicit criticism of their association with the EEC, since one of the reasons for the early date was an attempt to end the conference before the proposed British entry into the Community.<sup>(113)</sup> The Francophone African countries produced another note of dissension when they abstained en bloc over the inclusion of the Cairo Declaration on the agenda of the Committee. Apart from the Central African Republic's delegate who claimed he had not received instructions from home they all gave the same reason for abstaining. They had not been invited to the Cairo Conference and having not taken part in its proceedings they felt the Declaration to be unrepresentative of Third World views. In the view of these states, it was indefensible that many African countries south of the Sahara had not been invited.<sup>(114)</sup> These political differences evident in the immediate period before the formation of the coalition were not dissolved but merely papered over when the G77 came into existence.

These divisions should not obscure, however, the continued co-operation on other issues. The Second Committee had been faced with two major resolutions - one by the ldcs and the other by the Soviet Union. The developing countries used their numerical ascendancy to make their resolution the centre of the debate. Adding greater weight to this cooperation was the statement by the Secretary-General that,

".... the present division of the world into rich and poor countries is in my opinion much more real and much more serious, and ultimately much more explosive than the division of the world on ideological grounds". (115)

The developing countries were on the whole united on trade and development issues and showed an impressive display of unanimity in voting. When the resolution calling for the trade conference was finally passed by the General Assembly, <sup>(116)</sup> the Francophone states had dropped their opposition, mainly because the prevailing mood pointed toward ldc consensus. A Canada/Peru amendment <sup>(117)</sup> ensured that effectively the Conference would begin in 1964, so removing the objections on timing of various developed and developing countries.

The preparations were now under way for the conference and it is conceivable that this fragile solidarity could have evaporated; however, the need to ensure some results from the Conference and the convergence of interests by those countries participating in the Preparatory Committee provided a basis for further consultation. At the end of the second session of the Preparatory Committee (21 May 1963-29 June 1963), the 'Joint Statement by representatives of Developing Countries' was issued, <sup>(118)</sup> in order to stress the importance with which they viewed the forthcoming conference and also as a comment on the clear polarisation of views which existed between developed and developing countries. Included in the report of the Preparatory Committee (E/3799), the statement stressed the importance of the

conference for the economies of the developing countries and for the world economy as a whole. It urged the conference to adopt concrete measures to achieve inter alia the improvement of institutional arrangements including, if necessary, the establishment of new machinery and methods of implementing the decisions of the conference.

This joint action of the members of the Preparatory Committee was followed at the 18th session of the General Assembly, by a joint declaration of the larger body of which it had been a representative. Seventy-five developing countries issued a 'Joint Declaration of the Developing Countries' in the General Assembly.<sup>(119)</sup> This was a charter of the developing countries' needs and grievances, hopes and aspirations. The document stressed the need for concrete decisions to be taken at the forthcoming conference and for their effective implementation. The criticism of the trading structure was stated bluntly:

"The existing principles and patterns of world trade mainly favour the advanced parts of the world. Instead of helping the developing countries to promote the development and diversification of their economies, the present tendencies in world trade frustrate their efforts to attain more rapid growth".<sup>(120)</sup>

This marked the first appearance of a united group of developing countries. The appearance of the Group of 75 did not lead automatically to the Group of 77. There was no precedent to suggest that this unity to demonstrate a certain resistance to stalling tactics by the rich countries would re-emerge at the Geneva Conference and would also emerge from the Conference as a permanent force. The next chapter, therefore, analyses the process whereby this result was achieved. The present chapter has sought to discuss the main causal factors which accounted for the development of Third World solidarity during the period 1945-1963.

Cooperation among developing countries during this period was based on a perception of shared interests and needs. Throughout this era it has been possible to identify definite conflicts of interest between developed and developing countries. From the outset and the reconstruction of the post-war system of trade and payments, distinct ldc demands were formulated. Within the existing structure of international production and reproduction the developed and developing countries occupied different places, thus giving rise to different interests.<sup>(121)</sup> Developments within world capitalism in the nineteen-fifties heightened the disparities between the two groups of countries. The ldcs share of world output and trade fell; their export earnings tended to fluctuate and international capital failed to migrate in sufficient amounts to their economies. In a response to these developments there were many ad hoc alliances during the nineteen-fifties in order to press a particular demand in an international organisation. The burgeoning of studies addressed to the participation of the ldcs in the world economy showed these countries that their problems had to be tackled in a systematic rather than a disjointed manner, resulting in an increase in pressure over a wider range of subjects. The existing international organisations provided fora within which pressure for change could be exerted. Here the U.N. was of paramount importance<sup>(122)</sup> and the modalities of the political process within that organisation with its emphasis on caucuses determined the creation of large blocs for voting purposes. The creation of the non-aligned movement gave the Third World a distinct voice in international politics and afforded the beginning of a separation of economic from security issues. The success of cooperation in one forum spilled over into others and the attempt to safeguard minimal gains was a spur to increased solidarity. Thus a systematic examination of trade problems resulted in a call for an international conference to discuss these issues which in turn led

to an attempt to achieve concrete results from such an enterprise. The political process dictated that only through the use of their numerical majority could they exert pressure on the major trading nations. This did not, of course, guarantee success but it was a widely held perception, although some diplomats evinced scepticism. (123)

FOOTNOTES

- (1) See, for example, the way the G77 itself has mushroomed, so that its activities are conducted in many fora e.g. FAO, WHO, ILO.
- (2) It is instructive here to note, for example, that within the U.N. and the Specialised Agencies they were treated as an identifiable category. The introduction of the Expanded Program of Technical Assistance (EPTA) in 1949 was the first recognition of the need for special measures for poor countries.
- (3) See Carol Jane Lancaster - The Politics of the Powerless : Pressures in the United States for Economic Development 1945-1965 (University of London Ph.D. 1972) for a political analysis of pressure group politics at the international level focusing on these states.
- (4) The admission of seventeen new states to the United Nations in 1960 gave the Third World a built-in majority in the General Assembly.
- (5) On the issue of the ahistorical treatment of Third World unity, see, for example, Branislav Gosovic - UNCTAD : Conflict and Compromise (Leyden : A.W. Sitjhoff 1972) ch. 1 and A.K. Koul - The Legal Framework of UNCTAD in World Trade Law (Bombay : N.M. Tripathi 1977) ch. 1 where their arguments on the creation of UNCTAD implies the existence of a united Third World during the entire post-war period.
- (6) An excellent account of these negotiations is contained in Richard N. Gardner - Sterling-Dollar Diplomacy (Oxford University Press 1958).
- (7) ibid., p. 110.
- (8) For recent statements of this viewpoint, see Orlando Letelier and Michael Moffat - The International Economic Order (Part 1) (Washington D.C. : Transnational Institute, 1977), p. 12; and Mahbub ul Haq - The Poverty Curtain (New York : Columbia University Press 1976) pp. 185-187.
- (9) Whereas most other countries had lost vital industrial capacity during the war, it had provided a stimulus to the U.S. economy solving the problems of the thirties and increasing civilian production. For example, the federal budget increased \$91 b. between 1939 and 1945 from \$9 b. to \$100. At the end of the war, the U.S. accounted for roughly one-third of the world's total output and by 1948 controlled three-quarters of the world's monetary gold. See Lars Anell and Birgitta Nygren - The Developing Countries and the World Economic Order (London : Francis Pinter 1980) pp. 35-37.
- (10) A reflection of this was that even the economic functions of the United Nations were originally conceived as an agent of 'Northern Interests' John Pincus - Trade, Aid and Development (New York : McGraw-Hill 1967) p. 373., in contradiction to Article 55 of the U.N. Charter which states inter alia that,

'with a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples the United Nations shall promote:

- a. higher standards of living, full employment and conditions of economic and social progress and development;
- b. solutions of international economic, social, health and related problems'.

- (11) This is not to say that in economic analysis no distinction was made between rich and poor countries. Nor does it imply that underdeveloped country statesmen did not argue for certain policies which were felt to be beneficial to them. It is also worth noticing, at this point, that the underdeveloped countries then do not correspond to those today in that Australia and New Zealand were vocal members of the underdeveloped group at that time.
- (12) Moreover, many colonies had earned considerable sums by selling primary commodities during the war and at its close had healthy balance of payments e.g. India's sterling balance amounted to some \$5 billion. In Latin America, industrialisation was given a fillip since domestic producers had been shut off from their competitors during the war. Further, immediately after the war there was a heavy demand for primary commodities, thus improving the terms of trade of the poor countries.
- (13) In other words, growing international interdependence.
- (14) See A.G. Kenwood & A.L. Lougheed - The Growth of the International Economy 1820-1960 (London : George Allen & Unwin, 1971)
- (15) J. Forbes Munro - Africa and the International Economy (London : J.M. Dent & Sons 1976) pp. 86-118.
- (16) A.K. Koul op. cit. p. 9.
- (17) See V. Asa Briggs - Economic Interdependence and Planned Economies. The New Cambridge Modern History Vol XII - The Era of Violence 1896-1945 (Cambridge : Cambridge U.P.) p. 513.
- (18) See H.W. Arndt - The Economic Lessons of the Nineteen-Thirties (Oxford University Press) passim.
- (19) The League of Nations convened various conferences e.g. The Brussels Conference (1920), Genoa (1922), World Economic Conference (1927) and Geneva Conference (1927) which, inter alia, adopted a convention on the simplification of custom procedures, one of the abolition of import and export restrictions and prohibitions and made tariff policy an international concern.

- (20) See G. Curzon - Multilateral Commercial Diplomacy (London : Michael Joseph 1965) pp. 20-27. A.K. Koul *ibid.*, pp. 12-15.
- (21) Koul, *ibid.*, p. 17.
- (22) See Michael Howard - War and the Liberal Conscience (London : Maurice Temple Smith 1978) for a succinct discussion of the history of such ideas.
- (23) As Hull wrote after the war, "closed trade areas or discriminatory systems would induce the creation of similar systems in other regions and produce serious interregional economic conflicts with dangerous political repercussions". Memoirs vol. 2 p. 644 quoted in D.P. Calleo & B.M. Rowland - America and the World Political Economy (Bloomington : Indiana University Press 1973). Will Clayton, Truman's State Department Economic Advisor and a man in the forefront of postwar reconstruction argued that "nations which act as enemies in the market place cannot long be friends at the council table", quoted in Lloyd Gardner, Architects of Illusion (Chicago : Quadrangle Books 1970) p. 123.
- (24) "We should assume this leadership, and the responsibility that goes with it, primarily for reasons of pure national self-interest" Cordell Hull quoted in G. Kolko, The Politics of War : The World and United States Foreign Policy 1943-45 (New York : Vintage Books 1970) p. 251.
- (25) G. Kolko - The Politics of War : The World and United States Foreign Policy 1943-45, *ibid.*, pp. 252-53.
- (26) See Gardner, *op. cit.*, pp. 156-158 for British support for Imperial preference and D.P. Calleo & Rowland - America and the World Political Economy *op. cit.*, p. 37.
- (27) This does not mean that there were no serious conflicts e.g. over the pursuit of full employment policies.
- (28) Uner Kirdar - The Structure of United Nations Economic Aid to Under-developed Countries (The Hague : Martinus Nijhoff 1966) p. 103. Also R.N. Gardner, *op. cit.*, p. 85.
- (29) It is interesting to note that Lord Keynes recognised the developmental purposes of the Fund. It had, he said,  
 "a second primary duty laid upon it, namely to develop the resources and productive capacity of the world, with special reference to the less developed countries", quoted in E.S. Mason & R.E. Asher - The World Bank since Bretton Woods (The Brookings Institution 1973) p. 2.
- (30) Proposals for Consideration by an International Conference on Trade and Employment also see Proposals for Expansion of World Trade and Employment, Department of State Publications 2411, Commercial Policy Series 79 (November 1945).

- (31) ECOSOC Resolution of 18 February 1946 quoted in full in W.A. Brown, Jnr., The United States And The Restoration of World Trade (Washington D.C., The Brooking Institution 1950) p. 59.
- (32) The members were Australia, Belgium, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon Luxembourg, The Netherlands, New Zealand, Norway, South Africa and the U.S.S.R. The USSR boycotted the meetings of the Preparatory Committee.
- (33) Australia, New Zealand and Canada were active in support of the underdeveloped countries at this time.
- (34) Koul, op. cit. p. 21.
- (35) Gosovic, op. cit. p. 10; C. Wilcox - A Charter for World Trade (New York : MacMillan 1949) pp. 142-143.
- (36) See Wilcox ibid; Edward Dana Wilgress - A New Attempt at Internationalism - The International Trade Conferences and the Charter. A study of ends and means. (Paris : Societe d'edition d'enseignement superieur 1949); and J.E.C. Fawcett - "International Trade Organisation", British Yearbook of International Law, vol. XXIV (1947) pp. 376-382, for accounts of The Havana Conference, the Charter and the ITO.
- (37) Gosovic, op. cit. p. 10.
- (38) Curzon, op. cit. p. 211 takes this view.
- (39) See W.A. Brown, Jnr. - op. cit., for a discussion of the reasons behind the U.S. failure to ratify, pp. 362-375.
- (40) Gardner, op. cit. p. 349 & pp. 379-80.
- (41) Eugene Black - "Internationalism : A Way to Economic Development" p. 144 in E. Black - The Diplomacy of Economic Development.
- (42) For analyses of GATT as an organisation see Kenneth Damm, The GATT : Law and International Economic Organization (Chicago : University of Chicago Press 1970), John Jackson, World Trade And The Law of GATT (New York : Bobb-Merrill Co Inc 1969), Karin Kock, International Trade Policy and the GATT 1947-1967 (Stockholm : Almqvist & Wiksell 1969).
- (43) In 1954 The Organisation for Trade Cooperation (OTC) was created to administer the GATT but the failure of the United States to ratify the agreement meant its early demise. To come into force it needed support from countries representing 85% of world trade and since the United States share was 20%, this constituted an effective veto.
- (44) "The Developing Countries in GATT", UNCTAD Secretariat (temporary), Proceedings 1964, vol V. E/CONF. 46/146, p. 444. Burma, Ceylon, China, India, Lebanon, Pakistan (Southern Rhodesia) and Syria, were other developing countries adhering to GATT at its inception. China, Lebanon and Syria subsequently withdrew their membership.

(contd)

- (44) See also ECLA - Study of Inter-Latin American Trade (1956). U.N. Sales No. 1956 II.G.3, for the reasons why by 1954 seven Latin American States had acceded to GATT and the reasons why those who had not refused to do so.
- (45) Article XVIII.
- (46) Hon. Shirley Corea, 11th November 1954. Press Release GATT/177 9th November 1954.
- (47) Sidney Wells - "The Developing Countries, GATT and UNCTAD", International Affairs, vol. 45. No. 1 (January 1969) p. 64.
- (48) This did not apply to those ex-colonies which on becoming independent benefited from the arrangements previously made on their behalf by the colonial power.
- (49) See H.G. Johnson - Economic Policies Towards Less Developed Countries (London : George Allen & Unwin Ltd. 1967) pp. 14-15. K. Kock op. cit. pp. 232-233; and S.B. Linder, "The Significance of GATT for under-developed countries" in Proceedings (1964) vol V p. 526.
- (50) Geneva (1947); Annecy (1949), Torquay (1960-51), Geneva (1956), Geneva "Dillon Round" (1960-61).
- (51) "The Developing Countries in GATT", op. cit. p. 449.
- (52) Sir Raghvan Pillai (India) at the 9th Session of the Contracting Parties 1954; cited in D. Cordovez - "The Making of UNCTAD", Journal of World Trade Law, vol. 1, No. 3 (May/June 1967) p. 267.
- (53) Gosovic, op. cit. p. 14; Kock op. cit. p. 234.
- (54) See "The Role of GATT in Relation to Trade and Development", GATT Secretariat, Proceedings vol V. E/CONF. 46/141 (vol. V) and "The Developing Countries in GATT", op. cit. for differing accounts of GATT and the Developing Countries on which this is based.
- (55) Curzon, op. cit. p. 215.
- (56) Came into force in October 1957.
- (57) Article XVIII paragraph 1.
- (58) GATT Press Release November 30th 1957.
- (59) Commonly called The Haberler Report after its chairman, Gottfried Haberler.
- (60) Trends in International Trade. Report by a Panel of Experts (GATT, Geneva 1958) p. 54.
- (61) "The Role of GATT in Relation to Trade and Development", op. cit. p. 477
- (62) See Curzon, op. cit. p. 231 - "The effect of the collected knowledge of these trade obstacles on the under-developed countries was impressive. The studies showed them how pervasive and ubiquitous obstacles to trade expansion really were for them".

- (63) Curzon, op. cit. pp. 231-232.
- (64) Argentina, Burma, Brazil, Cambodia, Ceylon, Chile, Cuba, Federation of Malaya, Ghana, Haiti, India, Indonesia, Israel, Nigeria, Pakistan, Peru, Tanganyika, Tunisia, the UAR, Uruguay and Yugoslavia.
- (65) E/CONF. 46/141. vol. 3, pp. 30-31.
- (66) At the May Ministerial Meeting, A Committee on Legal and Institutional Framework was established to consider the "need for an adequate legal and institutional framework to enable the Contracting Parties to discharge their responsibilities especially in connection with the work of expanding the trade of less developed countries".
- (67) "Commodity and Trade Problems of Developing Countries", Report of the Group of Experts Appointed Under ECOSOC Res. 9 19 (XXIV); Proceedings 1964, vol. V. E/CONF. 46/141. pp. 377-423.
- (68) For different and conflicting interpretations of the efficacy of existing commodity organisation see Commodity and Trade Problems of Developing Countries, ibid.
- (69) Carole Lancaster, op. cit. p. 255.
- (70) A brilliant economist, effective public speaker and skilled negotiator, Prebisch was Executive Secretary of ECLA from 1949 to 1962. His theory of the peripheralisation of the Third World as a result of the operation of international market forces is a controversial one. See A.S. Friedeberg, The United Nations Conference On Trade And Development of 1964 (Rotterdam : Universitaire Press Rotterdam 1968) pp. 33-67 for a critical discussion of the man and his ideas.
- (71) Report of the Economic and Social Council, 1 August 1959 - 5 August 1960. GAOR. 15th Session Supplement No. 3 (A/4415) pp. 38-39, paras 353-387. Also E/3340 - part III, Resolution 31 XVI.
- (72) For ECA see Resolution II(II) 5 February 1960 on multilateral economic and financial assistance to Africa and Resolution 19(II) 4 February 1960 on concerted action by the ECA. For ECLA see Resolutions 153 (VIII) 22 May 1959 on joint ECLA/FAO economic development training programme; 155 (VIII) 22 May 1959 on economic development advisory groups; 172 (AC.45) on Latin American Common Market 28 March 1960; and 173 (AC.45) 28 March 1960 on Central American integration.
- (73) 15 December 1960. GAOR, 15th Session.
- (74) Variously called backward, poor, underdeveloped, less developed, peripheral, etc. We use these terms synonymously. The term underdeveloped was first coined by a report to the U.N. - 'Measures for the Economic Development of Underdeveloped Countries' 3rd May 1951, E/1986/ST/ECA/10.
- (75) Carole Lancaster op. cit. p. 153.

- (76) This is treated at greater length below. Note here however that immediately prior to the Geneva Conference Lord Balogh wrote that, "The immediate cause of organising UNCTAD was the worsening terms of trade between primary products and manufactures", T. Balogh - "Notes on The United Nations Conference on Trade and Development", Bulletin Oxford University Institute of Economics and Statistics, vol. 26, No. 1 (February 1964), p. 21.
- (77) Isaiah Frank - "Aid, Trade and Economic Development : Issues Before the U.N. Conference", Foreign Affairs, vol. 42, No. 2 (January 1964) p. 212.
- (78) Efforts to increase the membership originally foundered on Soviet objections. They refused to contemplate any changes until The People's Republic of China was admitted to the U.N.
- (79) Charles L. Robertson - "The Creation of UNCTAD", in R.W. Cox (ed.) - International Organisation : World Politics (London : Macmillan & Co., Ltd 1969) p. 263.
- (80) See Robert E. Asher - "Problems of the Underdeveloped Countries" p. 581, in R.E. Asher et al - The United Nations and Promotion of The General Welfare (Washington D.C. : The Brookings Institution 1957).
- (81) The Non-Aligned Movement was not formally constituted until 1961 but after the Bandung Conference a loose bloc of countries espousing a non-alignment ideology can be discerned in international politics.
- (82) January 12, 1952.
- (83) General Assembly Resolution 1027 (XI), "Development of International Economic Cooperation and the Expansion of International Trade".
- (84) The initial decision to create CICT was made by ECOSOC Resolution 512A (XVII), April 30 1954. The US and UK boycotted the CICT until it was reconstituted in 1958.
- (85) In 1954, the Soviet Union had called for an international trade conference of trade experts and in 1955 the socialist countries had introduced a draft resolution calling for the ratification of the Havana Charter. It was not solely cynical political manipulation behind the USSR'S moves, but also an attempt to ease the strategic trade restrictions imposed by the West on East-West trade. For Russian views on these issues, see M. Lavichenkov and I. Ornatsky - "Barometer of Interstate Relations" International Affairs (Moscow : January 1964), pp. 62-68 and B. Pinegin - "Unsolved Problems of World Trade", ibid., pp. 69-73.
- (86) A.S. Friedeberg - The United Nations Conference on Trade and Development of 1964 (Universitaire Pers Rotterdam 1968) p.7, calls this the first sign of the development which would result in the formation of the Group of 75.
- (87) See Carole Lancaster op. cit. pp. 44-45. She argues that, "What happened in effect was that the image of a Third World as a group on Cold War issues increasingly became a reality on issues of economic development; a reality nowhere more evident than in the U.N." p. 45.

- (88) See E/3447.
- (89) There is some dispute concerning the intended participants at such a conference. G.L. Goodwin - "The United Nations Conference on Trade and Development : Beginning of a new Era?" Yearbook of World Affairs 1965, p. 3 thinks that this meant a world conference involving developed countries whilst Friedeberg op. cit. p. 9, that only a gathering of developing countries was envisaged.
- (90) See Official Records of the General Assembly, 16th Session Supplement. Report of the Second Committee A/C.2/SR. pp. 716-793.
- (91) A similar point is made by Robertston op. cit. p. 261, "The prospect of the conference brought the unity of the 75, and not vice versa".
- (92) A/C.2/L.550/Rev. 1 and Corr. 1.
- (93) A/C.2/L.556/Add. 1/Rev.1.
- (94) A/C.2/L.559 and Add.1.
- (95) A/C.2/L.559/Rev.1.
- (96) See A/5056.
- (97) A/L.379 submitted by Colombia, Liberia, Mauretania, Panama, Philippines and Thailand requested the Secretary-General to consult member states on the desirability of a conference and its possible agenda.
- (98) 19 December 1961.
- (99) See Carole Lancaster op. cit. p. 262.
- (100) This resolution originated in an idea expressed by President Kennedy in his address to the UNGA, where he stated, inter alia that political sovereignty was a mockery without the means of meeting poverty and disease. He proposed that the decade 1960-1970 should be designated as the U.N. Development Decade. See A/PV.1013 (29 Sept. 1961). This proposal was originally embodied in a draft resolution (A/C.2/L.554) submitted by Brazil, Colombia, Denmark, Ethiopia, Greece, Iran, Philippines, Senegal and the U.S.A. The Federation of Malaya and Madascar later joined the sponsors.
- (101) Apart from Cuba, a maverick in the Latin American system (which had attended the Cairo Conference), Bolivia and Mexico attended as full participants and Chile, Ecuador, Uruguay and Venezuela attended in an observer capacity.
- (102) See GAOR: 16th. Session. A/PV.1011 para 13 statement by Mr. Franco.

- (103) Cordovez op. cit. p. 259.
- (104) A/5162. The Cairo Declaration was circulated in the U.N. with this document number.
- (105) Cordovez op. cit.p. 259.
- (106) See E/6331 and Add 1-4 for the replies of governments.
- (107) It has been suggested that Adlai Stevenson persuaded the Kennedy administration to drop its objections. See Robertson op. cit. p. 268.
- (108) E/L. 958/Rev.2.
- (109) 3 August, 1962.
- (110) ECOSOC Resolution 919 (XXXIV), 3August 1962.
- (111) A/C.2/L.640 and Add. 1-4.
- (112) A/C.2/L.651.
- (113) When the draft resolution was put to the vote, Rwanda voted against and Cameroon, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Madagascar Niger, Upper Volta and Iran abstained.
- (114) For an explanation of voting behaviour see A/C.2/SR.832.
- (115) A/5201/Add.1 p.3
- (116) UNGA Resolution 1785 'United Nations Conference on Trade and Development' (8 Dec. 1962).
- (117) See A/L.408.
- (118) Signed by 17 developing countries, and with the support of developing countries represented on the Preparatory Committee - El Salvador and Uruguay who were members of the committee but non signatories declared at the thirty-sixth session of ECOSOC (see E/3817) that they too adhered to the joint statement and had not done so when invitations to participate had been made only because their representatives were not present at the time.
- (119) In 1963 the U.N. had 76 ldc members. Cuba and the Ivory Coast did not co-sponsor the Joint Declaration but New Zealand did since as primarily an exporter of agricultural products it had similarities with the African, Asian and Latin American states.
- (120) UNGA Resolution 1897 (XVIII). Annex 11November 1963. This resolution was sponsored by the Group of 75 and was their second collective act.

- (121) As Marx wrote, "Men are the producers of their conceptions, ideas, etc., - real active men as they are conditioned by a definitive development of their productive forces and of the intercourse corresponding to these, up to its furthest forms. Consciousness can never be anything else than conscious existence, and the existence of men is their actual life process". The German Ideology. (1846)
- (122) "Had there been no United Nations, the formation of a political bloc of underdeveloped countries might have been deferred." Robert Asher op. cit. p. 639.
- (123) Robertson op. cit. p. 270 quotes a spokesman from a leading Third World state as saying, "75 is too many. They think that votes equal power."

## CHAPTER 3

### The Dynamics of Conference Diplomacy

#### Intra-Group Relations at UNCTAD I, Geneva 1964

The transition from the diplomatic solidarity manifested in the "Joint Declaration of the Developing Countries" (1) issued in November 1963 during the eighteenth session of the U.N. General Assembly to the permanent unity envisaged by the "Joint Declaration of the Seven-Seven Developing Countries" (2) made at the conclusion of the Geneva conference was neither inevitable nor unproblematic. The institutionalisation of the group canvassed by the 1964 Declaration could not have been foreseen. It was during the course of the Conference that this 'event of historic significance' (3) was actualised. The aim of this chapter, therefore, is to examine the events of the Geneva Conference in order to assess the pertinent organisational factors surrounding the creation of the Group of 77. In this sense it will be a continuation of the historical origins of third world diplomatic cooperation discussed in the previous chapter. We will therefore focus in detail on the relationship among the developing countries at the conference. In so doing the results of the conference will not be of primary concern and neither will relations between the developing countries and the developed countries and/or the socialist states. But before UNCTAD convened in March 1963 there were intense diplomatic negotiations in the intervening four month period which helped to crystallise the emerging coalition. It is to these efforts that we now turn.

#### 3.1

##### Regional Meetings Prior to Geneva

The groundwork for the solidarity shown in Geneva was to a large extent prepared in a series of meetings in the three regional centres of the G77 prior to the Conference. The African, Asian and

Latin American states all met at the regional level to discuss the forthcoming conference and to coordinate their respective strategies. In this process the influence of the regional economic commissions was paramount. (4) Between the end of the eighteenth General Assembly (and the declaration of the seventy-five developing countries) and the convening of UNCTAD there were definite attempts to develop this new-found solidarity. In New York, Yugoslavia was instrumental in organising the Group of 75 around a common programme. At these meetings strategy and tactics were never fully discussed lest the new-found unity disappeared but, nevertheless, an impressive measure of discipline was attained. (5) Collective discussion of the forthcoming conference was not restricted solely to the developing countries, the Western States, for example, organised a Working Party within the Organisation for Economic Cooperation and Development (OECD) to suggest common positions on agenda matters.

Of the three developing regions Latin America had the most highly developed degree of institutionalisation. Within the Latin American system several regional economic fora existed wherein matters pertaining to subsystemic and global economic policy issues could be discussed. These included the Economic Commission for Latin America (ECLA), the Latin American Free Trade Area (LAFTA), the Organisation of American States (OAS), the Inter-American Development Bank (IDB), the Central American Common Market (CACM), the Centre for Monetary Studies (CEMLA), the Inter-American Committee of the Alliance for Progress (IA - AIP), the Inter-American Economic and Social Council (IA - ECOSOCC) and the Committee of Experts on Latin American Trade (CECLA). There was thus a wide ranging and varied pattern of organisational development with some institutions being mainly deliberative and others engaged quite specifically in the integrative process in Latin America. It was the Economic Commission for Latin

America which took the lead in the planning of a coordinated Latin American response to the issues confronting the Conference. To some extent the lead taken by ECLA is not surprising when one considers that its former executive head, Dr Raul Prebisch, had been appointed the Secretary-General of the Conference and it had a well-worked out and systematic economic philosophy i.e. an organisational ideology concerning the causes of underdevelopment in Latin America and the relationship between the workings of the international economy and Latin American poverty. At its tenth session, held at Mar del Plata, Argentina 6th - 17th May, 1963, the delegates passed resolution 221 (X) which, inter alia, called on the ECLA Secretariat to give priority to the preparation of those studies relevant to the forthcoming conference which would seek ways and means of solving Latin America's trade problem and its economic development. It was stipulated that these studies should help the Latin American countries to adopt a concerted position at the Geneva Conference. Further, the Secretariat was requested to convene a seminar on the forthcoming conference with the help of Latin American economic specialists appointed by their governments. In furtherance of these aims the ECLA secretariat in consultation with eight eminent Latin American economists prepared a lengthy report entitled Latin America and the United Nations Conference on Trade and Development.<sup>(6)</sup> This report was extremely influential particularly in setting the framework within which regional discussions subsequently took place. A wide-ranging and fairly comprehensive document the five chapters of the report covered - 'foreign trade and economic development of Latin America; the main obstacles to an expansion of Latin America's foreign trade; future prospects and lines of action; principal background data on the process of establishing a new world trade order; and the requisites for a new structure of international trade and ways of achieving such structures.'<sup>(7)</sup> Of particular interest was its call for the creation of a specialised

international organisation within the UN system to deal with all international programmes. Recognising the difficulty of establishing such an agency immediately the report suggested that in the interim UNCTAD could act as the focus for a new international arrangement in the trade field. This should be a periodic conference supported by a standing committee, and an independent secretariat with its own budget and four special committees. One committee would concentrate on relations between the developed and developing countries; a second on the relations between the centrally-planned economies and the free-market countries; a third on relations among the developing countries; and the fourth would be a revamped GATT working with the UNCTAD but retaining its autonomy.

Two meetings in January 1964 continued this coordination of Latin American countries' economic policy. The first held in Mexico City offices of ECLA was a sub-regional and rather limited conference but was nevertheless important in the evolution of a coordinated response. The Extraordinary Session of the Central American Trade Sub-Committee (6 - 11th January) was a response to a decision by the CACM countries at their 8th session in 1963 to work towards the bases of a common negotiating policy and structure of a joint negotiating body in order to aid these countries in their outward looking policies. With the forthcoming Brasilia meeting of Latin American Government Experts, in mind, they met to attempt to formulate a joint CACM position for that conference. The five member states - Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua were joined by Panama which had observer status. The ECLA report, 'Latin America and the United Nations Conference on Trade and Development' formed the basis of their discussions. Among the major topics on which agreement was reached was preferences and the future institutional pattern of world trade. The CACM states called for the developed countries to

establish duty-free quotas up to an amount equivalent to 5% of their domestic consumption in favour of developing countries exports and for an end to discriminatory preferences. Their agreement on the institutional issue mirrored the conclusions of the ECLA report in that it envisaged a periodic conference with three subcommittees concerned respectively with developed countries/developing countries economic relations, interactions between centrally planned economies and free market economies and cooperation among developing countries; GATT was to remain an autonomous agency. The resolution adopted at the end of this session <sup>(8)</sup> called inter alia for the coordination of action by the CACM countries at both the Brasilia and Geneva meetings.

One hundred and four experts on trade policy representing nineteen member governments of ECLA attended the Latin American Government Experts on Trade Policy conference held at Brasilia, Brazil 20 - 25th January 1964. The main aim of the meeting was to arrive at a concerted Latin American position for the Geneva Conference. This was the first time that an attempt had been made to define the bases of a common Latin American policy which would be defended at a global conference. Despite disagreements among the delegates (Cuba as a non-integrated member of the Latin American subsystem particularly enjoying a maverick position) the guidelines of the ECLA report provided a sufficiently wide framework within which the representatives could agree on problems common to the region. One area in which there was unanimity was on increased market access for the manufactured goods exports of the region. It was emphasised that,

"... an indispensable prerequisite for the attainment of a system which met the needs of all developing countries was the complete abolition of the discriminatory preferences established by certain industrialized countries and groups of countries in specific geographic areas; they had long been hindering the expansion of Latin America's exports, and had decisively contributed

to the reduction of the Latin American countries' share in world trade." (9)

This diagnosis was preliminary to their advocacy of a non-discriminatory multilateral preference system. Recognising that their varied proposals for reform within the international economic system designed to inaugurate a new trade and development policy could not be implemented under the existing institutional framework the delegates called for a new technically and legally qualified universal body within the U.N. system. However, recognising the difficulties in the way of creating such an organisation they supported the ECLA plan for the insitutionalisation of UNCTAD as a periodic conference with three standing committees. The delegates also instructed ECLA to convene its Trade Committee after the Geneva Conference to evaluate the results of the conference and to consider the establishment of a permanent system of consultations on trade and development within the region. Although this agreement on a common regional policy was by experts (albeit government appointed) and not by political office holders, nevertheless their recommendations to their respective governments carried political weight and paved the way for the political endorsement of joint action. This came at the meeting of the Organisation of American States (OAS) held in Alta Gracia, Argentina, February - March 1964. This meeting had been given a mandate by the second annual meeting of the IA - ECOSOC to establish the general lines of a uniform foreign trade policy for development. The result of their deliberations is contained in the Charter of Alta Gracia.

This urged the forthcoming conference, inter alia, to establish a new international trade structure based on 'a generalized non-discriminatory treatment of all developing countries', and to institute special measures in favour of the least developed countries. The most striking aspect of the Charter of Alta Gracia is the attitude

taken towards third world solidarity. It maintains that,

"All the decisions taken at Alta Gracia also apply to the developing countries in Europe, Africa, Asia and Oceania ..... It (Latin America) assumes its responsibilities as a whole and adds its efforts to those that the other developing countries are making to attain their common objectives."

Further it states,

"Latin America is convinced that an essential element for the success of this Conference lies in the common denominators that can sustain a concerted action with the developing countries in other areas of the world. Consistent with this objective, we have proposed to establish a mechanism of co-ordination, not only to ensure a common Latin American front, but also to achieve unified action in the benefit of all the developing countries." (10)

(emphasis mine)

The meeting also agreed on a series of 'conclusions' covering six main areas:

- (i) basic export commodities of Latin America;
- (ii) exports of manufactures and semi-manufactures;
- (iii) trade in invisible items;
- (iv) geographic diversification of trade;
- (v) financing of trade and development;
- (vi) the institutional structure of world trade.

On the final topic no advance was made on previous formulations: the draft more or less, reiterated the recommendations of previous regional meetings. The proposal for a periodic conference with an independent secretariat and a set of standing committees was adopted with one minor change i.e. the creation of an additional committee, an advisory committee on trade relations of other international organisations. Coordination of policy in Latin America with the aim of increasing Latin American solidarity and forging links with other Third World states was pursued vigorously in various regional organisations. An outcome of this process was

the creation of the Special Committee on Latin American Co-ordination (CECLA) established by the Inter-American Economic Council an organ of the Organisation of American States (OAS) in 1963. CECLA became a permanent institution in December 1964 and became the main forum for the coordination of Latin American positions in UNCTAD issues until it was superseded in 1975 by the Latin American Economic System (SELA).

The coordination of African states' policies for the Geneva Conference was carried out in the Economic Commission for Africa (ECA) and the Organisation of African Unity (OAU). The ECA at its fifth session requested its secretariat to prepare studies relating to African trade problems. At the second session of the ECA Standing Committee on Trade a discussion was held on action to be considered at UNCTAD. Among the participants at this meeting was Dr Prebisch who urged the African states to formulate a joint position before the Geneva conference. It was decided that the best forum within which to discuss a joint strategy would be the 6th session of the ECA. At this meeting in Addis Ababa in February 1964 debate centred around a discussion document (E/CN. 14/279) prepared by the ECA secretariat. The major areas covered by the report were

- (i) expansion of international trade and its significance for economic development;
- (ii) international commodity problems;
- (iii) trade in manufactures and semi-manufactures;
- (iv) problems of the invisible trade of developing countries;
- (v) financing for an expansion of international trade;
- (vi) implications of regional economic groupings;
- (vii) institutional arrangements;

The report demanded the removal of developed countries' protectionist measures against the commodity and manufactured exports of African countries and the end to reciprocity in trade relations. It condemned the existing selective preference system arguing that while some African states were currently benefitting from preferential schemes "it would be in the long-range interest of the region as a whole to see such preferences abolished." (11) It did, however, recognise that the countries currently enjoying preferential treatment in the developed countries' markets would need to be compensated for their losses. On the institutional issue the report's first choice was for the creation of an international trade organisation but it was realised that this might prove impossible. The second-best solution was the institutionalisation of UNCTAD which would be merged with GATT and existing organisations. The new organisation would meet periodically at the general level every two or three years and its day-to-day affairs would be supervised by a standing committee. The meeting did not agree on a broad ranging common programme but did conclude with a general resolution which pointed the way forward for increasing cooperation. This resolution (12) called inter alia on African governments to establish a co-ordinating committee composed of those African states members of the Preparatory Committee and other states subsequently to be identified which would, among other tasks, co-ordinate the positions of African countries among themselves and with other developing countries.

Discussions within the more political OAU took a firmer stand on the question of unity. At its first session held in Niamey, Niger, 9 - 13th December, 1963, the Economic and Social Commission of the OAU passed a resolution (13) calling on member states to pursue jointly certain common positions concerning international

trade and development issues. The Niamey Resolution (as it is known) outlined eleven areas thought suitable for joint action. These included appeals to the developed countries to reform their trading practices abolishing discrimination against developing countries imports; specific measures aimed at increasing economic cooperation among developing countries; action in the commodity field to stabilise the prices of primary products; and the revision of existing institutional mechanisms. At its tenth meeting the OAU ECOSOC in Resolution 2(X) reaffirmed the need to create an international trade organisation sympathetic to the needs of developing countries.

The major potential source of conflict within the group was confronted directly and the resultant decision which upgraded the common interest was indicative of the future decision-making with the group and the G77. Conflict over vertical preferences was contained through the use of a formula which accepted the claims of both the opposing factions.

At its twentieth session, Teheran, March 1964, the Economic Commission for Asia and the Far East (ECAFE) discussed the forthcoming Geneva Conference. Three particular issue-areas not given consideration by the Latin American or African meetings figured prominently in the discussions - the transit trade of land-locked countries; trade with centrally planned economies; and shipping and ocean freight rates. The diverse nature of the Asian group in contrast to the African and Latin American was evident from the outset. This reflected the particular interests of certain states: Afghanistan, Laos, Mongolia and Nepal on the problems of land-locked states; China, North Korea, Mongolia and North Vietnam were centrally planned economies within the region and intra-regional trade was hampered by restrictions placed on trade for political reasons; India was very concerned with international shipping problems. The meeting re-

sulted in the Teheran Resolution (14) which called for various remunerative measures to be taken to help the developing countries. On the insitutional question it was much more conservative than the other two regions. Although the existing machinery was held to be inadequate the only innovation desired was the periodic convening of UNCTAD every two years. Further, great stress was put on the continued use of existing international machinery. The Asian countries also stressed the need for continued cooperation among developing countries. Operative paragraph 2 of the Teheran Resolution considered that

"... sympathetic understanding, mutual accommodation and concerted action on the part of the developing countries are a vital prerequisite not only for the immediate success of the Conference but also for their long-term interests,"

and operative paragraph 3 urged developing countries in the ECAFE region to

"consult and co-operate among themselves and with the developing countries in other regions closely and in a spirit of mutual good will with a view to reaching amicable and mutually acceptable solutions."

Low level institutionalisation and a very diverse membership contributed to a lack-lustre pre-Conference session by the Asian group. Meeting after both the Latin American and African groups had forged common regional platforms it had little choice but to respond in a similar fashion. The political process was developing along bloc lines (rather than ideological or economic) and states seeking influence would be hard pressed to do so outside the regional context.

In all three regions some preliminary steps had been taken to promote greater unity among the member countries and to present as far as possible a common front at the Geneva Conference. Further, moving upwards from the regional level the three groupings

had all shown a common perception that certain shared interests with all developing countries could and should provide the basis for joint action on international commercial diplomacy at the Conference and in the immediate future. At the conclusion of this process therefore the developing countries came to Geneva with the readiness to cooperate, initially at the regional level, but ultimately looking beyond that to a broader coalition of all developing countries. This new orientation was to prove important during the twelve week long conference. The political process of the conference was defined before it had been convened. The development of bloc politics in the U.N. had spilled over into the functional agencies. Before UNCTAD I, most states had been involved in some form of collective decision-making with the aim of arriving at the Conference with a group consensus as a bargaining tactic. Before considering the deliberations of the conference, it is necessary to consider the general features of the political and economic environment within which it was convened.

### 3.2

#### Environmental Considerations

Two kinds of macro-environmental considerations are pertinent. In so far as the environmental framework had to a large extent been sketched in the preceding chapter this section will therefore discuss some of the most important factors affecting the operational and psychological environments of policy makers. (15)

There were two types of factors affecting the political environment, those emanating from world politics generally and those specific to the international concern with trade and development issues. Of the former type the most important was probably the thaw in the Cold War. After the Berlin Crises and Cuban Missile Crisis,

East-West relations began to approach some form of detente. The Partial Test Ban Treaty of August 1963 contributed to this lessening of East-West tensions. It was thus possible for the first time in the postwar period for both East and West to meet at an international conference to discuss the trade problems of the developing world without the intrusion of security issues. On the other hand, the link made between poverty and instability meant that Western decision-makers were concerned lest the lack of economic growth in the Third World tended to lead to Communist uprisings. This fear particularly affected the Kennedy Administration and their regional response to the Cuban revolution (the Alliance for Progress) is indicative of this line of thinking. President Kennedy's launching of the (first) Development Decade in 1961 was another response to this perceived threat. (16) From the perspective of the non-aligned movement the change in the Cold War constraint affected a fundamental assumption on which the movement was founded. A readjustment and re-orientation of priorities was necessary in order to maintain the momentum of the grouping. The significance of global inequality which had already been recognised now came to the forefront of concerns alongside anti-colonialism. The increase in the NAM's numbers as a consequence of decolonisation brought into the grouping many extremely poor countries, governed by elites cognisant that their internal efforts would be <sup>in</sup> sufficient to meet the demands for economic development emanating from their domestic populations. (17)

Within international institutions there had been an increasing concern with the trade problems of the developing countries. Since the publication of the Haberler Report in 1958 GATT had been engaged in intensive discussions of these problems and was well-advanced at this time with the revision of its articles of agreement which culminated in the November 1964 adoption of a new chapter, Part

Four, to the General Agreement specifically concerned with trade and development. (18) The developments within the U.N. system have been extensively described in the last chapter but here we should note - the resolution convening UNCTAD, the resolution establishing the Development Decade and the solidarity of the developing countries mirrored in the Joint Declaration of Developing Countries. At a more detailed level the period between the decision to convene the Conference and its actual opening was important in polarising the divisions between the rich and poor. This is evident particularly in the debate within the Preparatory Committee (19) and the Report of the Group of Experts (20) which highlighted the different prevailing views of first, the work of the Conference and second, proposed changes to the institutional structure of world trade. There was among the developing countries an unbounded and indeed false optimism concerning what the Conference could achieve and among the developed countries an almost equal negativism concerning the hoped for results. In this respect the Conference was going to be convened in an atmosphere of opposed expectations which would affect both the deliberations and outcome.

The long-wave of capitalist expansion experienced since the Second World War (21) <sup>conditions</sup> created/conducive to outward looking policies in the major trading nations. World production and world trade were expanding and the major advanced countries were all enjoying periods of growth and prosperity. The one serious problem concerned international monetary relations where the problem of international liquidity had already been identified. (22) The U.S. Trade Expansion Act (1962) had laid an important foundation for the success of the forthcoming Kennedy Round of Tariff negotiations within GATT and economic and political elites in the West looked with confidence to

the future. For the developing countries the economic outlook was more gloomy. Although on average they were enjoying historically unprecedented high growth rates the prospects for many of them achieving the 5% per annum target of the Development Decade was not very hopeful. Rising populations, declining terms of trade, slow export expansion, chronic instability of primary commodity prices and growing debt service payments all militated against an early entry into the take-off to self-sustaining growth. (23) These, then, were the major environmental factors extant when the Conference began its deliberations.

### 3.3

#### Organizational Features of the Conference

The United Nations Conference on Trade and Development held in Geneva from 23rd March to 16th June 1964, the first major conference on international economic relations held within the framework of the United Nations since the United Nations Conference on Trade and Employment from 21st November 1947 to 24th March 1948, was a gathering of historic significance. It was attended by over 2,000 delegates from 120 countries. (24)

The overall mood prevailing in the conference was one of North/South confrontation. As such it was the first international conference in which this divide appeared as a salient feature of world politics obscuring and relegating the East/West conflict to a minor place. This striking feature was a direct result of the origins of the conference both in the pressure for its convening in the General Assembly and the deliberations of the Preparatory Committee at its three sessions. This did not mean that East/West considerations

were absent from the debates at the conference and this was clearly manifest when certain countries protested the absence of the Peoples' Republic of China, the German Democratic Republic, North Korea and North Vietnam and when some ascribed the economic difficulties of the developing countries to the twin evils of capitalism and colonialism. (25) The isolation of Cuba in the Latin American group is further evidence of this division. North/South confrontation was to a large extent the direct result of the unity achieved by developing countries prior to the conference and grew out of their tactics during it. This is clearly seen in their attempts at pressure politics most noticeably in the use of their voting power. (26) The rift between North and South significantly affected the conduct and outcome of negotiations and came very close to making the occasion a sterile and unproductive affair. (27)

Negotiations at the Conference was conditioned by two structural features. On the one hand there was the formal structure within which deliberations were supposed to take place and on the other the informal structure which arose because of the inappropriate nature of the formal process. The formal structure consisted of the officers of the Conference and the main committees. There was a President (Dr Abdel Moneim Kaissouni, Vice-President of the UAR), twenty-seven vice-presidents and a Rapporteur (George Hakim, Lebanon). The committee structure consisted of first, a General Committee comprising the President, Vice-President, Rapporteur of the Conference and the Chairman of the five main committees which assisted the President in the general conduct of the Conference and ensured the co-ordination of its work. Secondly, five Committees of the Whole were established for detailed study of the items of the agenda. These were First Committee (International Commodity Problems); Second Committee (Trade in Manufactures and Semi-Manufactures); Third

Committee (Improvement of the Invisible Trade of Developing Countries and Financing for Expansion of International Trade); Fourth Committee (Institutional Arrangements); Fifth Committee (Expansion of International Trade and its Significance for Economic Development and Implications of Regional Economic Groupings). A Drafting Committee was also established for the preparation of the Final Act. There were thirty-six plenary meetings; the First Committee held seventy meetings; the Second Committee sixty-two; the Third Committee sixty-four; the Fourth Committee forty-one; and the Fifth Committee forty-seven. (28) The unwieldy nature of Conference proceedings and the antagonisms generated by conflicting views led to the increasing resort to informal meetings. Informal groups became increasingly important as the Conference progressed and the Conciliation Group with five developed country and eleven developing country members chaired by Prebisch certainly helped in promoting understanding among the delegates and in reaching agreement. The use of bloc voting by the developing countries was a major cause of this change once it was realised that passing resolutions which called on reluctant developed countries to make concessions would result in no concrete action.

### 3.4

#### The Role of the Secretary-General of the Conference

The role of personalities in politics is difficult to assess and is usually either overrated or underrated. (29) The influence of the executive head of an organisation must be understood within its environmental context, and his/her control over resources. (30) Within the general perspective of this chapter, we shall in this

section be attempting to assess the role played by Dr Prebisch in fostering and nurturing the Third World solidarity which concluded in the Joint Declaration of the Seventy-Seven Developing Countries. The analysis will focus on his report to the Conference and his activities during the ensuing deliberation.

### 3.4.1

#### The Prebisch Report

Prebisch in his capacity as the Secretary-General of the Conference produced a report, Towards a New Trade Policy for Development <sup>(31)</sup> which exercised an enormous degree of influence over the conference proceedings. Its influence derived from two functions which it fulfilled. First, the report largely determined the agenda of the Conference and the structure of the five main committees and, secondly, it became the manifesto of the developing countries. The report's influence in agenda-setting <sup>(32)</sup> enabled it to affect the resolution of conflicting interests through compromise formulae contained within its pages. Prebisch's conference report was elevated to the status of a manifesto for the developing countries for a number of reasons. In a clear and penetrating manner Prebisch provided a searching critique of Western trade and aid policies and argued, forcefully, for reforms of the international trading system which would benefit the developing countries. In both analysis and prescription, although the report showed a marked bias towards the interests of the more advanced among the developing countries, it did contain sufficient points of merit to make it acceptable to all members of the emerging coalition. The report provided a common conceptual framework through which the developing countries could first reach agreement among themselves and, secondly, provide the bases of the arguments with which the West would be presented.

Key concepts and phrases such as the deteriorating terms of trade together with the trade gap and the concentration of the external obstacles to development with little corresponding analysis of the internal obstacles increased its appeal to the developing countries. Another reason for the report's popularity among developing countries' delegations was suggested by Goodwin,

"Lack of preparation by ldc delegations and general ignorance and lack of skill led to the influence of the Prebisch Report." (34)

Moreover among a plethora of varied documentation the report stood out in brevity, clarity and forcefulness, making it the major discussion document of the Conference.

The Prebisch Report contained four assumptions. First, he assumed that the countries of the world could be divided into two groups, namely, the centre (developed countries) and the periphery (developing countries) and that economic processes were different within each region. Related to this assumption was a denial of Ricardian comparative advantage and instead a belief in an integrated capitalist world system which tended to produce disparities between the centre and the periphery. Secondly, he argued given the 5% growth target of the Development Decade there would be a trade gap of \$20 billion by 1970, mainly because of increased import costs and decreased export receipts. Thirdly, Prebisch assumed that the terms of trade of raw material producers tended to decline relative to those of producers of manufactures. Deteriorating terms of trade were a major obstacle to Third World development and therefore the developed countries who were benefiting from this trend should provide some forms of compensation. Fourthly, he held that there was a "persistent tendency towards external imbalance associated with the development process." (35) The resulting tendency was that import

needs in early industrialisation were different from later stages in the process. These four assumptions were crucial to his analysis of the relationship between trade and development. The major outlines of Prebisch's argument will be presented below followed by a brief critique.

Prebisch argued that there were various problems inherent in reliance on primary commodity exports as the chief income generator. The prices of primary commodities were more volatile in the business cycle, i.e. they oscillated more in both the upswing and the downswing. Instability of prices (and revenue) affected planning for the development process. Furthermore the prospects for increased revenue from the export of these products were not very promising. Two types of obstacles were identified. First, those originating from technological and 'natural' market characteristics and, secondly, those of a political nature. Low income elasticity of demand for primary products in the centre (in other words, as income rose consumers demanded less primary products relative to manufactures) and the result of technological progress meant that there was a diminishing raw material content in manufactures and the increased substitution of synthetic substitutes for raw materials. The restrictive policies followed by developed country governments, e.g. protection of high cost temperate agriculture and the imposition of taxes and duties on tropical products, compounded these market features. Similarly, there were two types of obstacles (structural and political) to increased manufactured exports from developing countries. The structural obstacles arise from the deficiency of capital and industrial skill in developing countries and the political ones are the result of the barriers erected by developed countries against manufactured imports

from the periphery. Further, he argued that the different competitive structures in the centre and periphery militated against the development efforts of the periphery by transferring the gains of specialisation solely to the centre. A major obstacle in this respect was the impact of trade unions in the centre which prevented real wages from being lowered in times of recession compared with the unorganised worker in the periphery who is not able to benefit from increased productivity. Moreover, capital flows from the centre to the periphery was not forthcoming in sufficient quantities. This, coupled with the slow growth of exports, entailed a growing indebtedness for the developing countries.

Prebisch's policy recommendations for both commodities and manufactures "entails an inversion of the protectionist policies of the developed countries in favour of the less developed." (36)

He called for the imposition of quantitative targets for the entry of developing countries exports in both sectors into the markets of the industrial countries. In the commodity field he suggested the extension of domestic price support schemes in developed countries to cover ldc imports and the conclusion of commodity agreements to establish minimum prices or improve the long-run price trend. Where commodity agreements fail or are inappropriate compensatory financing should be provided by developed countries, over and above regular aid transfers to correct losses from previous deteriorations in the terms of trade and future deteriorations. The rate of manufactured exports from developing countries was to be increased by (a) a universal, non-discriminatory, non-reciprocal system of tariff preferences granted by the developed countries to the ldcs; (b) regional preferential arrangements among developing countries.

On foreign aid, the report recommended a softening of terms.

The Report came in for harsh criticism by academic and government circles. The main lines of the critique will be presented below. Research showed that the trade gap of \$20 billion was not the only possible estimate. Bela Balassa, using more sophisticated techniques, reached an estimate of between \$9.4 - \$12.0 billion (37) which is substantially less than the U.N. estimate. Prebisch's argument that there is a secular tendency for the terms of trade of primary products to decline has come in for severe criticism, (38) on theoretical and empirical grounds. It is difficult to use the terms of trade as an analytical device when there are seven different indices (39) which can be calculated, all of which would give different results and over the long term lose their accuracy. Prebisch concentrates on the commodity (net barter) terms of trade which may result in misleading calculations. For example, if productivity improves in a country's export sector and export prices fall but less than the increase in productivity, the commodity terms of trade will deteriorate but the single factoral terms of trade will improve. Further, the base year chosen affects the calculations. Prebisch used 1950 (a U.N. base year) when, because of the Korean War boom, raw material prices were abnormally high (in fact, higher than at any time in the preceding century). The historical evidence does not show a long-run trend and is in fact inconclusive. Also, changes in the terms of trade do not in themselves imply adverse changes for development because the concept does not take into account qualitative changes in the products trade and nor the introduction of new products. Even if all these objections were overlooked it would still be inappropriate to use the concept as an index of relative welfare since (i) it is an index of prices and not incomes; (ii) it measures the relative returns to producers and not countries; (iii) it makes no concession to changing population and relative productivities. (40) When Prebisch argues that low income

elasticity in the developed countries inhibit developing countries commodity exports, he is correct but the slow growth of demand could be counteracted by increased imports from other ldc's or the socialist bloc, which he omits. His argument that aid, increased exports and improved terms of trade are the means to bridge the 'gap' is a misleading generalisation when applied to all ldc's, since any balance of payments' deficit is ultimately traceable to an excess of investment over saving and this can only be improved by a relative increase in saving if the investment rate is to be maintained. Given that trade and aid are not substitutable, some developing countries, e.g. most of those in Africa would be more reliant on increased aid. (41)

Allied to this analysis of the international economy was an assessment of GATT and a proposal for institutional reform. Prebisch praises GATT's main achievements - severely curtailing restrictive practices; providing an orderly framework for the conduct of international trade; its machinery for complaint and consultation; its role as a forum; and the reduction made in tariffs. But he argues that overall these reductions have mainly been of benefit to the industrial countries; the Havana Charter rules of free trade are inappropriate to the developing countries but even where relevant the rules and principles have not always been complied with by the developed countries. He does not see GATT as a sufficiently dynamic organisation able to implement proposals beneficial to the developing countries. Associated with GATT's failure has been the fact that international trade problems are not dealt with in a coordinated manner. He therefore proposes a new international trade organization with the following features:

- (a) a periodic conference where the problems of international trade would be discussed as an integral part of the general problem of development;
- (b) a standing committee to examine and revise the trade policy agreed at the conference;
- (c) an independent secretariat within the framework of the U.N.

The critics held that a new organisation was unnecessary and would merely duplicate the work of existing agencies. The activities in GATT since 1958 and the moves toward Part IV of the Agreement were cited to show that GATT could respond effectively to the needs of the developing countries.

These criticisms were generally made by the developed countries but positive support for Prebisch's arguments could be found among the developing countries since this analysis matched their mood and aspirations. As such the report fell on fertile ground. It was not as is generally maintained a new look at trade and development. The underlying analysis and arguments had been around for some years and had come to be known as the Prebisch-Singer thesis,<sup>(42)</sup> and as Executive-Secretary of ECLA Prebisch had been publishing similar arguments for some time. It is noteworthy for example that at the ECLA and ECA meetings prior to the conference the documentation had mentioned the declining terms of trade. What the report did was to produce the argument in an intelligent, closely argued and accessible manner. The neutral air surrounding the report of the Conference's Secretary-General added to its popularity among certain 'uncommitted' ldc delegations.

## 3.4.2

Prebisch's Influence

"Dr Prebisch was not only the Secretary-General of UNCTAD, but its spiritus rector and, above all, its hortatory economist, a function quite unusual for a Secretariat official. It was he who conceived the platform of the Group of Seventy-Seven in Geneva." (43)

Apart from the influence he exercised through his Report, Prebisch's control of the Secretariat increased his stature, his efforts at mediation and exhortation. At the Geneva Conference members of the Secretariat under the direction of Prebisch cooperated openly with the G75. They helped them to draft resolutions and to present their arguments. In one sense this reflected Prebisch's belief in a biased (in the interests of justice) but objective secretariat (44) and on the other it mirrored the self-interest of the U.N. officials who stood to gain if a new organisation were created. This close cooperation between international officials and national delegations whilst perhaps inappropriate in such a setting was not unknown within international organisations. (45) However the openly political role adopted did not please the Western nations; Gardner quotes a western official to the effect that, "This is not a secretariat - it's a (46) secretariat". Prebisch was in constant touch with officials of the G75 and he was very instrumental in mediating between conflicting interests within the group. The institutional issue which was the occasion for the most bitter wrangling of the conference and which also provided the spur to greater ldc unity was largely solved due to Prebisch's intervention. It was he who pleaded with the radicals among the G75 to accept the compromise with the West worked out by the contact group and at a private dinner attended by the leaders of key delegations 48 hours before the conference threatened to collapse in disarray, he pleaded with the assembled delegates to accept a compromise. (47)

Prior to the conference he had toured Africa and Asia attempting to get support for increased Third World solidarity. At Geneva he provided both intellectual and material input in attempting to construct the coalition. Possibly, without him, the diverging interests would have been too great and the fragile unity would have collapsed. But together with trusted secretariat officials Prebisch tried to devise a common strategy for the G75 and aided their internal deliberations by interveing in the process whereby interest were reconciled.

### 3.5

#### The Negotiations

The negotiations took place within formal and informal structures. The main conference held thirty six plenary meetings, the first twenty-four 23rd March - 8th April providing the occasion on which delegations from governments and international organizations made opening speeches. The importance of the occasion was shown by the large number of Cabinet Ministers present. Closing statements were made at the thirtieth to thirty-sixth plenary, inclusive, 10th -16th June. The main committees commenced their deliberations on the 23rd March and ended on the 4th June with the exception of the Fourth Committee which ended one day later. The recommendations of the committees were discussed and voted upon in plenary and the conference resulted in fifteen general principle and thirteen special principles and a series of recommendations which form part of its Final Act. (48)

## 3.5.1

Substantive Issues

The major substantive issues facing the conference had been the subject of intensive discussion prior to Geneva in the Preparatory Committee (49) and by the Group of Experts (50) appointed by ECOSOC. Discussion centred around (i) commodities; (ii) manufactures; (iii) capital flows; (iv) invisibles; (v) institutional arrangements.

- (i) Commodities. Given the South's almost total reliance on commodity exports as a source of export revenue commodity policy was a high priority item. The twin problems of chronic instability in commodity markets and the deteriorating terms of trade and the restrictions on access to the markets of the developed countries provided the background to the debate. The relationship between instability and economic development is not unproblematic and the suggested solutions - some form of stabilization agreement and/or compensatory financing consequently provoke intense debate.
- (ii) Manufactures. The problem in this issue-area concerned the small share the developing countries had in the world market and the slow growth of their exports. Debate revolved around the protectionist policies of the industrialised countries which hindered ldc export prospects through the use of sliding scales of tariffs (51) and quantitative restrictions. The major proposal for increased market access was the creation of a universal non-discriminatory system of preferences which provoked violent argument.
- (iii) Capital Flows. The flow of both private and official development assistance was held to be inadequate to meet the needs of the

developing countries. Apart from the size of the flow the terms and conditions were not as liberal as they could be and contributed to mounting foreign indebtedness. The limitations of capital flows led to calls for 'trade not aid' but the general consensus was on the need for supplementary financing and an improvement in the repayment periods and interest rates currently attached to loans.

- (iv) Invisibles. Here, interest focused on the deleterious effect invisibles had on ldc's balance of payments. The practices of the liner conferences came under scrutiny in the shipping field and discriminatory practices in insurance was also discussed. The possibility of ldc's increasing their receipts from tourism was also debated.
- (v) Institutional arrangements. The shortcomings of GATT and the lacunae in international organisations were debated. Although it can be argued that following the work of the Preparatory Committee some new institutional structure was likely to emerge from the Conference it did provide the most heated exchanges.
- (vi) Miscellaneous. These included the transit problems of the land-locked countries, and economic relations between countries having different economic and social systems.

Three sets of negotiations - commodity policy, preferences and the institutional issue will now be discussed from the perspective of intra-G75 relations because the politicisation of the proceedings are more clearly evident in these issue-areas. Mixed bargaining over these three aspects of conference diplomacy provided the immediate framework within which the coalition was consolidated.

This recommendation <sup>(52)</sup> proposed the abolition of protectionist policies - the removal of quantitative restrictions and internal fiscal charges; a curtailment of non-tariff barriers or non-tariff barriers and a ceiling on the increase in tariff and NTB rates; and the elimination of preferential arrangements between the developed and developing countries. The ldc's, produced a united front on all three issues except the last, the inclusion of which produced a heated and bitter argument between the Francophone Africans and the other developing countries. This conflict arose over the existing preferences which the Francophone African states enjoyed and which would be eliminated by such a move. On the other hand the developed countries refused to sanction any programme which implied greater commitment and preferred that the GATT Action Program be taken as a guideline. The French however were sympathetic to the management of international commodity markets, but hostile to any programme which implicitly attacked and threatened the agricultural policies of the Common Market. The United States, sponsors of the resolution, espoused liberal free trade principles and refused to consider measures which constituted intervention in world commodity markets. The developing countries sought some form of compromise which would include all members of the G75 and meet the objections of the Francophone Africans. This was found by agreeing to provide compensation for those countries whose preferential market access would be phased out. In other words a solution which in Haas' terminology split the difference between the two groups. The new draft resolution <sup>(53)</sup> was co-sponsored by sixty-one developing countries and this gave them a much firmer base from which to win concessions from the rich countries. This draft recommendation was adopted by the committee and forwarded to the plenary, but the widespread support was by no means unanimous among the ldc's. Jamaica and Trinidad and Tobago, although not voting against the resolution, entered reservations in respect of the

## 3.5.2

Commodity Policy

Debates on international commodity problems in the First Committee were structured around the five aspects featured in its agenda.

- a) Review of the long-term trends and prospects for primary commodity producers (including terms of trade);
- b) Programme of measures and actions for the removal of obstacles (tariff, non-tariff and other) and of discriminatory practices together with the expansion of market opportunities for primary commodity exports and increases in their consumption and imports in developed countries;
- c) Measures and actions for the promotion of trade in primary commodities among developing countries;
- d) Measures for stabilization of primary commodity markets at equitable and remunerative prices including commodity arrangements;
- e) International compensatory financing and measures for stabilization of primary export earnings at adequate levels.

The major negotiations took place in respect of items (b) and (d) above. In general the developing countries were seeking measures to correct their trade problems and the developed countries attempted to forestall any proposal that would lead to direct action. The discussions highlighted the slow growth of ldc's primary commodity exports; their falling share of the market and problems of declining prices. Action in respect of both long and short-run trends were required. The discussion on compensatory financing was conducted solely at a general level in the First Committee with no attempt to reconcile the conflicting interests. At the outset of the negotiations thirty-nine developing countries proposed a comprehensive series of measures aimed at correcting the imbalances in the commodity market.

transitional measures on preferences, arguing that preferential arrangements among developing countries was also harmful and the failure to reflect this in the draft resolution meant that an important area for action was being excluded. As beneficiaries of Commonwealth preferences the Caribbean states wanted more stringent safeguards to protect their interests during the transitional period. Jamaica pointed out that such arrangements could only be phased out with the mutual consent of the contracting parties; special machinery needed to be established to guarantee that equivalent advantages were received by the preference-losing countries; and these measures ought to go beyond financial compensation and help to offset the social and economic repercussions likely to result from the loss of preferences. The Conference adopted nine recommendations in the commodity field, seven without dissent. For the G75 the preference issue presented an exercise in distributive bargaining but the other aspects of the commodity negotiations corresponded to integrative bargaining. In the commodity negotiations, the subject of preferential treatment was of minor concern and didn't threaten the solidarity on other issues.

### 3.5.3

#### Preferences (54)

The issue of preferential treatment for manufactured goods was one in which the developing countries were divided by an ascriptive trait. Some countries enjoyed preferential access to the the markets of the European Community and others to the Commonwealth. Many countries not enjoying such preferences, particularly the Latin Americans, wanted an end to this neo-classical arrangement. In the argument for increased market access of ldc manufactured exports to

the developed countries, the existence of selective preferences proved to be a serious obstacle. Those developed countries, aware of the effects of reverse preferences on their export prospects, also wanted an end to this system. On this issue, therefore, the natural division was between preference receiving and preference giving countries and others. But the more developed ldc's receiving preferences were prepared to sacrifice their existing preferences in limited markets for access to a wider, universal, non-discriminatory preferential system.

In the debate in the Second Committee the developing countries attempted to reconcile their conflicting interests since in the absence of ldc unity no conference decision would be possible. Agreement on the preference issue was further complicated by the divisions among the developed countries. The United States administration was adamantly opposed to any preferential scheme. The idea was against traditional U.S. support for non-discrimination and the U.S. delegation did not want any interference with the MFN principle. Further, the U.S. argued that any such scheme would have an insignificant effect on the promotion of manufactured exports from the ldc's (the forthcoming Kennedy Round was likely to have more impact); it would promote inefficiency and the administrative costs would be too high. The other major developed countries, on the other hand, supported the idea in principle but differed on its application. The United Kingdom, Germany, the Netherlands and Denmark argued in support of a single preferential scheme granted by all developed countries to all developing countries. Belgium and France supported a scheme first proposed by M. Maurice Brasseur, the Belgian Minister for External Trade in GATT in 1963 and revived by France at the Conference. (55) The "Brasseur Plan" envisaged a system of limited

scope and duration. Individual negotiations would take place between each developed country and each developing country on the preferential margins, duration of preference and quantity of imports to which the preference applied for each commodity. The developing countries were divided over the purpose (to increase export proceeds or support infant industries); duration (permanent or for a definite period of development); coverage (equally to all ldc's or differentiated according to the stage of development); existing preferences (to be retained or to be sacrificed in favour of general preferences). This division was reflected in four draft resolutions submitted to the Committee, <sup>(56)</sup> and the arguments among the developing countries. The African states associated with the European Community initially refused to countenance giving up their special preferences and the Latin American group refused to accept the continuation of selective preferences. The African Associates generally in favour of the Brasseur Plan argued that the abolition of selective preferences could not be contemplated until their economies were fully integrated into the world economy. In the compromise agreed after the African Associates decided to put unity first, a generalised system was agreed but provision was made for compensation to be given to those countries which would lose existing preferences. Outnumbered, even within their regional group the African Associates eventually opted for a formula similar to the one they had agreed at the regional level. This rather vague formula was an unsatisfactory protection for their industries and generally the poorer, less developed countries would gain hardly any benefit from such a scheme. It was a recognition of this fact that led Jamaica to call for preferences for infant economies rather than infant industries. The argument of the larger states was summed up by Manubhai Shah, the Indian Minister of Commerce and head of the Indian delegation who wrote some years later that,

"While it is true that initially some developing countries would benefit little more than other developing countries by a generalised system of preferences, there is no doubt that in the long run, the universal system of preference would be the greater growth factor for all developing countries." (57)

The agreed draft resolution (58) which was voted on was the result of the deliberations of a Working Group set up by the Committee. The developing countries were united in their support of this resolution which fudged all the main difficulties. The Prebisch proposals had formed the basis of which compromise had been reached and satisfied those, for example, the Latin Americans who wanted all selective preferences abolished and those, for example, Uganda and the African Associates who were hesitant to risk present advantages without guarantee of adequate compensation or special measures for the least developed. Once special treatment had been conceded for the least developed, agreement could be reached. The agreement reached in the G75 was one which essentially papered over the cracks and represented a temporary tactical retreat by the Francophone preference receiving states. The eventual G75 position emerged and unity was attained because of the operation of a number of factors. First, the Francophone Africans were in a minority and had already 'lost' the argument within the African group. Secondly, they knew that the EEC would never implement any scheme detrimental to the interests of the Associates. Thirdly, Prebisch and the Secretariat were in favour of a generalised scheme and lobbied tirelessly on behalf of the proposition. Fourthly, apart from numerical inferiority the Francophone states lacked the diplomatic skill of larger ldc's in

favour of the abolition of vertical preferences. Finally, as one of the poorest constituent groups of the coalition the Francophone states needed the support of the majority for measures (in the commodity field) of direct relevance to their economic development.

#### 3.5.4

##### The Institutional Issue

It was the institutional issue in the U.N. which had first helped form the solidarity of the developing countries and it was this issue at the conference which was mainly responsible for the creation of a permanent grouping. Two major reasons accounted for this. First, the lack of success on substantive issues made the developing countries realise that their efforts for real changes in international distribution would fail unless a new organisation was created to oversee developments. Secondly, the response of the Western countries to the demands for a new institution and their stand on the voting issue angered many ldc's. Prior to the conference, the three ldc regional groups had all made proposals concerning future institutional developments. The most detailed consideration of the issue had taken place in Latin America and the common position was a call for a periodic conference with a standing committee and various subsidiary bodies. This new organisation to be serviced by an independent secretariat was very similar to the proposal contained in the Prebisch Report. The West had also considered the issue in the OECD and although some states were in favour of some form of periodic conference and standing committee, serviced by the U.N.'s Department of Economic and Social Affairs, the general position was one of opposition to the tampering with existing institutions and outright hostility to any attempt to impinge on GATT's functions.

The Soviet Union and the East European Countries had long made their view known, i.e. they wanted the creation of an ITO. (59)

When negotiations on this issue commenced four (60) different factions can be identified among the developing countries. First, those who wanted the creation of an ITO e.g. Burma and Ghana. Secondly, the vast majority who supported the idea of periodic conferences and a standing committee e.g. most of the Latin Americans and Syria and Thailand. Thirdly, those who felt that the existing institutions and a remodelled GATT would suffice, e.g. the Dominican Republic, India, Liberia and Malaysia. Finally, there was a fourth group of undecideds who could see merits in either creating a new organisation or expanding GATT's role e.g. Nepal, Trinidad and Tobago and Jamaica. No attempt was made at the outset to reach agreement among the different factions and this rather vague situation continued during the early discussions with focused on an assessment of existing organisations. It was not until the fourth week of deliberations that the issue began to assume the importance it subsequently gained. The immediate cause of the frantic negotiations and acrimonious debates which were to last until the Conference ended came on the 20th April when Burma, Ghana, Indonesia, Nigeria and Syria tabled a joint draft resolution (61) in the Fourth Committee. This envisaged the Conference becoming a standing organ of the United Nations. Established under Article 22 of the U.N. Charter, it would become the highest specialized forum in the U.N. dealing with international trade and development. This new body would meet periodically, every three years and report directly to the General Assembly by-passing ECOSOC. It would have a Standing Committee (The Trade and Development Council) which would meet annually and be empowered to initiate, deliberate and execute policy

within the purview of the Conference. Provision was also made for the creation of specialised commissions and an independent secretariat - GATT would become a Commission on Tariffs reporting annually to the Council. The Conference would harmonise the activities of governments, regional commissions and co-ordinate the activities of existing organisations. This resolution had been tabled without any prior consultations with other developing countries and the co-sponsors had been instructed by the secretariat to present such a strong resolution as an opening bargaining tactic in the attempt to get a unified ldc position. (62) As such the resolution was successful in that the 19 Latin American countries responded with their own draft resolution. (63) Based on the Charter of Alta Gracia it was milder in tone than the five-power draft. This draft resolution envisaged a Conference reporting to the General Assembly through ECOSOC; an Executive Council which would be an organ of the General Assembly; furthermore the independence of the Secretariat was not stressed and no mention was made of relations with GATT. The attempt to reconcile the two developing countries' drafts began and the delicate negotiations were affected by the submission of a Western draft resolution (64) on May 6th which, whilst accepting the idea of a periodic conference and a standing committee, was nevertheless wholly negative in character and offered the minimum possible. According to this draft, the new organisation would be completely subservient to ECOSOC and the standing committee, a kind of updated CICT. The role of the Conference was limited to a forum for the consideration of trade and development problems, the Secretariat would be an integral part of the U.N. and GATT would lose none of its autonomy.

After intensive negotiations the group of developing countries were able to agree on a joint draft resolution (65) which was submitted to the committee along with a revised Eastern European draft (66)

and a revised Western one. (67) At this stage of the conference the failure to reach agreement on other substantive issues with the developed countries and the dynamic of conference procedure contributed to the quest for compromise on the institutional issue among the ldc's. Subsequently the debate became polarised between the developed and developing countries. Debate centred around the following concrete issues. (i) The developing countries draft argued that the new organisation should report to the General Assembly and be based on Article 22 of the U.N. Charter. The developed countries refused any mention of Article 22 and stated that the new organization should be created in accordance with Article 13 and Chapters IX and X of the U.N. Charter. (ii) The developing countries wanted the body to exercise overall responsibility for the promotion of international trade and development. The West argued that the Conference should concentrate on the trade problems related to international development. (iii) Specifically the developing countries envisaged the Conference

- (a) developing policies for the expansion of trade between countries at similar levels of development; at different levels of development and with different economic and social systems;
- (b) establishing principles and policies relating to trade and development;
- (c) setting up the means to put these policies into action;
- (d) promoting the coordination of international, financial and commercial policies;
- (e) establishing machinery for the formulation and adoption of multilateral agreements;
- (f) reviewing, evaluating and coordinating the activities of other institutions;

- (g) harmonizing the policies of government and regional economic groupings.

The developed countries foresaw more limited aims,

- (a) the promotion of trade between countries at different stages of development or with different social and economic systems;
  - (b) formulation of principles and policies and the study of the legal base of multilateral trade relations only between those two groups;
  - (c) continuing review of organizational work
- (iv) The developing countries wanted the Standing Committee to have 52 members elected by the Conference. The developed Conference wanted a 40-member body whose membership would have to be confirmed by ECOSOC. (v) Furthermore the ldc's wanted three commissions - commodities, manufactures and financing and invisibles - the developed countries only wanted one on commodities. (vi) Finally, the ldc's proposed that all members of the Council should have one vote and decisions be taken by simple majority. The Western countries agreed with the single vote but wanted decisions to be reached only after a majority of the twelve major trading states present and voting had cast affirmative votes.

In the negotiations which followed the fragile unity of the G75 was severely tested. This paper unity of the G75 was to become a common feature of G77 politics i.e. agreement on broad principles which hide conflicting interests, perceptions and interpretations. The general orientations above were narrowed down to

- (a) autonomy of the continuing machinery;
- (b) the size and composition of the standing committee  
and the principle of equitable geographic distribution;
- (c) areas in which other bodies should be created;
- (d) the voting arrangements.

Certain members of the G75 sought to reach a compromise with the developed countries on all these issues while more militant states refused to consider any changes to the draft resolution sponsored by the developing countries. Even on the voting issue which aroused most controversy between the groups some ldc delegates were willing to accept the dual voting formula. That they did not do so is attributed by Gardner, the U.S. negotiator, to the lack of preparatory diplomatic groundwork; delegates felt that they had no authority from their governments to accept such a major break with U.N. procedure. (68)

To the radicals the political significance of the voting issue was so great that they could not countenance compromise. Gardner quotes one delegate as saying,

"Those in possession must be relieved of their possessions. There are only two ways to do this - by force or by votes. We do not have the force, but we do have the votes. And you are trying to take away our votes!" (69)

With time running out the radical states urged that the ldc draft resolution be put to a vote. They could see very little benefit from continued negotiation and did not want the draft weakened by compromise. To preserve unity, the other members of the G75 agreed and the draft was passed in the Fourth Committee by 83 votes to 20 with 3 abstentions on 2nd June. Many ldcs voting for the resolution despite reservations because they knew that without western support and hence funding no new organization would emerge. With the vote a new phase of negotiations was entered into. The developed countries argued that the vote was not definitive and an effort should be made

to seek some compromise. Given the unease expressed by developed countries' representatives and perhaps remembering the fate of the CICT the developing countries agreed to more consultations. Within the G75 there were two contrasting positions on these new negotiations. The maximalists e.g. Burma and Ghana believed that the resolution adopted should be adhered to whilst the moderates e.g. India and Brazil saw it as a negotiating position. (70) A small compromise group led by Prebisch attempted to reconcile the two sides but the radicals in the G75 refused to support the negotiators accusing them of a sell-out. The original ldc negotiators then withdrew and their place was taken by the maximalist states. Dissension within the group was at its most severe and at this juncture the group was on the verge of collapse. The uncompromising position (71) adopted by the new negotiators failed to make any headway with the developed countries and realising the futility of their efforts the 'radicals' withdrew ensuring the return of the original negotiators who managed to secure a compromise with the developed states. This draft recommendation presented to the plenary was basically the Prebisch formula with a few concessions on decision-making (the creation of a conciliation mechanism) and coordination (the Conference would report to the General Assembly through ECOSOC) to the developed countries. The developing countries had forged a unity on the institutional issue where none existed at the outset and had succeeded in maintaining this unity despite severe strains and conflicting interests. Those who did not want to jeopardise any gains in GATT e.g. India were prepared for compromise with the West and those who wanted an ITO e.g. Burma and Ghana, in the end sank their differences to preserve the fragile unity. It became clear that votes alone were insufficient to force change. Some measure of agreement with the West was necessary. Attitudinal cleavages separated the G75 on this

issue and seriously threatened consensus formation. The tendency toward fractionalisation was curbed through persuasive appeals to shared values.

### 3.5.5

#### Group Dynamics

The most striking and important feature of the Geneva Conference was the display of unity exhibited by the developing countries in the G75. (72) As The Observer noted at the time,

"The emergence of the 75 as a united front is seen by the Western delegates as perhaps the most important political phenomenon of the last 20 years." (73)

This coalition had not existed prior to the Conference and indeed at the outset of the meeting they were not organised as a group. (74)

For the first two to three weeks there was little attempt at coordination and the delegations and regional groups worked at cross-purpose. The 1963 Joint Declaration and the regional meetings prior to Geneva had laid the basis for cooperation, but this had not developed into the institutional focus of a unified grouping. It was only as the Conference drew to a close and especially over the institutional issue that the divisions began to disappear and the impressive display of unity so noticeable in the voting on the recommendations and resolutions contained in the Final Act, emerged.

The various participants had prior to the conference attempted to establish group positions - the three developing regions, the OECD and Comecon. The initial atmosphere, therefore, was one which encouraged group negotiations, and the size and complexity of the agenda, the type of issues under discussion and the modalities of U.N.

politics made a group politics approach inevitable. The developed capitalist states had been unable to agree on a coordinated strategy beforehand and during the Conference there were significant splits between the U.S. on one hand and the EEC (mainly France) and sometimes the U.K. on the other. As the Conference progressed, the western states made more strenuous efforts to act as a group. The socialist states had from the outset acted as a group and their marginality to the central issues made this solidarity easier to maintain. The development of a group approach to negotiations accentuated divisions, heightened tension and increased confrontation. This confrontation did not hamper the work of all the committees. In the Third Committee dealing with invisibles and financing there was much constructive dialogue and some draft resolutions were co-sponsored by the developed and developing countries. Even the U.S. co-sponsored a draft resolution on guidelines for international financial cooperation E/CONF. 46/C.3/L.32 with 12 ldc's. Harry Johnson cynically puts this agreement down to the difference between giving taxpayers money away and fighting powerful interest lobbies. (75)

The developing countries saw unity as a source of strength in that it aided in the articulation of demands and improved their negotiating capacity. The use of bloc voting and log-rolling tactics gave a greater appearance of unity than our investigations have shown. If unity can be conceived as having both positive and negative sources the unity achieved by the developing countries was founded on negative rather than positive factors. This unity was inspired by the negativism of the developed countries and the realisation that results would only be achieved through concerted pressure. The larger states lacked the means to negotiate change on their own and needed the diplomatic support of the smaller ones. The poorest states were in the weakest position of all and needed to belong to a

larger coalition to make any gains. With more sophisticated spokesmen and larger delegations the more advanced among the developing countries were able to exercise the greatest influence over group deliberations, hence the interests of the least developed tended to be down graded. The wide-ranging composite nature of the draft resolution allowed the inclusion of diverse and sometimes competing claims but the influence of the Prebisch Report with its bias towards the more advanced ldc's resulted in decisions favouring this group. On the other hand, the manner of reaching accommodation within the group, through persuasion and conciliation, meant that all opinions received an equal hearing, hence minorities could play a larger role than their numbers allowed. Two rules of behaviour giving equal weight to all members allowed countries to cooperate while preserving their interests. First, all proposals had to be agreed by the group before they were presented to the developed countries and, secondly, all proposals had to be endorsed by all group members. The wide-ranging nature of the coalition and the mutual support for different demands provided a unifying thread. In this sense the existence of cross-cutting cleavages diminished the fragmentation within the group. The form of reaching agreement within the group and the nature of the issues ensured that the unity created was of a rather special kind. (76) It was sufficiently strong to concert policies whilst retaining reservations of particular issues, but on the issue of preferences which was essentially one of distributive bargaining the conflict within the group was greatest.

Within the G75 it is possible to identify various sub-groups and special interest groups. A detailed examination of the work of the plenary and main committees shows that, depending upon the issue and the relevant ascriptive or attitudinal cleavage, the G75 split into

different groups. (77) In other words a division into radicals and moderates is too simplistic. We can distinguish between the more advanced ldc's and the poorer ones, between the countries contemplating an abolition of selective preferences and those favouring their retention, between those pressing for an ITO or at least a strong continuing machinery and those prepared for compromise; the land-locked states also formed a special group insisting on special treatment. The existence of fluid alliance rather than stable ones within the group laid the development of a wider consensus. Brazil and India, for example, both led the argument against the retention of selective preferences but took different approaches on the institutional issue. India was more prepared to compromise with the developed countries. One can identify certain ideological differences of approach. Some states, for example, Burma and Ghana were more willing to blame the international capitalist division of labour for the ills of the ldc's than others. In so far as the institutional issue was the most highly politicised and polarised it is possible to identify differences which existed between those countries still having some faith in existing machinery and looking forward to the Kennedy Round and those who thought that only new machinery could help ldc trade problems. In this respect, a division can be made between radicals, e.g. Burma, Ghana and Indonesia and moderates e.g. India, Pakistan and Malaysia.

The influential states at the Geneva meeting were generally those which were influential within the general politics of their region. Given the regional organisation of the group this is not surprising, in a context in which, the possession of the attributes and capabilities necessary for exercising influence at the Conference did not differ markedly from those which gave influence at the wider regional level. The major actors, India, Pakistan, Malaysia,

Philippines, Indonesia, Burma (Asian Group); Algeria, Ghana, UAR, Nigeria (African Group); Brazil, Argentina, Colombia (Latin American Group) and Yugoslavia, can with a few exceptions be identified as major regional actors. Influence depended upon the issue under consideration, the interest taken in it by a delegation, their technical expertise and the comprehensiveness of their preparation and the quality of the delegates. Within the group states played leading roles either through initiating programmes or acting as mediators. Although influential as a leading 'radical', Burma (and Afghanistan) nevertheless resented the influence of India and Pakistan within the Asian group. Another source of influence came from membership of the Steering Committee of the G75 which comprised 12 states, 4 from each of the 3 geographical regions. The members were Argentina, Bolivia, Chile, Mexico, Cameroon, Ethiopia, Nigeria, the UAR, Ceylon, India, Pakistan and Yugoslavia. Each member of the Steering Committee represented the group in one of the main committees and acted as spokesman. The Chairman was permanently in touch with the conference President and Prebisch.

The degree of cohesion achieved within the group was certainly remarkable. An analysis of the voting records shows a very high degree of agreement. The resolutions passed can be divided into two categories: The General and Special Principles and the other recommendations. There were fifteen General Principles and Thirteen Special Principles. Of these, all except Special Principle 3 was passed by roll call vote. No developing country voted against any principle and there were only 18 abstentions. Of these Vietnam had 4 abstentions, Brazil 3, Korea and Rwanda, 2 each, and Cameroon, Nicaragua, Peru, Uganda, Venezuela, Jamaica and Syria one each. On the recommendations, it is difficult to give any fair impression of the voting. Of the

61 recommendations, 32 were passed without dissent and of the remaining 29, the roll-call vote is only recorded for 15. Thirteen of these have 1dc abstentions. Apart from Recommendation A.IV.6 on Non-Financial Credit Arrangements for the Delivery on Non-Capital Goods which had 26 ldcs abstaining and Panama voting against, none have more than 4 states abstaining. Two have 4 states abstaining, one 3 states, one 2 states and the remaining eight have just one abstention each.

In attempting to analyse intra-group voting a very simple method will be used. The states which dissent most from the norm will be used as an example of the highest level of disagreement. We have 41 (possible) roll-call votes and Thailand and Vietnam both have the highest number of abstentions, 6. Using any random state which does not figure in the abstentions column we can calculate a Lijphart Index of Agreement <sup>(78)</sup> on how close the pair are in their voting patterns. Given that the most deviant state is one of the pairs this will give the greatest measure of disagreement between an abstainer and a state which followed the group line. The Lijphart Index is defined as follows:-

$$I_A = \frac{(F + \frac{1}{2}.g)}{t} \times 100$$

∫ t is the total number of roll-call votes that both states participated in, F the number of identical votes they cast, g the number in which they showed partial agreement, i.e. where one member voted yes or no and the other abstained. ∫ We can, then, calculate the agreement between Thailand and Algeria:

$$I_A \text{ (Thailand - Algeria)} = \frac{(35 + \frac{1}{2}.6)}{41} \times 100 = 93\%$$

The greatest measure of disagreement is found in Thailand, Vietnam pairing where there were 9 cases of disagreement. The measures of agreement here is

$$I_A \text{ (Thailand - Vietnam)} = \frac{(32 + \frac{1}{2} \cdot 9)}{41} \times 100 = 89\%$$

The measure of agreement is high in both cases and we can conclude that the solidarity displayed by the group was significant.

### 3.5.6

#### Results

The major results of the Conference were the establishment of the continuing machinery of UNCTAD and the institutionalisation of the G77. (79) Although in hindsight it can be argued that the creation of a new institution was inevitable it was a major achievement which, given the developed states' intransigence could not have been forecast with any certainty. The new organisation was the first major one created by the ldc's to serve their interests and many features first noticeable in 1964 were to become permanent in the ensuing years. The acrimonious nature of the Conference was to become a feature not just of UNCTAD deliberations but those of other bodies and the three-fold division - developed, developing and socialist states would become a permanent feature of international organizational activity.

Apart from the creation of the continuing machinery no substantive decisions were taken. The Final Act is a charter of the Third World's demands. It proposes increased access for the South's manufactured goods in Northern Markets; the regulation and stabilisation of primary commodity markets and an increase in the flow of financial resources from North to South. These were issues which would be debated in the coming decades: Northern protectionism, the creation of a generalized system of preferences, commodity agreements

and the 0.7%, GNP aid target all became major issues in the North-South debate and within the UNCTAD forum.

The coalition of the poor designed to articulate these demands and negotiate the transition in international economic relations was a direct product of this conference. The Joint Declaration of the 77 Developing Countries at the end of the Conference pointed the way to a continued cooperation and harmonisation of views. Indeed, the decision-making structure of the continuing machinery provided a stimulus for continued cooperation with its group system. Furthermore the conduct of multilateral negotiations on international economic relations were irrevocably changed. As U Thant recognised,

"... The South can be identified as a large group of more than 75 votes, when it chooses to assert itself. In demonstrating such a possibility, the Conference may have signalled a turn in the history of international economic relations." (80)

### 3.6

#### Conclusion

The passage from the 1963 Declaration to the 1964 Declaration and decision to continue acting as a permanent group was not an inevitable one. This chapter has tried to describe and account for the major factors at work in this evolution. The importance of the regional groups and regional meetings; the Prebisch Report as a conceptual framework; Prebisch and the temporary secretariat as catalysts; the negativism of the West; the lack of progress on substantive issues and the subsequent political significance attached to the institutional issue; the relative weakness of the developing countries; all contributed to this process. The coalition constructed was a very fragile one with many conflicting interests,

but the form of the coalition and the nature of its decision-making enabled states to be members without sacrificing values. One cannot rank the causal factors involved; they were all important in the specific historical process. Underlying the historical survey in this and the previous chapter is an appreciation of the importance of organisational factors to political outcome. The following section develops the organisational perspective through an analysis of UNCTAD and the institutionalisation of the Group of Seventy-Seven.

FOOTNOTES

1. General Assembly Res. 1897 (XVIII). Annex.  
11 November 1963.
2. Proceedings of UNCTAD, vol. 1, Final Act and Report.  
E/CONF. 46/141 pp. 66-68.
3. Ibid. p.67.
4. On the general influence of the regional economic commissions see Chapter 2 above and R. Gregg - "Program Decentralization through Regional Economic Commissions" in G. Mangone (ed) - U.N. Administration of Economic and Social Problems (New York Columbia University Press, 1966).
5. Charles L. Robertson - "The Creation of UNCTAD" in R.W. Cox (ed.) - International Organisation: World Politics (London: Macmillan, 1969) p. 271.
6. Reproduced in Proceedings (1964) vol. VII. pp. 95-213.
7. "Latin America and the United Nations Conference on Trade and Development". (ECLA Secretariat) ibid. pp. 210-211.
8. CACM Res. 25 (SC.1) - "United Nations Conference on Trade and Development", 11 January 1964.
9. Report by The Secretariat of ECLA On the Meeting of Latin American Government Experts on Trade Policy (ECLA Secretariat) in Proceedings, 1964 op.cit. P. 217.
10. "The Charter of Alta Gracia" in Proceedings (1964) vol.VI. p.59.
11. Activities of the Economic Commission of Africa Related to the United Nations Conference on Trade and Development" (ECA Secretariat) in Proceedings (1964) Vol. VII p.248.
12. ECA Res. 97 (VI) 'United Nations Conference on Trade and Development', 28 February 1964.
13. OAU ECOSOC Res. ECOS/12/Res/1 (I). 13 December 1963.
14. ECAFE Res. 50 (XX), 'Teheran Resolution on United Nations Conference on Trade and Development', 12 March 1964.
15. See M. Brecher, The Foreign Policy System of Israel (London: Oxford University Press 1972), H & M Sprout, The Ecological Perspective on Human Affairs: with Special

Reference to International Politics (New Jersey: Princeton University Press 1965) and H. & M. Sprout, Man-Milieu Relationship Hypotheses in the Context of International Politics (New Jersey: Center of International Studies, Princeton University 1956) for discussions of the importance of the operational and psychological environments.

16. President Kennedy in a speech to the General Assembly on the 25 September 1961 argued that 'political sovereignty was but a mockery without the means of meeting poverty, illiteracy and disease'. He proposed that the decade 1960-1970 should be designated 'The United Nations Decade of Development'. A/PV. 1013. 29/9/61. This suggestion was debated in the Second Committee, see A/C.2/SR. 715-793 and resulted in U.N.G.A. Resolution 1710(XVI). United Nations Development Decade: a programme for international economic cooperation. 19/12/61.
17. Richard Gardner - "GATT and the United Nations Conference on Trade and Development", International Organization, vol. XVIII, no. 4 (Autumn 1964) makes a similar point, "... for the leaders of some of the less developed countries, UNCTAD was the answer to a political gap no less ominous than the trade gap: The gap between the rising demands of their growing populations at home and their ability to meet these demands through existing development efforts", p. 698.
18. This contained three new articles (XXVI-XXVIII) recognising the special needs of the ldc's. Part IV of the GATT came into de facto operation in February 1965.
19. See Reports of the Preparatory Committee (3 sessions) in Proceedings (1964) vol.VIII. pp 3-59.
20. See Report of the Group of Experts (appointed under ECOSOC resolution 919(XXXIV) in Proceedings (1964) vol.VII. pp. 377-423.
21. See Ernest Mandel Late Capitalism (London:Verso 1978) pp. 108-146.
22. For example by the institution in 1961 of the General Arrangements to Borrow (GAB). See W.M. Scammell, International Monetary Policy: Bretton Woods and After (London: Macmillan, 1975) pp. 195-8 for the importance of the GAB.

23. See W.W. Rostow, The Stages of Economic Growth: a Non-Communist Manifesto (Cambridge: Cambridge University Press, 1961) for an extended treatment of this metaphor.
24. On 27 May 1964 as a result of the formation of the United Republic of Tanganyika and Zanzibar, the delegations of Tanganyika and Zanzibar were reconstituted as a unified delegation.
25. See Proceedings (1964) Vol II. (Policy statements) for statements made during the plenary.
26. See Henry Simon Bloch - "The Challenge of the World Trade Conference", (School of International Affairs, Columbia University, one of a series of Occasional Papers 1964-65) pp. 22-23 for a critical view of developing countries voting tactics and Sidney Dell - "UNCTAD : Retrospect and Prospect" (Annual Review of U.N. Affairs 1964-1965;1966) pp. 70-71 for a sympathetic view.
27. See Diego Cordovez - "UNCTAD and Development Diplomacy : From Confrontation to Strategy", Journal of World Trade Law (1972) p. 146 and Sidney Weintraub - "After the U.N. Trade Conference : Lessons and Portents", Foreign Affairs, vol. 43 No.1 (October 1964), for an opposed view which argues that it is misleading and an oversimplification to see confrontation as inhibiting a basic agreement on the objective of international cooperation in solving the trade and development problems of the developing countries.
28. The Fifth Committee created a Sub-Committee on Land-Locked Countries which held nineteen meetings.
29. For an interesting historical discussion of the relationship between personality and decision making see D.C. Watt, Personalities and Policies-Studies in the Formulation of British Foreign Policy in the Twentieth Century, (London: Longmans, Green & Co.Ltd. 1965).
30. See R.W. Cox, "The Executive Head: An Essay on Leadership in International Organization", International Organization vol.23 (1969) pp. 205-30.
31. Raul Prebisch - "Towards A New Trade Policy for Development", Report by the Secretary-General of the UNCTAD (United Nations. Sales No: 64 II.B.4. 1964).
32. See the writings of Peter Bachrach and Morton Baratz for an analysis of the importance of agenda setting as a source of power. My usage of the concept is an extension of their thinking but I believe consistent with their analysis. See

- P. Bachrach & M. Baratz, Power and Poverty, Theory and Practice (New York: Oxford University Press 1970) for the most developed exposition of their views. See also their articles, "The Two Faces of Power", American Political Science Review vol.56 (1962) pp. 947-52 and "Decisions and Non-decisions': An Analytical Framework", American Political Science Review vol. 57 (1963) pp. 641-51.
33. Despite statements like, " ... without a determined political effort to promote development and remove the internal obstacles from its path, measures of international cooperation, however good in themselves, will be very limited in their effect", p.6. ibid. "There are both internal and external factors to be attacked simultaneously. To emphasize the former and exclude the latter, or vice versa, would be an aimless exercise and only divert our attention from the real solutions", p.117, ibid., the major emphasis throughout is on the external constraints. In a 125 page report only 5 pages are devoted to a discussion of internal obstacles.
34. G.L. Goodwin - "The United Nations Conference on Trade and Development. Beginning of a New Era? Yearbook of World Affairs 1965. p.7.
35. Prebisch, op.cit. p.3.
36. H.G. Johnson - Economic Policies Towards Less Developed Countries (London: George Allen & Unwin Ltd., 1967) p.32.
37. Bela A. Balassa - Trade Prospects for Developing Countries (New York: Richard D. Irwin, Inc., 1964) pp. 104-105.
38. See, for example, - H.G. Johnson op.cit. pp. 249-250; M. June Flanders - "Prebisch on Protectionism: An Evaluation, The Economic Journal vol.74, (June 1964) pp. 305-326.
39. (i) The Commodity terms of trade measures the relationship between the price of a typical unit of exports and the price of a typical unit of imports ( $P_x/P_m = N$ );
- (ii) The gross barter terms of trade measures the rate of exchange between the whole of a country's physical imports as compared with the whole of its exports ( $O_m/Q_x = G$ );
- (iii) the income terms of trade is the
- (a) export gains from trade or
- (b) the capacity to import ( $Q_x \cdot N = I$ );

(iv) The single-factoral terms of trade measures the quantity of imports bought by a unit of factors, i.e. The commodity terms of trade corrected for changes in productivity in producing exports ( $Z_x \cdot N = S$ ,  $Z_x$  = export productivity index);

(v) The double-factoral terms of trade looks to the real quantity of factors changed ( $N \cdot Z_x / Z_m = D$ ,  $Z_m$  = import productivity index);

(vi) The real cost terms of trade index takes into consideration the amount of disutility involved in producing exports;

(vii) The utility terms of trade is calculated by multiplying the real cost terms of trade by an index of average relative marginal utility per unit of home commodities and imported commodities if resources had been used for export.

40. For a recent comprehensive analysis of the relevance of the terms of trade concept see J. Spraos, "The statistical debate on the net barter terms of trade between primary commodities and manufactures", Economic Journal vol.90(1980) pp. 107-28 and J. Spraos, Inequalizing Trade? (London:Oxford University Press 1983).
41. See Michael Zammit Cutajar & Alison Franks - The Less Developed Countries in World Trade. (London: ODI,1967)p.167.
42. See H.W. Singer - "The Distribution of Gains between Investing and Borrowing Countries" American Economic Review, Papers and Proceedings, vol.11 no 2 (May 1950) pp. 473-485, and R. Prebisch - "The Role of Commercial Policies in Underdeveloped Countries" American Economic Review, Papers and Proceedings (May 1959). pp. 215-73.
43. Bloch op.cit. pp. 8-9.
44. Prebisch argued that an international economic organisation if it is to be effective must go through three major stages - (i) outlining and dramatising the problem; (ii) the Secretariat adopts a low profile while the governments confront each other; (iii) the Secretariat acts as a go-between as governments seek compromise. See J.S. Nye, "UNCTAD: Poor Nations Pressure Group", in R.W. Cox and H.K. Jacobson (eds.) The Anatomy of Influence (New Haven and London: Gale University Press 1973) p. 368.
45. ".... such drafting of resolutions with the help of secretariat officials is a commonplace in various U.N.

45. organisations. In all complex multimember organisations, the secretariat often leads the delegates since it is a permanent force on the scene", Gosovic op. cit. p.311 fn.
46. Richard N. Gardner - "The United Nations Conference on Trade and Development", International Organization, Vol. XXII. No.1.(Winter 1968) p. 106.
47. See Malcolm Subhan - "How the 75 stuck together", Far Eastern Economic Review, July 9, 1964. p. 49.
48. See Proceedings (1964) vol.I for the Final Act and Report of the Conference and vol. VIII for a list of the participants.
49. See Interim Report of the Preparatory Committee (1st, 2nd and 3rd Sessions) Proceedings (1964) vol. VIII, pp.3-59.
50. See Report of the Group of Experts Appointed Under Economic and Social Council Resolution 919 (XXXIV). "Commodity and Trade Problems of Developing Countries: Institutional Arrangements". Proceedings (1964). vol. VII. pp. 377-423.
51. The importance of protection afforded to domestic industry is to be found not in the nominal but in the effective rate of protection. In many cases the raw material is granted duty free entry but the product at the first stage of processing or subsequent stages have to pay duty. Developing countries were thus encouraged to export the unfinished product because the tariff structure militated against the export of the processed goods, e.g. if the nominal rate on good X was 8% and the value added during processing was 40%, then the effective rate of protection afforded to domestic industry would be 20%.
52. E/CONF. 46/C.1/L.17.
53. E/CONF. 46/C.1/L.17/Rev.1 and Corr. 1 and 2.
54. For a more detailed consideration of this issue see chapter 6.
55. See "Memorandum Concerning Certain Items on the Agenda of the United Nations Conference on Trade and Development" submitted by France, Proceedings (1964) vol.VI, pp. 23-25.
56. E/CONF.46/C.2/L.5 submitted by Niger; E/CONF.46/C.2/L.22 submitted by India, Indonesia, Lebanon, Nepal and Saudi Arabia; E/CONF.46/C.2/L.23 submitted by Argentina, Brazil, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela;

- E/CONF.46/C.2/L.27 submitted by Ghana, Kenya, Liberia, Nigeria, Tanganyika and Zanzibar, Sierra Leone, Sudan and Trinidad and Tobago.
57. Manubhai Shah - Developing Countries and UNCTAD, (Bombay: Vora & Co., Publishers PVT Ltd. 1968). p.16.
  58. E/CONF. 46/C.2/L.40 and Add 1-5.
  59. See "Memorandum on the Preliminary Considerations Regarding the Main Provisions for an International Trade Organization (ITO)" submitted by the USSR to the Secretary-General of the Conference, 5/2/64, Proceedings (1964) vol.V. pp.428-429. This had previously been submitted to the Thirty-Sixth Session of ECOSOC; 30th July 1963 (Doc.No.E/3827) and the Preparatory Committee.
  60. Other writers e.g. Goodwin, Gosovic and Gardner who make a neat categorisation of radicals (extremists), moderates and Francophone Africans only see three factions.
  61. E/CONF.46/C.4/L.3.
  62. Gosovic, op.cit. p.39.
  63. E/CONF.46/C.4/L.5.
  64. E/CONF.46/C.4/L.9.
  65. E/CONF.46/C.4/L. 12 and Add 1. and 2.
  66. E/CONF.46/50/Rev. 1 and Add 1 and 2.
  67. E/CONF.46/C.4/L.1/Rev.1. and Add 1.
  68. Gardner op.cit. p.115.
  69. Ibid. p. 115.
  70. See Robertson op. cit. pp. 271-272.
  71. Part of the explanation for this is that many ldc ministers returned near the end of the conference and inserted a very 'political' approach which tended to overlook the nature of international negotiations. They had not followed the issue and therefore were uninformed about what had taken place before. See Gosovic, op.cit. p.51 fn. where he also alleges that the machinations of the Chinese and some developed countries were behind the militancy of the radicals in an effort to break up the Conference; the

- former to show the futility of co-operating with the capitalist world and the latter to prevent the establishment of the continuing machinery.
72. With the Joint Declaration issued at the end of the Conference, the Group officially became the Group of 77. New Zealand, a signatory of the 1963 Declaration, left the Group and Kenya, South Korea and South Vietnam joined. There was a possibility that Cuba, Israel and Mongolia would be admitted but their respective regional groups did not admit them. Yugoslavia, originally a member of the African Group, moved to the Asian group.
  73. The Observer, 14 June 1964.
  74. The claim by H.E. Mr. João Augusto de Aravja Castro the Brazilian Minister of State for External Relations (24/3/64) that "for the first time in the history of economic conferences, the under-developed nations come here as a united front" Proceedings (1964) vol. II. p.117 was part of an attempt to establish the fledgling unity rather than an accurate expression of the contemporary reality.
  75. Johnson op. cit. p. 36.
  76. Sidney Weintraub makes a telling point when he says. "The unity of the Seventy-five was too precious for public doubts", in Weintraub op. cit. p. 47.
  77. This conclusion is in contrast to Goodwin op. cit.; & A.S. Friedeberg - The United Nations Conference on Trade and Development of 1964 (Universitaire Pers Rotterdam, 196) who identify 3 general sub-groups: Radicals, Moderates and Francophone Africans and Gwyneth Williams. Third World Political Organisations (London: Macmillan, 1981) who identifies 2 - Radicals and Moderates. Such identification is based solely on divisions over the institutional issue and preferences.
  78. See Arend Lijphart - "The Analysis of Bloc Voting in the General Assembly: A Critique and a Proposal", American Political Science Review (December 1963) pp. 902-917.
  79. It is interesting to note that in introducing the Joint Declaration of the Seventy-seven Developing Countries Made at the Conclusion of the United Nations Conference on Trade and Development, Amjad Ali referred to the group as the G 75 and said that the term had been retained because of its historic significance. See Proceedings (1964) vol.II. p.519. The Declaration itself contained four references to the G 75

and none to the G 77. See Proceedings (1964) vol.I. pp. 66-68. By the time UNCTAD convened for the first session as a continuing organisation the present nomenclature had been adopted.

80. U. Thant - Statement of the Secretary-General of the United Nations at the 130th Plenary meeting of ECOSOC, 16 July 1964 [E/3988].

## CHAPTER 4

### The Institutional Framework of the United Nations Conference on Trade and Development

The aim of this chapter is to describe and assess the importance of UNCTAD's institutional features for the growth and development of the G77. The institutional venue for multilateral diplomacy is a vital part of the policy-making process. <sup>(1)</sup> In other words conference diplomacy is conducted within the confines of a particular structure and the legal and political characteristics of the structure condition policy outcomes. International organisations cannot be reduced to the attributes of the member states <sup>(2)</sup> and therefore if our analysis is to escape the reductionist fallacy the salience of the organisational context has to be explored. Thus institutional growth and changing organisational structures influence inter-state relations in so far as organisational characteristics provide one type of constraint within which states may act. At the same time international organisations also furnish states with the modalities and opportunities for cooperation and conflict.

One approach to international organisation concentrates on the institution and the formal provisions enshrined in constitutions and charters. A highly descriptive approach, the institutional perspective is useful in tracing the effect of legal constraints on the decision-making process. Legal institutional analysis is a valuable starting point for the study of international organisations partly because development in the competence of an organisation is intricately connected with its constitutional provisions and partly because questions regarding authority and power cannot be addressed adequately without reference to constitutional provisions. Formal

legal structures then constitute an important part of an international organisation and therefore present a useful starting point for the study of organisations. The first part of this chapter, will therefore, examine UNCTAD's constitutional mechanism.

The institutional perspective, however, is deficient in its ability to explain change. The mere delineation of institutional mechanisms (the skeletal framework) cannot provide the researcher with the political and psychological dimension (operational framework) of an international organisation. The orientation of institutional studies is to the static rather than the dynamic aspects of organisational behaviour and therefore key processes of organisational change are omitted. <sup>(3)</sup> These include re-definitions of goals and tasks, conflictual processes, changes in the scope and level of organisational behaviour and changes in the relevant environments. The second part of this chapter, therefore, analyses the political process in UNCTAD. Finally, UNCTAD's role within the wider international system is assessed since any description of UNCTAD as an environment for the G77 which only concentrated on internal features would give a misleading picture of the possibilities and constraints affecting group cohesion.

#### 4.1

#### The Institutional Machinery of UNCTAD

##### 4.1.1

#### The Institutional Structure

UNCTAD was created as a permanent organ of the United Nations with the adoption of General Assembly Resolution 1995 (XIX). <sup>(4)</sup> The Final Act of the Geneva Conference laid the basis for the establishment of a new organ in the field of trade and development.

The compromise reached at UNCTAD I dictated the key features of UNCTAD's constitutive document. The new organisation was created by the General Assembly under the terms of Article 22 of the U.N. Charter which empowers the UNGA to establish such subsidiary organs as may be necessary to assist it in the performance of its functions. Membership is open to all states members of the United Nations and states not members of the U.N. but members of the specialised agencies or of the International Atomic Energy Agency (IAEA)

Within the terms of its legal instrument UNCTAD was given seven principal functions. These were

- " (a) To promote international trade, especially with a view to accelerating economic development between countries at different stages of development, between developing countries and between countries with different systems of economic and social organisation, taking into account the functions performed by existing international organisations;
- (b) To formulate principles and policies on international trade and related problems of economic development;
- (c) To make proposals for putting the said principles and policies into effect and to take such steps within its competence as may be relevant to this end, having regard to differences in economic systems and stages of development;
- (d) Generally to review and facilitate the co-ordination activities of other institutions within the United Nations system in the field of international trade and related problems of economic development, and in this regard to cooperate with the General Assembly and the

Economic and Social Council with respect to the performance of their responsibilities for co-ordination under the Charter of the United Nations;

- (e) To initiate action where appropriate in co-operation with the competent organs of the United Nations for the negotiation and adoption of multilateral legal instruments in the field of trade with due regard to the adequacy of existing organs of negotiation and without duplication of their activities;
- (f) To be available as a centre for harmonizing the trade and related policies of governments and regional economic groupings in pursuance of Article I of the Charter;
- (g) To deal with any other matters within the scope of its competence." (5)

In order to enable the organisation to fulfil the aforementioned functions a simple machinery was created which nevertheless contained both complex rules and innovatory techniques. A permanent feature of UNCTAD's history has been the different perceptions of its role held by the developed and developing countries. These divergent interests played an important part in both elaborating the functions and designing the machinery of the new institution. The necessity to stick to the 'historic compromise' of the Geneva Conference was reflected in the debates concerning the powers to be attributed to the fledgling organisation. The developing countries wanted an organisation with the ability to implement decisions over a wide range of international economic activity. The developed countries, on the other hand, were content with the global system management of the IBRD, IMF and GATT and sought to restrict UNCTAD's effectiveness. (6)

Hence the mandate given to UNCTAD is slightly schizophrenic in that

it asks the organisation to initiate action, to promote international trade and to formulate new principles, whilst at the same time exhorting it not to clash with existing organisations in the economic field.

The principal organs of UNCTAD are the Conference, the Trade and Development Board and the Secretariat. The Conference which is the supreme plenary body of the organisation is its highest organ and to it is entrusted the task of carrying out the functions specified by the UNGA. Rather confusingly the Conference has the same name as the continuing machinery but is usually distinguished from it by the addition of a numeral expressing its historical specificity. The Conference can best be thought of as an assembly which is convened periodically. It is open to all member states and is supposed to meet every three years. In practice apart from UNCTAD V which was convened three years after the fourth UNCTAD, the Conference has met every four years. To date six conferences have been held - UNCTAD I in Geneva, 23rd March - 16th June 1964, UNCTAD II in New Delhi, 1st February - 29th March 1968, UNCTAD III in Santiago, 13th April - 21st May 1972, UNCTAD IV in Nairobi, 5th - 31st May 1976, UNCTAD V in Manila, 6th - 29th May 1979 and UNCTAD VI in Belgrade, 6th June - 3rd July 1983.

The agenda of the Conference is based on a provisional agenda drawn up by the Trade and Development Board after lengthy consultations. The supreme law-making body of the organisation it sets the priorities for future areas of work (consultation, negotiation and research) of the organisation as a whole. The Conference had unlimited authority in adopting its rule of procedures, appointment of its Bureau and creation of sessional bodies. The work of the

Conference is guided by a President, Vice-President and Rapporteur. In order to facilitate negotiations various committees are created. The report of the Conference is transmitted to the UNGA.

The Trade and Development Board (TDB) is a permanent organ of the Conference and therefore ensures continuity between the periodic conferences. The TDB a part of the 'United Nations machinery in the economic field' is the key decision-making unit in the intervals between the general conferences. Membership of the TDB originally restricted to 55 states is now open to all members of the Conference. (7) Open membership makes redundant the elaborate criteria for selection to the Board based on the principle of equitable geographical distribution and the necessity of representation for the major trading states. For the purpose of election to the Board and its main committees, states had been divided into four lists based on geographical and socio-economic factors (see Table 4.1.). List A contains the African and Asian states and Yugoslavia. List B the Western European states together with the developed countries of North America, Japan, New Zealand and Australia. List C is composed of the Latin American and Caribbean countries. List D contains the socialist countries of Eastern Europe.

Until 1970 the TDB met bi-annually in regular session but now it meets annually. (8) It also holds special sessions which have been convened annually since the 6th Special Session in 1975 but until that period had been called erratically. Each member of the Board is entitled to one representative with as many alternates and advisors as they require. The TDB is also empowered to invite representation from intergovernmental agencies to participate in its deliberations and in those of its working groups and subsidiary organs in a non-voting capacity.

Table 4.1The Group System in UNCTAD: Membership 1964 - 1979"UNCTAD I, 1964

<u>Group A</u>		
1. Afghanistan	22. Jordan	44. Senegal
2. Algeria	23. Kenya	45. Sierra Leone
3. Benin	24. Kuwait	46. Somalia
4. Burma	25. Laos	47. South Africa*
5. Burundi	26. Lebanon	48. Sri Lanka
6. Central African Republic	27. Liberia	49. Sudan
7. Chad	28. Libya	50. Syria
8. China*	29. Madagascar	51. Thailand
9. Congo	30. Malaysia	52. Togo
10. Democratic Kampuchea	31. Mali	53. Tunisia
11. Egypt	32. Mauritania	54. Uganda
12. Ethiopia	33. Mongolia	55. United Republic of Cameroon
13. Gabon	34. Morocco	56. United Republic of Tanzania
14. Ghana	35. Nepal	57. Upper Volta
15. Guinea	36. Niger	58. Vietnam
16. India	37. Nigeria	59. Yemen
17. Indonesia	38. Pakistan	60. Yugoslavia
18. Iran	39. Philippines	61. Zaire.
19. Iraq	40. Republic of Korea	
20. Israel *	41. Rwanda	
21. Ivory Coast	42. Samoa	
	43. Saudi Arabia	

Table 4.1 (Contd.)Additions at UNCTAD II, 1968.

<u>Group A</u>		
1. Botswana	4. Lesotho	7. Mauritius
2. Democratic Yemen	5. Malawi	8. Singapore
3. Gambia	6. Maldives	9. Zambia

<u>Group B</u>
1. Malta**

<u>Group C</u>	
1. Barbados	2. Guyana

Additions at UNCTAD III, 1972.

<u>Group A</u>		
1. Bahrain	4. Equatorial Guinea	7. Swaziland
2. Bangladesh	5. Fiji	8. United Arab Emirates
3. Bhutan	6. Qatar	

Additions at UNCTAD IV, 1976

<u>Group A</u>		
1. Angola	4. Democratic People's Republic of Korea	7. Oman
2. Cape Verde Islands	5. Guinea-Bissau	8. Papua New Guinea
3. Comoros	6. Mozambique	9. São Tomé and Príncipe.

<u>Group C</u>		
1. Bahamas	2. Grenada	3. Surinam

<u>Group D</u>
1. German Democratic Republic

Table 4.1 (Contd.)Group B

1. Australia	11. Holy See	20. New Zealand
2. Austria	12. Iceland	21. Norway
3. Belgium	13. Ireland	22. Portugal
4. Canada	14. Italy	23. San Marino
5. Cyprus **	15. Japan	24. Spain
6. Denmark	16. Lichtenstein	25. Sweden
7. Finland	17. Luxembourg	26. Switzerland
8. France	18. Monaco	27. Turkey
9. Federal Republic of Germany	19. Netherlands	28. United Kingdom
10. Greece		29. United States.

Group C

1. Argentina	9. Ecuador	16. Nicaragua
2. Bolivia	10. El Salvador	17. Panama
3. Brazil	11. Guatemala	18. Paraguay
4. Chile	12. Haiti	19. Peru
5. Colombia	13. Honduras	20. Trinidad & Tobago
6. Costa Rica	14. Jamaica	21. Uruguay
7. Cuba	15. Mexico	22. Venezuela
8. Dominican Republic		

Group D

1. Albania	4. Czechoslovakia	7. Rumania**
2. Bulgaria	5. Hungary	8. Ukranian SSR
3. Byelorussian SSR	6. Poland	9. Union of Soviet Socialist Republics.

Table 4.1 (Contd.)

Additions at UNCTAD V, 1979.

<u>Group A</u>	
1. Djibouti	2. Tonga

Notes.

1. Countries do not have to wait until the Conference to join the organisation and are admitted to the TDB.
- \* Countries not members of the G 77.
- \*\* Countries members of the G 77.

As the highest organ of the continuing machinery the Board performs all the functions of the Conference in the inter-sessional periods. Moreover, the Board is charged with keeping under review and taking appropriate action within its competence on the recommendations and other decisions of the Conference. The Board 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. Further in pursuit of this function the Board recommends to the General Assembly the date and venue of the Conferences. The Board in conjunction with the Secretariat is responsible for establishing close and continuous links with other international organisations in the field of trade and development. The Board's relations with other agencies within the U.N. system is governed by the responsibilities for co-ordination established by ECOSOC. The Board may also initiate, inter alia, through the services of the United Nations system studies and reports pertaining to trade and development.

The TDB's importance is enhanced by its ability to create subsidiary organs 'as may be necessary to the effective discharge of its functions.' Initially the Board had four main committees<sup>(9)</sup> - Commodities, Invisibles and Financing related to Trade, Manufactures and Shipping. Task expansion within the organisation has led to the creation of new committees (see Figure 4.1). The membership of the committees have been enlarged over time to take cognisance of the increased membership of the organisation. The terms of reference of the committees were left to the Board to be adopted after consultation with the relevant U.N. bodies in order to avoid overlap with existing institutions.<sup>(10)</sup> In reality the committees have been entrusted with the task of promoting the decisions of the Conference and pursuing integrated policies in

their respective fields and co-ordinating the activities of relevant international institutions. The committees usually meet twice yearly but special sessions may be convened at the request of the Conference, the Board or as a result of its own deliberations. Committees are also empowered to create their own subsidiary organs of a permanent or non-permanent nature to assist them in their work. The main committees, their membership and subsidiary organs (1980) are given in Figure 4.1.

The Board and its committees establish from time to time working groups and other standing committees to assist them in fulfilling their roles. These ad hoc bodies have varying life spans, depending on the subject under consideration. These ad hoc bodies are of two types - intergovernmental bodies e.g. the Intergovernmental Preparatory Group on a Convention of International Intermodal Transport and groups of experts appointed on the basis of their professional expertise e.g. the Export Group on Export Credits as a Means of Promoting Exports from Developing Countries. The Board has also established the Joint Advisory Group on the UNCTAD/GATT International Trade Centre which helps to run the International Trade Centre.

An important part of the continuing machinery is the secretariat. The UNCTAD secretariat is part of the United Nations secretariat and therefore subject to United Nations staff regulations. The UNCTAD secretariat is headed by a Secretary-General who holds the rank of Under-Secretary of the United Nations. He is appointed by the United Nations Secretary-General and confirmed by the General Assembly. During the period of this study there were three Secretaries-General of UNCTAD - Raul Prebisch (1964-1968), Manuel Perez-Guerrero (1969-1973) and Gamani Corea (1974-1984). The UNCTAD Secretary-General has overall control of the secretariat and is responsible for directing its work.



He oversees the smooth functioning of the continuing machinery through adequate servicing of the Conference, the Board and its subsidiary organs. This involves maintaining the record of meetings, the interpretation and translation of speeches, the circulation of documents and the provision of the relevant reports and documentation. Apart from these technical functions the Secretary-General has a wider role to play within the deliberative process of the organisation. First, he is entitled to attend (or send his Representative) any meeting and to submit oral and written statements to the deliberative bodies. Secondly, he is involved in drawing up the agenda of the various organs. Thirdly, he can be called upon to use his good offices in relation to UNCTAD's conciliation procedures. Fourthly, he is entrusted with the task of convening commodity conferences within the U.N. system and is authorised to hold intergovernmental consultations on commodities.

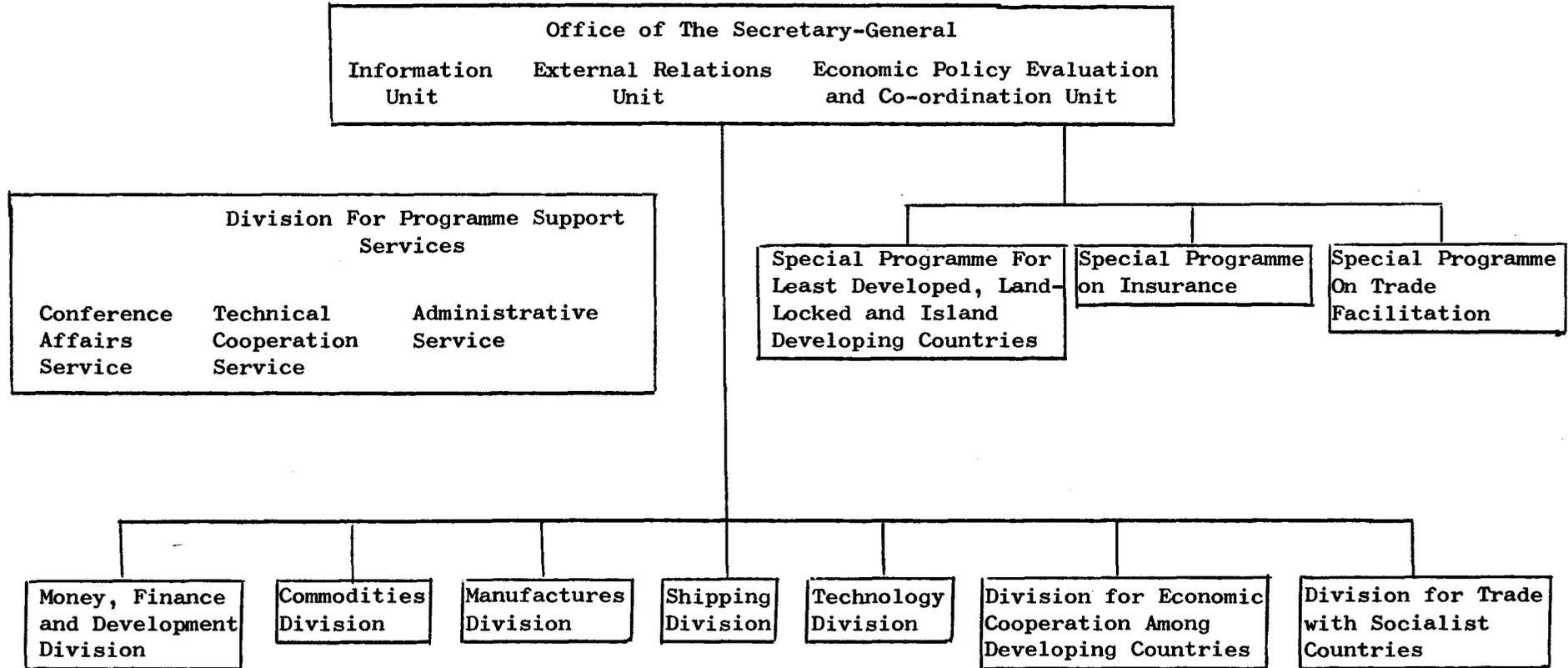
The secretariat comprises professional and general service staff and has expanded with the organisation's growth. It comprises a number of departments some of an administrative nature and others specifically engaged in research. (see Figure 4.2.) Apart from the servicing functions mentioned previously, it is the task of the secretariat to undertake research on topics suggested by member states. The Secretary-General is assisted by two Deputy Secretaries-General and each division is headed by a Director and a Deputy Director.

#### 4.1.2

##### Decision-Making

Decision-making in UNCTAD had developed away from the formal procedures and towards informal methods of negotiation and consultation. The decision-making procedures laid down under General Assembly Resolution

Fig. 4.2  
The UNCTAD Secretariat



1995 (XIX) provide for a two-tier process. First, UNCTAD is given a majority voting procedure and secondly, there is provision for a conciliation mechanism. The Conference, the Board and all its main committees have been provided with an egalitarian system of decision-making. At the Conference each state has one vote. Substantive decisions require a two-thirds majority of voting representatives present and procedural motions only require a simple majority. Each member of the Board has one vote. All decisions of the Board and its committees are taken by simple majority vote of those present and voting i.e. abstentions are excluded from this definition. Voting at the Conference or the Board is by a show of hands or roll-call if any members requests this procedure. The only deviation from these rules concerns elections which take place by secret ballot, unless otherwise decided by the Board.

The process of conciliation envisaged in UNCTAD's constitutive document is a novel feature in international organisation decision-making but it has never been used. These procedures were adopted because the irreconcilable positions adopted at the Geneva Conference seemed to foreshadow total deadlock in the future. The process of conciliation is supposed to take place before voting and to provide an adequate basis for the adoption of resolutions with regard to proposals of a specific nature which call for action substantially affecting the economic or financial interests of particular countries. Conciliation can take place with regard to proposals before the Conference, the Board or on matters which the committees have been authorised to submit recommendations without further approval for action. The institution of the process of conciliation is automatic; however it is only appropriate for some subjects. The following subjects are considered appropriate for conciliation - economic plans or programmes of economic or social readjustments; trade, monetary or

tariff policies; balance of payments issues; policies of economic assistance or transfer of resources; levels of employment, income, revenue or investment. On the other hand the following are considered unsuitable for conciliation - procedural matters; proposals for study or investigation including those related to the preparation of legal instruments in the trade field; establishment of subsidiary bodies of the Board within the scope of its competence; recommendations and declarations of a general nature not calling for specific actions; proposals involving action proposed in pursuance of recommendations which had been unanimously adopted by the Conference. (11)

The group system is an important feature of the UNCTAD decisional process. Member states were divided into four geographical groups for the purposes of election to the Board and its main committees and for office holding in the Conference, Board and committees. The division into groups is not solely for electoral purposes but reflects instead a major organisational feature of UNCTAD. The group system originated during the Geneva Conference and the institutionalisation in the continuing machinery of a group method of negotiations is a direct result of this historical process leading to the creation of UNCTAD. Apart from various states which are peripheral members of their groups, (12) the group system forms the basis on which UNCTAD works. All deliberations within the organisation take place on the basis of a group system. Before any meetings of the deliberative bodies the group members meet and attempt to co-ordinate their respective policies. The result of this process is the transformation of UNCTAD into a forum where intra-group consensus becomes as important, if not more important than inter-group agreement. The formal deliberations of UNCTAD organs are characterised by group spokesmen representing group decisions rather than a flowing open-ended process.

Conference diplomacy becomes similar to parliamentary diplomacy operating under a three-line whip! Although officially UNCTAD recognises four groups, in practice groups 'A' and 'C' combine to form the Group of 77.

In this sketch of UNCTAD's institutional machinery three salient features have emerged. First, the legal basis of UNCTAD arose from a conflict between the developed and developing countries. The organisation is therefore inherently ambiguous and its competence and role subject to disputed interpretations. Secondly, politics within the organisation will reflect these competing perspectives and the institutionalisation of the group system perpetuates the fractured nature of the organisation. Thirdly, UNCTAD is a dynamic organisation responding to changes in the international political economy. As a newcomer in the field of international economic relations it encroaches on the traditional preserves of the Bretton Woods organisations. Two further points of interest from the perspective of the G77 are, first, the organisation was created by them and secondly, they provide its natural constituency. An important element making for consensus within the Group is the realisation that not only was it G77 unity which effectively created UNCTAD but that only continued group unity is capable of contributing to the organisation's effectiveness. Moreover, the institutionalisation of the group system with its emphasis on intra-group consensus provides a structural constraint on disunity. The nature of the political process and the evolution of UNCTAD is the subject of the next section. The development of institutional and procedural arrangements within definite directions is the result of a specific historical process in which features local to the organisation and others arising from the wider environment interact.

## 4.1.3

The Political Process

UNCTAD has three major interrelated functions. Nevertheless in practice they are often treated as being distinct and separate tasks. These functions can be termed policy formulation, negotiation and implementation. Policy formulation refers to the creation of general and specific principles pertaining to international trade and development. The second function is the negotiation of concrete agreements through the decision-making process. UNCTAD is also charged with an implementation function in respect of the decisions reached. A fourth area, that of technical assistance can also be identified. In this respect UNCTAD is more than a forum organisation; <sup>(13)</sup> it has aspects of both a service organisation and a negotiating body. A crucial characteristic of UNCTAD's political process is the essentially contested nature of the organisation. Unlike a stable political system in which core values are held in common and bargaining proceeds within a framework of established norms, the UNCTAD political process is inherently unstable and conflictual. Three groups of countries <sup>(14)</sup> - Western developed, socialist developed and developing countries - have different conceptions of the organisation's role in the fulfilment of its constitutional tasks. This clash of ideologies <sup>(15)</sup> reinforces the group system of negotiations on one hand, but restricts the ability of the organisation to achieve significant goals on the other hand.

Policy formulation has involved the elaboration of the agreed principles of the 1964 Conference and the subsequent development of further principles. These principles are arrived at through the deliberative process - the Conference, the Board and its subsidiary organs; and through the technical studies prepared by the Secretariat or requested by it. The avowed aim is the creation of a new trade and development policy for the international community. UNCTAD's

ability to achieve its goal is constrained not only by the attitudes and actions of member states but also by the activities of other international economic organisations. (16) Nevertheless, within the United Nations system, UNCTAD has been given the prime responsibility for the elaboration of new principles on development policy. (17) UNCTAD's role is nevertheless subject to the higher authority of the United Nations General Assembly (and ECOSOC) and it is here that the high level decisions regarding the Second Development Decade, the International Development Strategy and the New International Economic Order (NIEO) were taken. (18)

UNCTAD's role in the respect of new principles is both initiatory and revisionist in that it involves first, the adoption of new concepts which are supposed to underpin international economic relations and second, the revision of previously existing concepts. Policy formulation within this universal forum has covered a wide range of international economic activities including - commodity trade, development finance, the transfer of technology, trade in manufactures, the debt problem, monetary reform, the particularly disadvantaged developing countries (the least developed, landlocked and island countries), economic cooperation among developing countries, east-south economic cooperation, shipping and restrictive business practices. (19)

In the deliberative process the enunciation of new principles and new concepts are usually the result of initiatives by the G77. One quantitative indication of this unique factor is a measurement of the number of resolutions initiated by the various groups in the TDB. (20) Table 4.2. gives a schematic picture of initiatives within that organ. Discounting co-sponsored resolutions G77 members sponsored 91.7% of

TABLE 4.2

Initiation of Resolutions in the TDB, 1965-1979.

	Group B	Group D	Group 77	Partial G77	Group B/ G77	G77/ Group D
<u>Regular Sessions</u>						
1	x	x	x	x	x	x
2			x	x	x	
3		x	x			
4		x	x			
5		x				
6						
7	x		x			
8	x		x	x		
9	x	x	x	x		
10			x	x		
11	x		x	x	x	
12			x	x		
13			x	x		
14		x	x	x		x
15	x		x	x		
16			x			
17		x	x			
18			x			
<u>Special Sessions</u>						
1						
2						
3						
4						
5		x	x			
6	x	x	x	x		
7						
8	x		x			
9	x		x			
10						
Total No. of Res.	15	12	98	35	5	3

Sources: Official Records of the TDB (1965-1979).

x= resolution sponsored.

all the resolutions presented to the Board. Of course this is only a rough indicator of significance but the score is so high that a very wide margin of error could be admitted and the result would still stand. The main aim of the developing countries is to use UNCTAD to rewrite the prevailing rules of the international economic system. (21) This is a collective exercise and requires the unity of the group. After a period of intra-G77 bargaining, draft resolutions are then submitted to the relevant organs of UNCTAD. During the ensuing debates and negotiations the G77 maintain impressive displays of unity in the face of Group B's (and sometimes Group D) attempts to amend the proposals.

It is debatable whether the decisions (22) reached have a legal character. International lawyers and political scientists dispute the ability of the United Nations central organs and specialised agencies to create international law. (23) Law, however should be seen not as a body of rules but as a decision-making process. (24) According to this perspective UNCTAD would have a legislative or at least quasi-legislative competence in the field of international development law. (25) From our perspective the debate on the legislative competence of UNCTAD is important because of the continuing conflict between the G77 and Group B. The G77 arguing that UNCTAD resolutions have a legal character and Group B rejecting this claim. In some respects however this debate is of limited relevance. What is important is the degree of salience attached to these new norms by the members of the international community. Even if the resolutions do not possess a quasi-legal character they can be used by the developing countries, international bureaucracies and pressure groups within the rich countries to argue the case for the implementation of programmes sympathetic to the aims of the developing countries. Ansari has detailed the political significance of interest groups in Western

democracies to UNCTAD's work. (26) He concluded that for aid, trade in manufactures and commodity trade (27) interest groups do exert an influence on the making of public policy. Our researches have shown that the obligation of the developed states to contribute 0.7% of their GNP in official development assistance to the ldc's although not adhered to by the rich does nevertheless provide a yardstick by which the efforts of the rich countries are measured. This yardstick has a moral and political force even if it is not the determinant of aid policies.

The formal provisions relating to decision-making have already been outlined in the section on the institutional structure of UNCTAD. The purpose of this discussion is to investigate the political process involved and to analyse the workings of the constitutional machinery. UNCTAD's decisional process has developed along relatively informal lines using flexible methods of consultation and negotiation. This development has taken place at the general conferences and in the continuation machinery. After the Geneva Conference at which 65% of all decisions were taken by vote, voting has receded into the background. (28) At New Delhi and Santiago approximately one-third of all decisions were voted on but this figure dropped to 12% at Nairobi and only climbed to 26% at Manila (see Table 4.3). Another significant feature of voting at UNCTAD conferences is the low recourse taken to the use of roll-call voting. Roll-calls are the most formal of all voting procedures but as Table 4.4 shows after the Geneva Conference when they reached 48.8 % of all decisions taken and was the most important method of arriving at decisions, roll-call votes have not exceeded 14.3% at any of the subsequent conferences. Table 4.5 reveals a similar process in the Trade and Development Board. Of the 185 decisions taken from the first session in April 1965 to the tenth special session in March 1979 only 16 were taken by votes. Moreover

TABLE 4.3

DECISION-MAKING AT UNCTAD CONFERENCES, 1964-1979

Session	Number of Decisions Taken	Of Which Adopted By Vote	% Of
UNCTAD I 1964	86	56	65
UNCTAD II 1968	35	12	34
UNCTAD III 1972	49	17	35
UNCTAD IV 1976	16	2	12
UNCTAD V 1979	35	9	26

Sources: Proceedings of the United Nations Conference on Trade and Development. First, Second, Third, Fourth and Fifth Sessions.

Table 4.4

Typology of Decision-Making at UNCTAD Conferences 1964-1979

Session	No. of Decisions	Roll Call	Show of Hands	(Adopted) <sup>a.</sup> Without Objection	Other <sup>b.</sup>
UNCTAD 1 1964	86	42 (48.8)	14 (16.3)	29 (33.7)	1
UNCTAD 2 1968	35	3 ( 8.6)	9 (25.7)	20 (57.1)	3
UNCTAD 3 1972	49 <sup>c.</sup>	7 (14.2)	10 (20.4)	29 (59.2)	2
UNCTAD 4 1976	16 <sup>d.</sup>	1 ( 6.3)	1 ( 6.3)	14 (87.5)	1
UNCTAD 5 1979	35	5 (14.3)	4 (11.4)	25 (71.4)	1

Percentage in ( )

Notes

a. The formula "adopted without objection" is employed in accordance with the editorial instructions of ST/CS/SER.A/16 of October 1973 to replace "without dissent", by consensus or by unanimity" which appeared in the proceedings of the Conference.

b. This category includes "no action taken" by acclamation", adopted with reservations from certain delegations", adopted without abstention.

c. The figures do not add up because Resolution 82 III is un-recorded.

d. The figures do not add up because the U.S. sponsored draft resolution on an International Resources Bank was defeated.

Sources:

Proceedings of the United Nations Conference on Trade and Development. First, Second, Third, Fourth and Fifth Sessions.

Table 4.5

Decision-Making in the Trade and Development Board (April 1964 - March 1979)

Session		Number of decisions or resolutions adopted	of which by vote
Regular	Special		
1st		13	0
2nd		8	0
	1st	1	0
3rd		7	2
4th		5	0
	2nd	1	1
5th		4	0
	3rd	1	0
6th		1	0
7th		8	2
8th		8	1
9th		9	1
10th		11	0
	4th	1	0
11th		9	3
12th		8	2
	5th	1	0
13th		11	0
14th		19	2
	6th	3	0
15th		7	0
	7th	0	0
16th		15	0
	8th	2	0
17th		12	0
	9th	12	0
18th		14	2
	10th	4	
Total		185	16 (8.5%)

Source: Trade and Development Board. Official Records (1965-1979).

the elaborate conciliation machinery has never been used and has fallen into desuetude. One reason for the non-use of conciliation procedures arises from the infrequent recourse to voting. Furthermore the developing countries recognised that the lengthy procedures involved could give the developed countries an excuse to delay arriving at decisions. This reluctance of the developing countries to resort to conciliation has inhibited the developed states from requesting the mechanism. (29) On the other hand, the group system has developed from being merely the lists on which states are based for voting purposes into the very cornerstone of UNCTAD politics and decision-making within the organisation. It might have been assumed that with the decline in voting the *raison d'être* for the groups would have disappeared but this has not been the case. Indeed, the existence of the group system has itself curbed the resort to the voting provisions. To understand decision-making in UNCTAD it is important to note the differing perceptions of the nature of the organisation, its role and its capacities for future action held by various groups. These points will be considered below when we examine the group system, the consensus method and the negotiation and implementation functions of the organisation.

The group system is an integral part of the UNCTAD decision-making process as it developed over time. These groups, although highlighted within UNCTAD were not first developed there.<sup>1</sup> The aggregation of states for voting and other purposes has for a long time been a feature of international organisational activity. (30) Indeed as chapter 2 above shows group politics were responsible for the creation of UNCTAD in the first place. In this international organisations are merely reflecting an irreducible feature of modern politics. It would be virtually impossible to imagine modern political activity and organisational politics in particular without

the existence of groups. Where the UNCTAD experience is different within the context of international organisation is that first, the group system was built into the institutional machinery and second, all UNCTAD politics revolve around the groups. Furthermore, co-ordination and cooperation take place on a continuing basis even when a deliberative body is not in session. (31) Coordination within the groups takes place before Conferences, meetings of the TDB, the committees and other subsidiary organs.

This reliance on the group system has led to a number of criticisms. (32) First, it is argued that the strictures of group discipline limits manoeuvrability by curtailing and inhibiting diplomatic intercourse. The argument is that without the constricting group discipline which makes it virtually impossible for states to meet each other on an individual basis more initiatives would be possible and a greater degree of compromises would be reached. Secondly, it is alleged that the rigidity of the group system leads both to inflexibility and slowness in negotiations and is responsible for the failures of the conferences. (33) This accusation has been denied by Koul who argues in respect of the New Delhi meeting that,

"It would not be fair to attribute to the 'group' system of negotiations the failure of the second conference to reach any conclusions. The fault lies rather on the three political 'groups' themselves, before the conference who tried to crystallize their relative positions in the conference." (34)

This argument is rather perplexing in that it seems to attribute both success and failure to the group system. It is rather unconvincing to argue that it was because they met as groups before the conference that the conference failed, but yet insist that the group system of negotiations was not at fault. This claim can only be made if the group system of negotiations was strictly confined to organs of the organisa-

tion itself. This seems an unwarranted restriction since a novel feature of the UNCTAD group system is that group deliberations continue outside the framework of the organisation itself. The group method of negotiations is both a structural and a process feature of UNCTAD's political process. Koul in concentrating on structural features fails to realise that the negotiating process spills over outside the defined organisational context. In other words group meetings prior to UNCTAD conference are part of the group system of negotiations and not separate from them.

On the other hand it has been argued that the group system of negotiations contributes effectively to the UNCTAD decision-making process. First, it is argued that the group system facilitates the decision-making process because it provides for regular consultations and the coordination of positions. (35) It is further argued that the procedure is simplified when a large group of countries can delegate one spokesman to speak for them. Secondly, the group system has been seen as an efficient and practical force in world politics. (36)

Koul takes the argument a stage further when he writes,

"The North-South confrontation has done nothing to aggravate tensions indeed in the present inter-dependent (sic) world, the 'group' method of negotiation has paved the way to make the United Nations and UNCTAD as its outstanding body, an instrument of reconciling differences of opinion." (37)

Once again it is difficult to accept this as an accurate description of reality when the numerous examples of delay resulting from an inflexible group method of politics is considered.

The organisation, orientation and structure of influence in the three groups represent an important aspect of the political process in UNCTAD. This study is chiefly concerned with the G77 and extensive analysis of this group will appear below. At this point we will consider briefly the political processes operative in Group B and Group D. The Western countries had a history of consultation on economic matters beginning in the Organisation for European Economic Cooperation (OEEC) which continued when that body was replaced by the Organisation for Economic Cooperation and Development (OECD). The wide-ranging agenda of UNCTAD I and the impetus of the ldc's drive for reform of the international economic order forced the western countries to convene an OECD meeting for the purpose of establishing generally accepted guidelines to govern the response to the developing countries. After the Geneva conference a special ministerial decision was taken to institutionalise the OECD's role as an organising centre for Group B. Within the OECD's Development Assistance Committee, Trade Committee and Maritime Transport Committee special working groups were created specifically to deal with UNCTAD matters. The OECD secretariat has the task of collecting information, doing relevant research and analysis and servicing Group B meetings in the OECD and UNCTAD. Although not all members of Group B are full members of the OECD and some are not members of the Development Assistance Committee, the OECD functions as the secretariat of Group B.

The leadership role is shared between the United States, the United Kingdom, the Federal Republic of Germany and France. Japan although it has the capacity to exercise influence usually takes a passive role. The EEC creates problems for decision-making in Group B because the EEC countries tend to develop a common position outside the group framework and then prove inflexible in negotiating with other group members to arrive at a common position. (38) Another important

sub-group in Group B's decision-making process in the Nordic group. Initiatives from Group B countries in UNCTAD normally have to go through the complex internal group bargaining system before it is communicated to the wider forum. Agreement among the Group B countries is normally reached on the basis of the minimum common denominator i.e. the group position tends to coalesce around the country or group of countries prepared to make the least generous offer. No conscious trade-off strategy exists but sometimes trade-offs can be sought within an agreed package of topics. A favoured method of reaching agreement is to arrive at a procedural solution whereby countries are allowed to dissent from the common group position. It is difficult to separate the positions in the group into neat left, right and centre divisions depending on the degree of sympathy with the aims of the G77. There are many cross-cutting interests but over the period of this study broad alignments can be discerned. The United States, United Kingdom, Germany and Japan on the one side have espoused a free market, anti-interventionist philosophy largely unsympathetic to the demands of the G77. The Nordic countries and the Netherlands have been more willing to seek some form of compromise. France has played a floating role; on financial issues the French have lined-up with the conservative states but on more overtly political issues have tended to side with the 'liberal' European perspective. A large number of Group B countries can't be identified with either grouping and hold an amorphous middle position. The dominance of the United States in world affairs gives the U.S. a powerful voice in Group B deliberations and it is often said that many countries shield behind the United States. In so far as U.S. opposition is likely to kill any proposal, some countries can appear to be sympathetic to G77 demands because they know that these demands have little realistic chance of being accepted. The aim of the dominant countries in Group B is to deflect ldc demands, to

exploit cleavages in the G77, to minimise the political costs of opposition to G77 demands and to make the minimum possible concessions. (39)

Typical Group B tactics include attempts to limit UNCTAD's expansion, requests for studies and reports in preference to direct action and frequent accusations aimed at the low-level support given by the Eastern bloc countries to development aid and development issues. (40)

The Group D countries also have a long history of cooperation. As socialist countries in the postwar period they have been in the minority in international organisations and until the upsurge in Third World membership of the United Nations in the 1960's were permanently on the losing side of the in-built American majority vote. (41) The socialist countries consistently formed a bloc on procedural as well as substantive issues, as a means of overcoming this isolation. In the economic field the Council for Mutual Economic Assistance (Comecon) acts as an organising forum for the socialist countries. Unlike the G77 and Group B, Group D is rather small and so the problems of co-ordination are easier. Problems of coordination have also been eased by the fact that until the Manila conference (1979) most of the G77 demands have been directed towards the capitalist countries and Group D countries have not been particularly concerned with most of the issues on the agenda. Comecon's coordination is restricted to calling meetings prior to important UNCTAD meetings such as the Conference, the TDB and its committees. Group D has had little difficulty in arriving at a common negotiating position. The main source of dissent within the group was Romania and with its defection to the G77 in 1976 coordination problems became easier for the members. The Soviet Union's hegemony over Eastern Europe gives it the dominant position in Group D. (42)

The existence of the OECD and Comecon gives Groups B and D institutional advantages over the G77. These organisations have secretariats which conduct research, prepare reports, services meetings and obtains information on the other groups. Moreover the existence of a formal body provides for the possibility of continuous intra-group consultations on a wide range of issues. This combined with a high level of expertise and a long experience in mutual consultations contributes to enhanced bargaining skills. This asymmetry in the group system is not remedied by the efforts of the UNCTAD secretariat on behalf of the G77.

The People's Republic of China (PRC) is the major exception to the group system. The PRC acts as an independent party in UNCTAD politics. China invariably supports the G77, occasionally engages in polemics with the Soviet Union but overall adopts a low profile. Chinese participation is hampered by the group structure <sup>(43)</sup> but also curtailed by a lack of interest. One study of Chinese behaviour in UNCTAD concluded that the PRC behaviour showed the following characteristics,

"a relatively extensive participation in a wide variety of meetings; a passive and reactive support of the Group of 77; an occasional intervention to rebut and reject the Soviet linkage of development with disarmament; an uncharacteristically active participation in any debate relating to tungsten; and a generally modest, diligent and self-effacing behavioural posture." (44)

The group system institutionalised in G A resolution 1995 (XIX) is the foundation of UNCTAD's decision-making process. The voting and conciliation procedures envisaged in UNCTAD's constitutive document have, however been overtaken by changes during the history of the organisation. The main development in the process of decision-making

in UNCTAD has been in the use of the consensus method.<sup>(45)</sup> This approach more flexible than conciliation, in formal terms means the adoption of a decision without recourse to voting. In institutional terms this means that after a resolution has been debated the presiding officer after consultation with the various groups informs the meeting that there is no opposition and the resolution is therefore carried. The process of consensus takes place at two different levels. At the first, consultations and negotiations are conducted at the group level. This can be either meetings between groups or within the individual groups. The groups have also developed smaller negotiating bodies known as contact groups which meet to explore common areas of agreement and to try to reach agreement on points of dispute. At the second level, the consensus method is reflected in a draft resolution which is submitted to the organ concerned as a result of the deliberations of the contact groups. The proposed text is then adopted if there is no dissent. The work of the contact group is to some extent similar to that envisaged for the conciliation committee. The conciliation process has de jure recognition but the consensus method has become the de facto method of decision. Quasi-legal recognition has been given to this method by the organisation whose two main organs have recognised the importance of these informal developments. The consensus method was welcomed by Conference Resolution 80 (III) which stated that,

"Full use should be made, wherever is considered desirable, of flexible techniques for intergroup consultations in order to facilitate agreement." (46)

In a similar vein Board Decision 45 (VII) states,

"The Board recognised the task of negotiation including consultation and agreement on solutions is a single process." (47)

Consensus developed within UNCTAD because it is the most effective method of negotiation given the subject matter with which the organisation is concerned, its membership and its powers to implement its decisions. UNCTAD's redistributivist aims can only be achieved through attitude change, the development of international trade law and the negotiation of new economic agreements. It doesn't make much sense for the G77 to use its voting majority to pass resolutions calling for changes in the international economic order when its members lack the effective means to implement these suggested changes. Hence the inbuilt voting majority enjoyed by the G77 is irrelevant and counter-productive to a decisional process which would usher in genuine reform. New methods of decision-making which stressed accommodation had to be developed. The consensus method also has positive appeal to some Group B members. It enables those more sympathetic to G77 demands to use contact groups to press a more accommodating and less confrontational strategy. (48) The consensus method however often sacrifices form for content. In other words so much stress is placed on the texts of resolutions that substantive issues which divide the participants are glossed over. Consensus gives the illusion of progress where none has been achieved.

Negotiations in UNCTAD are severely constrained by the perceptual foci of the different participants. The G77 perceive UNCTAD as a negotiating body with the authority to preside over commodity agreements and a forum in which binding agreements on international economic issues can be taken. The Group B countries see UNCTAD as a communication forum i.e. one without a negotiating role. For them UNCTAD is an organisation which can study the bases of multilateral agreements but the actual negotiations must be conducted elsewhere e.g. GATT and the IMF. Where the existing machinery proved inadequate

new bodies could be created by ECOSOC although the West has generally not been in favour of the proliferation of the U.N. system. Group B is reluctant to concede UNCTAD a negotiating role because it does not control the organisation. (49) This dispute over UNCTAD's role and the exact meaning of the term negotiation has bedevilled UNCTAD's decision-making process from the outset. Since 1974 and the explicit recognition of UNCTAD's competence under the NIEO, there has been an unavoidable expansion of UNCTAD's negotiating role. Although the dispute continues concerning UNCTAD's negotiating function, the NIEO resolutions have increased the organisations' legitimacy in this area. The case studies, below, reveal for example the crucial importance of this issue in the debate over the Generalised System of Preferences (GSP) and the way in which it played a less salient role in the conflict over the Common Fund (CF) and Integrated Programme for Commodities (IPC).

The meaning of negotiation within the United Nations context is unclear. The best definition, perhaps, is that given by Kaufmann,

"The sum total of talks and contacts intended to solve conflicts or to work towards the common objectives of a conference." (50)

It is a moot point whether the U.N. is a negotiating body in the economic field apart from the specific commodity conferences convened periodically by the UNCTAD Secretary-General. The developed countries argue that economic negotiations entail a quid pro quo bargaining process with an end result of mutual concessions. The UNCTAD process, Group B claims does not contain this element of reciprocity instead it is one of deliberation with an end result of a non-committed resolution. (51)

For the G77 the deliberations within UNCTAD have the status of negotiations and UNCTAD resolutions are conceived as agreements of a quasi-legislative nature which should commit the parties concerned to specific action. (52)

The two main areas of negotiation under UNCTAD auspices have been commodity trade and trade in manufactures. Both the Generalised System of Preferences and CF/IPC negotiations are the subjects of later chapters and it is therefore of interest to discuss the relevance of the negotiation issue to these topics. The G77 viewed the deliberations as negotiations <sup>(53)</sup> but Group B insisted that these talks amounted to no more than discussions of their unilateral offer. <sup>(54)</sup> The phrasing of the resolution on preferences adopted in New Delhi <sup>(55)</sup> reflected Group B's approach since it described the discussions to be held in the Special Committee on Preferences (SCP) as consultations. The Group B countries insisted that the deliberations within the SCP were not negotiations since they, Group B were making unilateral concessions and discussions were only held to agree the type and range of concession. Group B argued that parties to a negotiation agree on something which is binding on both; the process of the SCP concerned the search for an understanding on the type of voluntary contributions which would be made by the rich countries. This dispute on exactly what term should be applied to the activities of the SCP should not be overstressed. The reality was that de facto negotiations took place, as states engaged in complex and hard bargaining over the technical and specialised issues.

Resolution 93 (IV) taken at the Nairobi Conference ushered in a series of negotiations on international commodity policy. It would be futile to pretend that the deliberations on the Common Fund were not negotiations. Furthermore negotiations on the individual commodity agreements under the IPC clearly took place under UNCTAD auspices. Before the impetus of the Integrated Programme tin, sugar, olive oil and wheat agreements had all been concluded under UNCTAD's umbrella. This is an area in which UNCTAD is less circumscribed since

international commodity agreements (ICAs) are reciprocal by nature and previous negotiating conferences on ICAs had been held under U.N. auspices. All preparatory work can be undertaken in UNCTAD up to the signing of the agreement. An independent ICA is then established to supervise the arrangements and the connection with UNCTAD is broken. Renegotiations on a new agreement, when the existing agreement is near expiry can take place within UNCTAD although it need not do so. Similarly an agreement may be renegotiated under UNCTAD even if it had not initially been negotiated within the organisation e.g. the Olive Oil and Tin Agreements. In these cases the content of the previous agreements were not much changed.

Other agreements negotiated under UNCTAD auspices are the Convention on Transit Trade of Land-Locked Countries (1965), the Code of Conduct for Liner Conferences (1974) and the Convention on International Multimodal Transport (1980).

The competing perspectives held by Group B and the G77 concerning UNCTAD's organisational competence also affects the organisation's role in the implementation procedure. The developed countries feel that their political and economic interests would be affected by strong implementation procedures whilst the developing countries argue that without effective implementation UNCTAD's resolutions are worthless. <sup>(56)</sup> The issue of implementation was raised at the very first session of the TDB (April 1965). The G77 requested the creation of a surveillance system for the implementation of the proposals of the Final Act (of the Geneva Conference). The developed countries countered that the lack of unanimity expressed in the decisions taken on the Final Act rendered it non-implementable. <sup>(57)</sup>

This dispute was resolved through a compromise reached at the second session of the TDB (August-October 1965).<sup>(58)</sup> A compromise resolution was adopted<sup>(59)</sup> which provided that in the UNCTAD Secretary-General's Annual Report the TDB would fulfil its task of periodically reviewing and assessing the progress of the implementation of the Final Act. The UNCTAD secretariat prepares its implementation reports on the basis of replies submitted by governments together with information collected from various non-governmental agencies. After hearing criticisms from Group B governments of the first report (for being too critical of their policies and for its reliance on non-governmental information) subsequent reports have been milder in tone.

This review function of the secretariat is only one part of the implementation process. Crucial to this process is the binding nature of resolutions. The obligations conferred by UNCTAD resolutions is dependent on:- (i) how specific or broad the issue (resolution) is; (ii) the commitment of the parties in the negotiations; (iii) the existence of multilateral or unilateral sanctions; (iv) the political atmosphere in which decisions are taken; (v) the existence of a supervisory body to which complaints can be taken; (vi) the perceived equity of the gains to be made.

UNCTAD's resolutions as we have shown fall into two categories - (i) those adopted by majority vote (ii) agreed resolutions which express the tacit consent of all states. The analysis of decision-making shows that the latter is the preferred method of settlement. In those cases where resolutions are of the former type little positive action is taken. Although it seems as though resolutions conforming to the latter type would have greater chance of being implemented the nature of the consensus method is such that this

inference is incorrect. Within an agreed resolution there still exists significant differences on the extent and meaning of implementation. Furthermore, although many resolutions and recommendations are adopted without a vote, a high proportion of these are severely diluted in the operational context because several important states enter reservations. (60)

Another important aspect of the political process in UNCTAD is the secretariat. The importance of the secretariat in the political process of the G77 will be discussed in the next chapter. Here I am concerned with the influence of the secretariat on organisational dynamics. A number of points can be made very briefly. First, the UNCTAD secretariat is an active political grouping interested in structuring outcomes in its immediate environment. From the outset the secretariat has been the guardian of an organisational ideology (61) with a distinct view of the world economy and the solutions to global poverty. The task of the secretariat has been to create a constituency which would support such proposals. The G77 is the effective constituency for the UNCTAD secretariat. Secondly, the close relationship between the secretariat and the G77 further exacerbates the distrust of the organisation held by Group B. Thirdly, the secretariat has been the active source of and generator of ideas - both the GSP and IPC had their origins in the respective Secretaries-General - Prebisch and Corea. The secretariat contributes to the formulation of policy objectives through its servicing role as well as through the preparation of reports and technical studies. (62)

## 4.2

UNCTAD in the International Environment

## 4.2.1

The Global Context

UNCTAD's area of concern is vast and continually expanding. The relationship between trade and development becomes not less complex, but more so as time progresses. The interdependence of the global economy and the interrelationships discovered by research tends to lead to increases in UNCTAD's activities in the trade and development field. UNCTAD's work programme has expanded because of the desire of the ldecs to make it the premier body in the trade field, the empire building of the secretariat and Group B's tactic of introducing issues divisive to the G77. <sup>(63)</sup> The increase in the membership of the organisation as the decolonisation process proceeds also enlarges the scope for action.

Between 1964-1980 there were significant changes in the international political economy which affected UNCTAD's capacity for action. Changes in the international political economy occur at two levels. The material level refers to changes in the international division of labour and international production processes. The political level refers to the efforts of states and other actors to adjust to these infrastructural changes. The political process is underpinned by a discourse which includes ideologies, norms and other forms of mental and speech acts. International organisations provide states with one way of adjusting to global processes of change. It is not our intention to analyse the changes in the global capitalist system but instead to delineate some of the major occurrences which have structured perceptions and behaviour. Among these are 1) the internationalisation of production through the transnational corporation 2) the growth of private capital markets e.g. the Euromarket; 3) changing

international productivities e.g. the rise of the newly industrialising countries NICs); 4) the oil price rises of 1973-1974 and 1979; 5) the increased indebtedness of Third World nations; 6) the end of the long boom of capitalist economic growth in 1973; 7) the recession of 1974 onwards; 8) the collapse of the Bretton Woods system; 9) various monetary crises in the leading countries; 10) the decline of the United States as the leader of the capitalist world; 11) the differential impact of the oil price rises; 12) increased interdependence. The developed states have responded to these changes by becoming more introspective. Although the rhetoric of helping the developing countries was still the same and a declared sensitivity to their aims was exhibited the flow of resources declined in real terms and trade policies became more protectionist.

The decline in development assistance, the loss of export markets, the turbulence in the international monetary system pushed the developing countries to increase their campaign for a transformation of the international economic order. Just as this campaign was getting underway the enormous increase in the oil price provided a double spur to action. First, it heralded (falsely) the promise of a new poor power and secondly it made the imperative of change even more drastic. The Third World coalition increasingly placed stress on the institutional framework and the necessity for a democratisation of the international decision-making process. These demands were made mainly through the U.N. system and are known collectively as the call for a NIEO. (64) This concern with the institutional framework is of course not new and was evident in the creation of UNCTAD. The importance of these developments for UNCTAD and the G77 are two fold. In the first place, the salience of organisational priorities was increased. In other words conventional 'low politics' became issues

of 'high politics'.<sup>(65)</sup> Secondly, increased activity presented both opportunities and problems for the two organisations.

UNCTAD must thus be seen in a dynamic sense, responding to political, economic and institutional changes. Although possessing influence and resources of its own, the organisation is primarily dependent on the activities of state actors. Changes in the rules and norms governing international economic relations are initiated mainly by state actors. This claim does not imply that these environmental changes can be reduced to state actors. It does, however, recognise the privileged position of the state in international relations. The remainder of this chapter discusses the relationship of UNCTAD to other organs of the United Nations and international organisations concerned with problems of trade and development.

#### 4.2.2

##### UNCTAD Within the United Nations System

UNCTAD was created as a subsidiary organ of the General Assembly. Its annual reports are submitted to the General Assembly and are considered in the Second (Economic and Financial) Committee. The organisation is supposed to act in accordance with Assembly recommendations and to participate in the preparation and implementation of Assembly decisions on trade and development. On the whole the relationship between UNCTAD and the General Assembly has worked well and has been relatively trouble-free.<sup>(66)</sup> The Assembly reflecting as it does a Third World majority takes a favourable view of UNCTAD's activities. This relatively harmonious relationship has been very well described by Cordovez, who writes that,

"The Assembly has not shown any tendency to exert strict and detailed supervision over the activities of UNCTAD but rather to serve as a forum which lends political support to particular aspects of the Board's work regarding which delegations feel that such support is needed." (67)

According to General Assembly resolution 1995(XIX), the Trade and Development Board reports to the General Assembly via ECOSOC. This is adhered to but no real discussion of the report takes place in ECOSOC, it is used merely as a transmission belt. (68)

Within the United Nations family UNCTAD is only one of a large group of organisations concerned with questions of international trade and development and issues of central concern to the developing countries. These include organisations created by the General Assembly itself such as the United Nations Development Programme (UNDP), the United Nations Industrial Development Organisation (UNIDO), the United Nations Environment Programme (UNEP), the United Nations Commission on International Trade Law (UNCITRAL); the specialised agencies such as the Food and Agricultural Organisation (FAO), the International Labour Organisation (ILO), the World Health Organisation (WHO), the World Intellectual Property Organisation (WIPO), the United Nations Educational, Scientific and Cultural Organisation (UNESCO), the International Maritime Consultative Organisation (IMCO), the International Monetary Fund (IMF), the General Agreement of Tariffs and Trade (GATT) and the International Bank for Reconstruction and Development (IBRD).

UNCTAD was created to fill an institutional hiatus in international economic affairs but entered an arena with three major organisations, the IMF, IBRD and GATT, functioning to the satisfaction of the major trading states. Since its creation new organisations with salience for its own activities have been created e.g. UNDP and

UNIDO. With such a large number of organisations operating over such a wide range of issue-areas it is obvious that there will be problems concerning overlapping, waste of resources, disputes over organisational jurisdiction and the possibility of coordination. (69) All of these problems are compounded by the decentralised nature of the United Nations system. Certain problems of coordination are inherent in the United Nations system. (70) First, the geographical separation of the organisation affects the efficiency and costs, and increases the difficulties of coordination. Secondly, the vast increase in the number of activities and programmes places a severe strain on the technical and personnel resources of the member states. (71) Thirdly, the Economic and Social Council which is the pivot of the system has never operated in the way it was supposed to do. Instead of being the initiator of developments it has often found itself as a mere follower. Fourthly, it is perhaps impossible to agree a coherent international programme when the starting point is a set of independently conceived programmes each with its own objectives and administration. Fifthly, the lack of any central authority with the competence to settle disputes has resulted in a system of dispute settlement by compromise. This form of distributive justice leads to solutions which favour particular agencies rather than the needs of the system as a whole. Sixthly, this results in "overlaps in the range of activities of different organisations sanctioned by their respective constitutions and desired by their national counterparts - a problem compounded by difference in structure ..... and membership." (72) Finally, the absence of coordination at the national level with respect to international policies and programmes also hinders efforts at international coordination. It leads governments to take divergent positions on the same issues in different international forums

and sometimes to divergent decisions being reached.

Apart from these inherent problems affecting coordination certain developments in world politics and international organisational change have also contributed to an intensification of these problems. First, there has been the increase in the scope and interdependence of international activities. This increase reflects the increasing interdependence of international economic activity and also the increasing use made of international agencies to solve problems which formerly would have been considered within the domestic jurisdiction of nation-states. Secondly, there has been a rapid and unprecedented growth in the operational activities of international organisations. The development of the technical assistance activities of international organisations led to changes in structure and the development of new ways of organising activity. Many organisations developed their own methods and this created problems in subsequent years for cooperation. A third development affecting coordination within the U.N. system has been the proliferation of activities at the regional level. There has been unwarranted duplication and a lack of effective cooperation between the regional commissions and the global agencies with their sectoral approach. Another development affecting coordination problems has been the increase in the membership of the international organisations. Most of these new members are poor, underdeveloped states who want to use international agencies as transfer mechanisms in their struggle to improve their economic conditions. This has meant an increase in the tasks of existing agencies and a proliferation of new agencies. Furthermore, these countries as previously stated want to increase their influence in the decision making organs of these organisations. This has also accentuated the question of ECOSOC's competence as the developing countries have used the General Assembly to bypass the

Council. Fifthly, the institutional fragmentation of the 1960s has also affected the functioning of the U.N. system. The General Assembly in creating first UNCTAD and later UNIDO and the merging of the Expanded Programme of Technical Assistance with the Special Fund to create UNDP and the later decision to establish a UNEP added to the confusion. There has been considerable debate over competences and overlapping jurisdiction with ESA, the regional economic commissions and the agencies. The wide ranging activities of the World Bank Group and the UNDP also pose potent problems for efficient administration of the entire system. Finally, the budgetary fragmentation in the system i.e. the rise in the growth of voluntary funds means that over half of the economic and social activities of the United Nations is financed in this way. These activities are not subject to the same kind of central programme, administrative and budgetary control as is exercised over regular budget activities. (73)

Within this administrative jungle UNCTAD has a variety of relationships with other international organisations. Some are relatively straightforward, but others reflect all the defects of the system. Excluding the specialised agencies within the U.N. family the organisations with the greatest relevance for UNCTAD are the regional economic commissions, UNDP, UNIDO and UNCITRAL. The interest of the regional economic commissions in the trade policies and problems of their members brings them immediately into close contact with UNCTAD. UNCTAD cooperates closely with the regional economic commissions, but this takes the form of functional relations between UNCTAD headquarters and the headquarters of the regional commission because UNCTAD has no regional offices of its own.

General Assembly Resolution 2152 (XXI) <sup>(74)</sup> which established UNIDO provided for cooperation between UNCTAD and UNIDO. Cooperation between the two organisations takes two forms, a) coordination of activities with respect to the implementation of technical assistance projects with which they are concerned; b) consultation on the execution of certain independent development projects. UNCTAD became a participating agency of UNDP through General Assembly Resolution 2401 (XXIII). <sup>(75)</sup> UNCTAD participates in the preparation and execution of certain UNDP financed projects. At the national level UNDP resident representatives act as UNCTAD representatives in matters concerning UNCTAD's technical assistance activities. UNCTAD also cooperates with UNCITRAL which was created by General Assembly Resolution 2205(XXI) <sup>(76)</sup> to further the progressive harmonisation and unification of international trade law. Cooperation between UNCTAD and UNCITRAL has taken the form of coordination on joint international shipping legislation, for example.

#### 4.2.3

##### UNCTAD and the Specialised Agencies

UNCTAD's relationship with the specialised agencies was established on the basis of Articles 57 and 63 of the United Nations Charter which authorises the United Nations through ECOSOC to coordinate the activities of these agencies. The large number of specialised agencies with relevance for UNCTAD's work has already been listed above. The three agencies of the greatest interest from our perspective are the IMF, the World Bank and GATT.

Concern over the reform of the international monetary system provides the prime focus of overlap between the concerns of UNCTAD and the IMF. UNCTAD has been concerned with the workings of the international monetary system from its early years <sup>(77)</sup> and UNCTAD III was dominated by the question of international monetary reform. It was as a direct result of pressure at UNCTAD III that the composition of the Interim Committee on the Reform of the International Monetary System (the Committee of Twenty) was changed to include eight representatives of the developing countries. The role of the IMF in the provision of compensatory finance has also aroused UNCTAD's interest. There is some cooperation between UNCTAD and the IMF on these matters but basically the relationship is one in which UNCTAD attempts to mobilise its members to pressure the IMF to take policies more favourable to the developing countries. UNCTAD is not particularly successful in its influence attempts but continues to pressure the IMF for favoured policies e.g. changes in IMF conditionality provisions.

The World Bank has expanded its scope considerably <sup>(78)</sup> in the past thirty years and has also changed its emphasis in response to changes in the international environment and now its operations are almost entirely concentrated in the field of development assistance. As the largest multilateral lending agency it is of direct concern to UNCTAD which is concerned with the flow of funds, the geographical disbursement of loans, the rate of interest and other considerations affecting the flow of development assistance to the developing countries and their ability to repay these loans. The diversification of the World Bank into such areas as trade expansion, and economic cooperation and research on commodities and substitutes means that there is an area of overlap with UNCTAD. Inter-secretariat

cooperation is maintained in the examination of these problems but the UNCTAD secretariat and the developing countries are mainly interested in using the organisation to influence the World Bank's priorities and decisions.

The relevance of GATT both to the origins of the Third World coalition and the creation of UNCTAD and GATT's responsibilities in the trade field make GATT the single most important existing international organisation from UNCTAD's perspective. (79) The UNCTAD-GATT relationship has been largely determined by the historical circumstances surrounding UNCTAD's birth and the lack of a central authority to adjudicate the competing claims of the rival organisations for jurisdictional competence in the trade field. On the first point it is sufficient to recall that the developed countries did not want the 1964 Conference to create a permanent machinery. They argued that there were enough organisations in the trade and development field without creating further institutional congestion and furthermore, that GATT as a negotiating body could be sufficiently extended and developed into an agency capable of implementing the new trade and development policy. To this end Part IV of GATT, containing similar provisions to UNCTAD's Final Act was added in February 1965. This attempt at preventative expansion by the developed countries was fully supported by the GATT secretariat and led in the early years of UNCTAD's existence to frequent clashes over areas of competence and responsibility. (80) With the establishment of the UNCTAD-GATT International Trade Centre (ITC) in January 1968 relations between the two organisations began to improve.

The importance of GATT from the perspective of our study is two-fold. First, it has a wide area of competence and overlaps with UNCTAD in a number of fields. As such it is used by Group B in an attempt to by-pass the UNCTAD framework. Secondly, in so far as UNCTAD and GATT clash developing countries are presented with a choice between the two organisations. Emphasis on GATT leads to lack of interest in UNCTAD. Nevertheless this picture of conflict although of importance does not describe the sum total of UNCTAD-GATT relations. Apart from the ITC there are areas in which the organisations complement each other. For example, the GSP negotiated in UNCTAD is only made possible through a waiver in the GATT. And the Global System of Trade Preferences among developing countries (GSTP) currently in progress in UNCTAD cannot make adequate progress without significant input from GATT. (81)

#### 4.2.4

##### Relations with other International Organisations.

The Conference is open to any inter-governmental organisation concerned with trade and development problems. The representatives of such institutions may participate without a vote in the Board's deliberations. UNCTAD also has ties with a number of non-governmental organisations. (82) The criteria for the participation of these organisations in UNCTAD's work was decided at the seventh session of the TDB. (83) In order to establish continuing consultative arrangements with UNCTAD a non-governmental organisation must be particularly concerned with the problems of trade and development; have aims and purposes which are in conformity with the spirit, purposes and principles of the U.N. Charter; be of recognised standing and represent a substantial proportion of organised persons within the particular field in which it operates; have an established

headquarters and be international in its structure. A distinction is made between non-governmental organisations with a basic interest in UNCTAD's activities (General Category) and those with an interest in specific matters only (specific category). A register exists for recording national non-governmental organisations which can make a significant contribution to the work of UNCTAD. In December 1976 there were 59 inter-governmental organisations participating in UNCTAD's work, 32 international non-governmental organisations in the general category, 39 in the special category and 2 national non-governmental organisations inscribed on the register. (84)

#### 4.3

##### Conclusions

UNCTAD provides a specific environment for the North-South debate. Politics in the organisation reflect fundamental divergencies concerning the competence and role of the organisation. The political process although based on the formal procedures has developed organisational decision-making in a manner different from that originally envisaged. The most significant features are the group system and the development of a consensus method of decision-making. Organisational structure and process place the emphasis on group solidarity and this is enhanced by the conflicting ideologies. There is thus a strong organisational bias in favour of G77 unity. The nature of the deliberative process, the issues discussed and the form of decision-making enhance southern solidarity. Few gains can be made from breaking ranks and the political costs would be high. The G77 is able to maintain unity because the negativism of Group B and the indifference of Group D offer little in the way of positive inducement to

defect. Furthermore UNCTAD's scope of effective decision is so limited that the economic costs of maintaining unity in the face of economic disadvantage are low. Conversely the importance of UNCTAD within the NIEO and global institutional reform reinforces and maintains group unity. UNCTAD was created by the G77 and the maintenance of the organisation requires the continued existence of the group. Despite its many shortcomings UNCTAD remains the only organisation which the ldc's effectively control. The coalition is necessary for control to be maintained and therefore states will attempt to reconcile their differences in order to hold on to their prize asset. The importance I'm referring to is not only a material one but also psychological and symbolic. In other words although UNCTAD clearly fails to provide the G77 with tangible economic gains it nevertheless fulfils an important symbolic role. The existence of rival organisations encroaching on UNCTAD's territory strengthens rather than weakens political support unless substantial tangible gains were to accrue from these rival organisations.

The absence of voting not only makes intra-G77 cooperation seem greater, it also contributes towards increasing cohesion and lessening fractionalisation. Persuasion is the most significant way of arriving at collective decision in the consensus method of decision-making. Persuasion in intra-G77 bargaining is further enhanced because of the existence of shared group norms in contradistinction to Group B. G77 unity is also maintained through institutionalisation. UNCTAD provides a defined pattern of interaction and the negotiating groups and contact groups a stable and persistent setting for negotiations. After UNCTAD IV the committees became open ended and this removed one sanction (election to office) from group politics but elections for officers and

nominations to negotiating groups still provide measures through which to enforce discipline.

The conclusion of this chapter is that the UNCTAD framework provides a setting in which the pressures for group conformity and group solidarity act as effective bulwarks against the centrifugal tendencies in the G77. The next chapter analyses the organisation of the group itself in order to assess the extent to which its own organisational dynamics contribute to the resolution of conflictual strains within the coalition.

FOOTNOTES

1. See R.W. Gregg, "Negotiating A New International Economic Order: The Issue of Venue in R. Jütte & A. Gross-Jütte(eds). The Future of International Organization (London: Frances Pinter 1981) pp. 51-69.
2. See D. Silverman, The Theory of Organisations (London: Heinemann 1970); L. Gordenker and P.R. Saunders, "Organisation Theory And International Organisation" in P. Taylor & A.J.R. Groom (eds). International Organisation (London: Frances Pinter, 1978) pp. 84-107.
3. L.T. Farley, Change Processes in International Organizations (Cambridge Mass: Schenkman Publishing Co. Inc. 1981) p. 41.
4. 30 December 1964.
5. General Assembly Resolution 1995 (XIX)
6. See R.C. Ogley, 'Towards a General Theory of International Organisation', International Relations III (1969) pp.599-619 for a theoretical discussion on the effectiveness of international organisations (IO). Ogley argues that the effectiveness of an IO may be measured by its ability to create an institutional structure appropriately sharp/blunt for the effective present pooling of national sovereignties for their future limitation.
7. See Conference Resolution 90 (IV) in Proceedings (1976), vol.1. Originally membership of the TDB had been limited to 55 states; this had subsequently been increased to 68 in 1972 by U.N. General Assembly Resolution 2904 B(XXVII) on the Recommendation of Conference Resolution 80(III). See Proceedings (1972) vol. 1.
8. The main sessions of the TDB are convened in the autumn.
9. G.A. Resolution 1995 (XIX) para. 23 envisaged three committees but the Board at its first session created the Committee on shipping. See TD/B/SR.10 and TD/B/SR.13 TD/B/L.29 and Board Resolution II(1) Establishment of a Committee on Shipping. (13 April 1965).
10. Official Records of the Trade and Development Board, First Session Supp.1; A/6315 p.70. Board Decisions 7(1) Commodities; 9(1) Manufactures; 10(1) Invisibles and Financing related to trade and 12(1) Shipping.(April 1965)

11. For more detail on the conciliation process see R.Krishnanurti and D. Cordovez, 'Conciliation Procedures in UNCAD. An Explanatory Note' Journal of World Trade Law (July/August 1968) pp. 445-466.
12. China does not take part in Group A deliberations and Israel and South Africa are excluded from this group.
13. R.L. Rothstein, Global Bargaining. UNCTAD and the Quest for a New International Economic Order (Princeton N.J. Princeton University Press 1979) treats UNCTAD as merely a deliberative forum.
14. Of course the groups are not homogenous entities!
15. See also Alfred Maizels, 'A Clash of Ideologies', IDS Bulletin (July 1984) pp. 18-23.
16. All international organisations can be said to possess an organisational ideology. The post-war system of global management enshrined in the GATT, IMF and IBRD espoused a liberal free market philosophy in conflict with UNCTAD's interventionist stance.
17. See the various resolutions on the NIEO. The Establishment of a New International Economic Order, G.A. Resolution 3201 (S-VI); the Programme of Action on the Establishment of a New International Economic Order, G.A. Resolution in 3202 (S-VI); the Charter of Economic Rights and Duties of States, G.A. Resolution 3281(XXIX); and Development and International Economic Cooperation G.A. Resolution 3362(S-VII).
18. G.A. Resolution 2626(XXV) and the NIEO resolutions above.
19. Alan Lamond, 'UNCTAD's Twenty Years of Pioneering Efforts in Trade and Development,' IDS Bulletin (July 1984) pp. 4-6 provides a brief overview.
20. Political and procedural resolutions account for a tiny percentage of the total number of decisions.
21. J.S. Nye 'UNCTAD: Poor Nations Pressure Group', in R.W. Cox & H.K. Jacobson (eds), The Anatomy of Influence (New Haven & London: Yale University Press 1973 pp. 334-370; R.Walters, 'International Organization and Political Communication: the use of UNCTAD by LDLs', International Organization (Autumn 1971) pp. 824-841.

22. I have used the term decision here because it seems appropriate. Within the UNCTAD framework, however, the results of the deliberative process have three different titles vis. recommendations, resolutions and decisions. "No clear cut division seems to exist between these nomenclatures" Mr L.J. Sise (Legal Section UNCTAD Secretariat) Interview 31 October 1979. I will use the terms interchangeably in the future.
23. Hans Kelsen is a firm believer that laws are rules and therefore questions the lawmaking capacity of the U.N. See H. Kelsen, Pure Theory of Law (Berkeley, University of California Press 1967) H.Kelsen, The Law of the United Nations (London: Stevens 1951). For an opposed view see R. Falk, "On the Quasi-Legislative Competence of the General Assembly" American Journal of International Law (October 1966) pp. 782-791; R. Higgins, The Development of International Law Through the Political Organs of the United Nations (London: Oxford University Press 1963).
24. See R. Higgins, "Policy Considerations in the International and Judicial Process", International and Comparative Law Quarterly vol. 17 (1968) pp. 58-84; M.McDougal, "Some basic theoretical concepts about international law: a policy orientated framework of enquiry" Journal of Conflict Resolution vol.4 (1960) pp. 337-354.
25. See S.D. Metzger, "Developments in the Law and Institutions of International Economic Relations. UNCTAD", American Journal of International Law (July 1967) pp. 756-775; P. Berthoud, UNCTAD and the Emergence of International Development Law" in M.Zammit Cutajar, UNCTAD and the South-North Dialogue (Oxford: Pergamon Press 1985) pp. 71-98.
26. J.A. Ansari, UNCTAD: Objectives And Performance, 1964-1976. D Phil Thesis, University of Sussex 1983. pp. 201-228.
27. Ibid. pp.205; 219-220; 228-229.
28. This quantitative analysis reveals the existence of a stable pattern of decision-making.
29. These points were made by Mr M.T. Adebajo (then) Secretary to the Trade and Development Board, Interview 5 May 1976.
30. Researchers have identified several voting blocs in the U.N. General Assembly. See e.g. T.Hovet, Bloc Politics in the United Nations (Cambridge: Mass. Harvard University Press(1960)).

31. The mushrooming of UNCTAD groups into other fora contribute to this process. On the operation of the groups during the Law of the Lea negotiations see R.C. Ogley, Internationalizing the Seabed (Aldershot, Hampshire: Gower 1984) pp. 81-85.
32. See R.W. Gregg in Jütte & Gross-Jütte op.cit. pp. 62-63; Rothstein op.cit. pp. 195-203; B.Gosovic, UNCTAD:North-South Encounter, International Conciliation (May 1968) pp. 29-30.
33. UNCTAD conferences apart from the initial 1964 effort have been regarded as failures by participants and observers. See e.g. David Howell, "Failure at UNCTAD II - Divided Rich and Embittered Poor" Round Table (July 1968) pp. 249-253; Caroline Miles "Trade and Aid: The Second UNCTAD, The World Today (1968) pp. 64-71; Michael Lipton, "UNCTAD SMUNCTAD? Why Not Start Again From Scratch", Round Table (July 1972) pp. 297-300; J. Ann Zammit, "UNCTAD III: End of an Illusion IDS Bulletin (January 1973) pp. 3-13; H.Gonzalez, "UNCTAD III - Beggar's Opera. The Bureaucrats Overreach" Inter-American Economic Affairs (Autumn 1972) pp. 51-67; J. Madely, "Third World Pressures at Nairobi: The Political Significance of UNCTAD IV", Round Table (October 1976) pp. 341-346; S. Joeekes & C.H. Kirkpatrick, "The results of UNCTAD V", Journal of World Trade Law (Nov:Dec 1979) pp. 535-549.
34. A.K. Koul, The Legal Framework of UNCTAD in World Trade (Bombay: N.M. Tripathi, 1977) p.67.
35. Gosovic op.cit. p.29.
36. See e.g. Mahbub ul Haq, The Poverty Curtain (New York: Colombia University Press) p.182 where he uses the collective bargaining analogy.
37. Koul. op.cit.
38. Interviews with Canadian (30 October 1979) and American (1 November 1979) representatives to UNCTAD.
39. For example Group B supports the lddcs but refuses to re recognise the developing island countries as a separate category.
40. For further analyses of Group B's organisation and response to ldc demands see Geoffrey Goodwin, "The OECD Industrialised Countries Response" in G. Goodwin & J. Mayall (eds.), A New International Commodity Regime (London: Croom Helm 1979)

- pp. 111-142; see also C.R. Evans, "Should Group B remain Group B". Journal of World Trade Law (May:June 1978) pp. 241-244.
41. See R.C. Ogley, The United Nations and East-West Relations 1945-1971 I.S.I.O. Monograph, University of Sussex, Brighton, 1972.
  42. See Jan Bielowski, "The Socialist Countries And The New International Economic Order" in Jütte & Gross-Jütte op.cit. pp. 70-90 for Group D's attitude towards UNCTAD; also C.A. Schwartz UNCTAD: Soviet Politics in the North-South Conflict.
  43. Interestingly, however, the PRC was elected as a member of the TDB at UNCTAD III from Group A.
  44. Samuel S. Kim, China, the United Nations and World Order (Princeton N.J.: Princeton University Press) pp. 303-304.
  45. Another example of UNCTAD practices spilling over into the U.N. system occurred with the adoption of the consensus procedure in NIEO negotiations.
  46. Proceedings (1972) vol. 1.
  47. 21 September 1968. Official Records of the Trade and Development Board Seventh Session Supp. 1.
  48. On the change in the organisation from a confrontationist to an accommodationist strategy see Diego Cordovez, "UNCTAD and Development Diplomacy: From Confrontation to Strategy" Journal of World Trade Law 1972.
  49. "Each group of countries will wish to negotiate issues of importance to it in the institution that it dominates". Sidney Weintraub, "The Role of the United Nations in Economic Negotiations" in D.A. Kay(ed). The Changing United Nations (New York: The Academy of Political Science) p.97.
  50. J. Kaufmann, Conference Diplomacy (Leyden: A.W. Sijthoff 1968) p. 23.
  51. Official Records of the Trade and Development Board (various).
  52. One dissenting note was echoed by Ambassador Lall of India at the Eight Special Session of the Trade and Development Board. He claimed that 'negotiations were dealings between partners with equal bargaining power. There could be no question of refusing to negotiate, but it should be

recognised that at present certain negotiations were not possible.' TD/B/SR.461 (27 April 1977)

53. The Charter of Algiers had called for negotiations leading to the conclusion of an agreement to be held under UNCTAD auspices.
54. At the OECD meeting in 1967 when they had agreed to preferences in principle they recognised that this entailed no binding commitment. Group B would be granting unilateral concessions.
55. Conference Resolution. 21(II). See Proceedings (1968) vol.1.
56. Frustration over lack of effective results led to the acronym UNCTAD being held to mean Under No Circumstances Take Any (Effective) Decisions.
57. See TD/B/SR. 1-24
58. See TD/B/SR. 25-57
59. Board Decision 19(II). See Official Records of the Trade and Development Board, Second Session.
60. For an optimistic analysis of UNCTAD's growing legitimacy see Gamani Corea, "UNCTAD: The Changing Scene" in M. Zammit Cutajar (ed.). op.cit. pp. 295-302.
61. This can be termed the Prebisch-Singer thesis. See Marc A Williams, "The UNCTAD Secretariat: Organisational Ideology and Political Leadership," University of Sussex, Brighton, 1979 (mimeo).
62. For a critical, hostile view of the UNCTAD Secretariat see R.L. Rothstein op.cit. pp. 183-192 and 209-216. For a more dispassionate analysis see J.A. Ansari op.cit. pp.331-383.
63. It is claimed for example that the creation of the developing island category was engineered by Group D for this purpose. Interviews September 1978 and October - November 1979.
64. See NIEO resolutions cited in fn. 17.
65. The high politics/low politics distinction only makes sense with respect to the saliency of issues. I use it in this context to reflect participant perceptions.

66. The only serious case of conflict arose over the desire of some developing countries and some socialist countries to give UNCTAD a central role in the development of international trade law. They proposed that any body created as a result of the steps engendered by G.A. Resolution 2102 (XX) should be within UNCTAD's framework. The confrontation did not become serious because when the issue was discussed in the General Assembly most of the developing countries, including many of the sponsors of the original UNCTAD draft resolution seeking to expand UNCTAD's role in this field, supported the creation of a body under the aegis of the General Assembly. See Official Records of the General Assembly Twenty-first session.
67. Cordovez op.cit. p.53.
68. At first Group B wanted ECOSOC to use this function to oversee and supervise UNCTAD's work. The developing countries wanted ECOSOC to act as a mere communications channel. The practice has conformed to the G 77's views.
69. For an excellent discussion of the co-ordination problem see M.Hill, The United Nations System (Cambridge: Cambridge University Press 1978). The analysis of the co-ordination difficulties in the U.N. system, below, leans heavily on this work.
70. See the report of the Ad Hoc Committee on the Restructuring of the Economic and Social Sectors of the United Nations System. Official Records of the General Assembly. Thirty-second session. Supplement No. 34. (A/32/34) and Supplement No. 34A (A32/34/Add.1).
71. See Hill op.cit. p.18. This was recognised as early as 1949 and the problem has grown more acute with the poverty of most developing countries.
72. Hill op.cit. p.20.
73. Hill op.cit. pp. 24-42.
74. 7 November 1966.
75. 13 December 1968.
76. 17 December 1966.
77. For reasons of space this can't be developed here. For recent analyses of UNCTAD's efforts in the monetary field see Iqbal Haji, "Finance, money, developing countries and

- UNCTAD". in Zammit Cutajar op.cit. pp. 145-174 and Roger Lawrence, "Money, Finance and Global Macro economics: UNCTAD in the 1970s and 1980s, "IDS Bulletin"(July 1984) pp. 51-56
78. See R.L. Ayres, Banking on the Poor: the World Bank and World Poverty (Cambridge, Mass: MIT Press 1983); S. Please, The Hobbled Giant: Essays on the World Bank (Boulder, Colorado: Westview Press 1984); T. Hayter & C. Watson, Aid: Rhetoric and Reality (London: Pluto 1985) for recent analyses of the World Bank.
79. See B. Gosovic, UNCTAD: Conflict and Compromise (1972) pp. 198-217; R. Krishnamurti, "UNCTAD as a negotiating instrument on trade policy: the UNCTAD: GATT relationship in Zammit Cutajar op.cit. pp. 23-70; D. Cordovez op.cit. pp. 57-73; for analyses of the UNCTAD-GATT relationship.
80. See Gosovic ibid and Cordovez op.cit. for detailed discussions of these exchanges between 1964 and 1967.
81. GATT expertise will be needed in these complex negotiations. GATT currently provides an input and it was the 'Enabling Clause' of November 1979 in the context of the Multilateral Trade Negotiations which allows the GSTP to go ahead without the need for a special waiver. The 'Enabling Clause' provides for differential treatment for developing countries.
82. See Marion Gallis Quednau, "NGO support for UNCTAD", IDS Bulletin (July 1984) pp. 24-26.
83. Board Decision 43(VII) - See Official Records of the Trade and Development Board, Seventh Session. Supp.1.
84. TAD/INF/PUB/76.8(December 1976).

CHAPTER 5The Group of 77 : Organisational Structure and Political Process

Organisational performance depends upon the initial organisational structure, the political process and changes in these two features over time. Organisational theorists refer to two specific aspects of structure and process as being of most importance. These are the 'scope' and 'level' of the organisation. Philip Schmitter defined the scope of an international organisation as "a mixture of two dimensions: the number of social groups or policy sectors potentially involved (in making and elaborating the policy of the international organisation) .... and the importance of these policy sectors for the attainment of national actor-defined goals".<sup>1</sup> The impact of the organisation on its environment varies in direct proportion to the number of groups involved in policy articulation. The level of an international organisation "refers to the extent of commitment to mutual decision-making both in terms of continuity i.e. the obligation to meet recurrently and to re-evaluate periodically joint policies, and in terms of techniques i.e. the nature of the policy making process itself."<sup>2</sup> As Ansari notes, "the greater the commitment to the institutionalization of decision-making processes, subordinating national autonomy in specific issue areas, the greater the likelihood that the organization will transform the environment in accordance with its ideology."<sup>3</sup>

These concepts cannot be applied to the G77 without some degree of adaptation but nevertheless are suggestive of further lines of analysis. The continued existence of the G77 and its ability to maintain cohesion is dependent upon changes in its scope and level. The unique nature of the G77 i.e. it is an informal yet highly

institutionalised mechanism suggests a redefinition of scope and level along the following lines. Scope is defined as the number of groups and issue-areas involved in policy making and the importance of these groups and issue-areas for national actor-defined goals. Level refers to both the continuity of joint decision and the decision-making techniques involved. But the less the threat to national autonomy of joint decision making the greater the potential stability of the organisation. In other words, the development of sub-groups within the G77 along relevant issue-areas will enhance rather than disrupt organisational stability provided decision-making protects national autonomy. The accommodation of sub-groups within the organisation will provide certain members with potential benefits not generalisable to all members. This is important because the heterogeneous nature of the coalition ensures that few general policies will benefit all members. This does not mean that the mere proliferation of subgroups contributes to coalition maintenance. Rather, it is the institutionalisation of sub-groups, provision of gains and access to decision-making which is crucial.

The first part of this chapter examines the organisational structure of the G77 and its development over time. The focus will be on the G77 in Geneva, the headquarters of UNCTAD but features relevant to the wider G77 and its operation in other regional centres will also be discussed.

## 5.1. Organisational Structure

### 5.1.1. Membership

The G77 expanded from its original membership in 1964 to number 122 in 1980<sup>4</sup> (see Table 5.1.). Apart from a few exceptions, the membership of the G77 is synonymous with UNCTAD's Groups A and C. Cyprus and Malta, members of Group B, are members of the G77 and

TABLE 5.1.

The members of the Group of 77, September  
1980

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Afghanistan *	Guyana	Samoa
Algeria *	Haiti *	Sao Tome and Principe
Angola	Honduras *	Saudi Arabia *
Argentina *	India *	Senegal *
Bahamas	Indonesia *	Seychelles
Bahrain	Iran *	Sierra Leone *
Bangladesh	Iraq *	Singapore
Barbados	Ivory Coast *	Solomon Islands
Benin *	Jamaica *	Somalia *
Bhutan	Jordan *	Sri Lanka *
Bolivia *	Kenya *	St. Vincent & Grenadines
Botswana	Kuwait *	Sudan *
Brazil *	Laos *	Suriman
Burma *	Lebanon *	Swaziland
Burundi *	Lesotho	Syria *
Cape Verde	Liberia *	Thailand *
Central African Republic *	Libya *	Togo *
Chad *	Madagascar *	Tonga
Chile *	Malawi	Trinidad and Tobago *
Colombia *	Malaysia *	Tunisia *
	Maldives	Uganda *
	Mali *	United Arab Emirates
Congo *	Mauritania *	United Republic of Cameroon *
Costa Rica *	Mauritius	United Republic of Tanzania *
Cuba	Mexico *	Upper Volta *
Cyprus *	Morocco *	Uruguay *
Democratic Kampuchea *		Venezuela *
Democratic People's Republic of Korea	Mozambique	Vietnam *
Democratic Yemen	Nepal *	Yemen *
Djibouti	Nicaragua *	Yugoslavia *
Dominica	Niger *	Zaire *
Dominican Republic *		Zambia
Ecuador *	Nigeria	Zimbabwe
Egypt *	Oman	
El Salvador *	Pakistan *	
Equatorial Guinea	PLO	
Ethiopia*	Panama *	
Fiji	Papua New Guinea	
Gabon *	Paraguay *	
Gambia	Peru *	
Ghana	Philippines *	
Grenada	Qatar	
Guatemala *	Republic of Korea *	
Guinea *	Romania	
Guinea-Bissau	Rwanda *	

\*Original members of the  
G77.

Romania a member of UNCTAD's Group D has been a member of the G77 since 1976. China, Israel and the Republic of South Africa, although members of Group A are not members of the G77. The Palestine Liberation Organisation (PLO) is the only non-state (non-UNCTAD) member of the G77. The criteria for membership of the Group has never been made explicitly clear. The founder members were those states which signed the Joint Declaration of the Developing Countries at UNCTAD I in 1964. Subsequently, all developing countries joining UNCTAD have joined the Group. The basic requirement for membership is a commitment to support the agreed positions of the Group 77 in all forums. The acceptance into the G77 of the newly-independent states and their willingness to join can be explained in institutional terms by reference to the division of states in UNCTAD into groups based on geographic and socio-economic factors. The existence of the UNCTAD group system and its salience for decision-making in the organisation constituted a major reason for the expansion of the G77. On entry into UNCTAD the new states automatically became members of List A or List C. Apart from the exceptions previously mentioned the combined membership of lists A and C form the G77. Since it is the G77 which is the actor in UNCTAD politics, membership of the G77 became a necessary requirement for effective participation in UNCTAD decision-making.<sup>5</sup>

Membership of the G77 is closely related into its sub-division into three geographical groups - Africa, Asia and Latin America. Until the Third Ministerial Meeting of the Group of 77 (26 January-7 February 1976) in Manila, Philippines, the sole basis for membership was regional. To become a member of the G77 a state first had to be admitted to one of the three regional groups. Any country admitted to one of the three regional groups automatically becomes a full member of the G77. This practice proved uncontroversial until

the admission of the PLO to the Asian Group at its Third Ministerial Meeting at Jakarta, 19-21 January 1976.<sup>6</sup> At the Third Ministerial Meeting of the G77, the Latin American Group expressed private reservations about PLO membership of the Asian Group and by extension of the G77. The African Group concerned to uphold the principle of regional group autonomy on questions of membership supported the Asian Group's decision and the PLO's membership was never officially challenged.<sup>7</sup>

Apart from the regional basis of membership it is possible for a country to become a non-regional member of the G77. To do so it has to submit a written application directly to the Chairman of the G77 stating its reasons for joining, its intention to subscribe to the objectives of the Group and to abide by the conditions of its membership. The application is then submitted to the three regional groups, after which the G77 as a whole takes a decision on the basis of consensus. A non-regional member is entitled to participate in all meetings of the G77 and may be invited to participate in the work of a regional group on an informal basis. Proposals from non-regional members have to be channelled through one of the regional groups.<sup>8</sup>

The issue of non-regional membership of the G77 first arose at the Third Ministerial Meeting in 1976.<sup>9</sup> Malta and Romania both applied for membership without having first been accepted into one of the three regional groups.<sup>10</sup> The African Group at first refused to accept the principle of non-regional membership,<sup>11</sup> but eventually a compromise was reached whereby Malta and Romania were admitted as non-regional members, with the proviso that this decision "should not in any way or under any circumstances be considered as a precedent for the future".<sup>12</sup>

In order to establish clear guidelines for future practice the working group on membership (mentioned above) was established to study and make recommendations on the rules and procedures governing the admission of new members to the G77. The criteria for the admission of non-regional members outlined above result from the deliberations of this working group.<sup>13</sup> Although non members of a regional group, Malta<sup>14</sup> and Romania had their applications for membership sponsored by the Asian and Latin American groups respectively. Membership was granted at Manila on the following conditions,

- "(a) The countries in question should agree to participate in the work and positions of the Group of 77 in all forums and not only on specific topics and aspects of international relations;
- (b) The fact of continuing to belong to the 'B' or 'D' lists would not constitute a problem, provided that the country in question did not aspire to elective offices;
- (c) The initiatives of developing countries members of the Group of 77 which do not belong to any of the three regional groups should be endorsed and channelled through any one of them".<sup>15</sup>

The stipulations of provision (b) above have not been adhered to since it was drawn up. Subsequent practice has conformed to the view that as long as non-regional members do not clash with G77 priorities then they can hold 'offices' in their UNCTAD group and be spokesmen for the G77.

It is possible that although a country may be a formal member of the G77 its active participation in the relevant regional group may be discouraged. Cuba was admitted to the G77 at the Second Ministerial Meeting of the Group of 77, Lima, Peru 28 October - 7 November 1971. Cuban membership was sponsored by the African and Asian Groups. The Latin American Group did not oppose Cuban membership mainly because of the pressure brought to bear by the Allende regime in Chile, the hosts for UNCTAD III in 1972. Although a member from 1971, Cuba was

not invited to attend certain meetings of the Latin American Group in Geneva until Summer 1973.<sup>16</sup> A legal fiction was employed in this regard; Cuba was never stopped from attending formal meetings but was not invited to informal ones. Since these informal meetings constituted the bulk of the Latin American Group's activity, Cuban participation was kept minimal. Cuba's integration into fully active membership came at the insistence of Mexico, Jamaica and Chile and coincided with a less hostile attitude towards Cuba in the Caribbean and Latin America.

#### 5.1. 1<sup>a</sup> Representation in Geneva

The total membership of the G77 does not give an accurate picture of group dynamics with respect to the G77 in UNCTAD. Not all states have missions in Geneva and this is an important consideration to note when discussing the organisational structure of the Group. The differing levels of development manifested by the G77 membership is reflected in the relative sophistication of the various foreign ministries, economic departments and the general bureaucratisation of governmental machinery. This essential heterogeneity results in a constantly changing organisational scope. In other words, although all states are theoretically involved in all major decisions, the day-to-day machinery is effectively entrusted to those states with representation in Geneva.

Divergencies in economic and technical resources are noticeable in three different ways with respect to the representation of individual states to UNCTAD. The first concerns the establishment of permanent missions in Geneva. For foreign exchange and other reasons developing countries usually cannot afford to have many foreign missions. Geneva is a major centre of international organisational

activity and a mission situated there can be accredited to many organisations, thus minimising cost and maximising access to a variety of international institutions. Despite the importance attached to UNCTAD by the developing countries and despite Geneva's position as a nexus of international organisational activity there is a serious underrepresentation of the G77 in Geneva.<sup>17</sup> Table 5.2. presents data on G77 representation in Geneva for two years - 1978 and 1980. In March 1978 only 56 per cent of the Group had missions in Geneva and in March 1980 this had risen slightly to 59 per cent. The largest regional group, Africa, also contains a greater proportion of the poorest states and, consequently, has less representatives in Geneva than the other two regional groups. This lack of representation affects the politics of the African Group since the members always have to renegotiate their group position, before any major meeting, after the arrival of delegates from national capitals. The lack of adequate representation in Geneva also leads to an element of dis-organisation within the African Group since to canvass as many opinions as possible the Chairman of the group always circulates current issues to the resident missions in Paris, Brussels or Bonn of those countries without a mission in Geneva.

Members of the G77 not represented in Geneva are consulted before any major UNCTAD meeting e.g. the Trade and Development Board or one of the main committees. The Chairman of the G77 consults the capitals of the countries lacking missions in Geneva who respond by sending delegates. A meeting to reassess the common agreed position of the G77 is usually held a day or two before the relevant UNCTAD meeting between the resident G77 members and the newly arrived participants. The common agreed position can then be changed in response to inputs made by these delegates. Despite the lack of on-the-spot representation members of the G77 are, therefore, always provided with an

TABLE 5.2.Diplomatic Missions in Geneva, March 1978 and March 1980<sup>1</sup>

	<u>1978</u>		<u>1980</u>	
	Number of Missions	Percentage of total	Number of Missions	Percentage of total
Africa (48) (48)	17	35.4	18	37.5
Asia (40) (41)	27	67.5	30	73.2
Latin America <sup>2</sup> (28) (30)	21	75	22	73.3
Group (116) of 77 (119)	65	56	70	58.8

( ) represents the total group membership.  
The first figure is for 1978.

1. Included are those missions in Geneva or its immediate vicinity.
2. Including Romania.

opportunity to register their views before a major meeting. Furthermore, states without a permanent mission in Geneva sometimes designate another state from its regional group to act on its behalf within the regional group and the G77 as a whole. Failing these provisions, the regional group occasionally designates on an ad hoc basis, a spokesman for a non-represented state.

Secondly, the size and strength of the missions vary enormously from the large and highly efficient missions such as Argentina, Brazil and India, to the small and poorly staffed ones like Nicaragua which once operated for some time with only one professional diplomat. The larger, better staffed missions are more able to cope with the huge volume of complex information that needs to be processed and can more effectively represent their interests within the G77. In 1979, the staff at G77 missions in Geneva had to cover 2,083 official meetings in UNCTAD, numerous meetings of other international organisations, and countless regional group and plenary G77 meetings. The documentation is also overwhelming e.g. from January to November 1979, apart from summary records, UNCTAD produced approximately 14,000 pages of documents.<sup>18</sup>

Thirdly, the relationship between the permanent missions and their national capitals is not a uniform one. Some countries maintain close contact between the home capital and the mission in Geneva. These are generally the larger countries with sophisticated foreign services and good channels of communication. In this relationship, the ambassador is very dependent on orders from the centre. On a declining scale of bureaucratic control come those countries which attempt to maintain some control over the ambassador's freedom of action but lack the necessary communications system to do so as effectively as the former group. In this situation a general directive is usually given to the mission, providing it with a certain orientation. The ambassador

then has a certain degree of freedom in the interpretation and execution of state policy.<sup>19</sup> Finally, some ambassadors have a completely free hand, state policy being effectively decided by the mission in Geneva. All states from those with a high degree of centralisation to those with a high latitude of discretion for the Geneva mission frequently strengthen their diplomatic team by sending experts from the home state to take part in important negotiating conferences.

### 5.1.2. Organisational Infrastructure of the Group of 77

#### 5.1.2a. Organisational Infrastructure in Geneva

The basic organisational unit of the G77 is the regional group which represents the most fundamental decision-making centre in the G77. All organisational features are based on the three regional groups. The final G77 position on any issue is first discussed in the regional groups and only when the regional groups have arrived at separate decisions on the specific items are they discussed at the level of the G77 as a whole.

As the previous chapter showed, UNCTAD is both a periodic conference and a continuing machinery. First, we will discuss the organisational aspects of the G77 pertaining to the continuing machinery and then we will examine the G77 in relation to the UNCTAD four-yearly conferences. The organisation of the G77 exhibits elements of flexibility and informality and also specific patterns of institutionalisation. At the level of the G77 as a whole certain rules have to be obeyed by all regional groups but each individual group is left to organise its activities as best as it sees fit.

In Geneva the regional groups meet frequently to discuss common issues and to reach a group position to be presented to the G77 as a

whole. Of the three regional groups, the Latin American Group is the most structured meeting informally once a week and formally at least once every two months to elect a new Chairman. The African Group meets at least once a month to elect a new Chairman. The Asian Group does not have a timetable for regular meetings; if a matter of sufficient importance arises the Chairman of the Group convenes a meeting. The G77 meets in plenary before meetings of the Trade and Development Board and the main UNCTAD committees. The agenda for these meetings are based on the results of the regional groups meeting separately.

In Geneva most of the intra-G77 bargaining is conducted in small negotiating groups, usually composed of equal representatives from the three regional groups. To maintain the balance of equality between the three regional groups the chairmanship, vice-chairmanship and rapporteurship of any G77 working group or sub-committee is always distributed so that each regional group holds one of these offices. Table 5.3. presents the membership of the nine working groups operative in September 1980. Apart from the regional groups, then, the G77 in Geneva consists of an interlocking web of working groups and sub-committees, mainly of a transient nature. These working groups are created to consider a specific proposal or series of proposals currently being debated in UNCTAD or of interest generally to the G77. When UNCTAD's deliberations on the specific item is completed the working group is then disbanded. The ad hoc creation of sub-groups is presented in Figure 5.1. which shows the organisational structure of the G77 between UNCTAD IV and UNCTAD V. It shows a preparatory committee, four working groups, a coordinating committee and four sub-committees. The organisational proliferation is not restricted to these formal working groups. Numerous contact groups of an informal nature exist for the conduct of serious negotiations between G77 members. These informal contact groups are formed by members of

TABLE 5.3.

Membership of Working Groups of the G77 in UNCTAD September 1980

Group	Member		
	Africa	Asia	Latin America
Working Group of 33 on the Integrated Programme for Commodities and the Common Fund.	Algeria Egypt Gabon Ghana Ivory Coast Libya Nigeria Sudan Tunisia Zaire	Bangladesh India Indonesia Iran Kuwait Malaysia Pakistan Philippines* Sri Lanka Syria  Yugoslavia	Argentina Bolivia Brazil Chile Colombia Ecuador Jamaica Mexico Peru Trinidad & Tobago Venezuela
Working Group of 15 on Institutional Questions.	Algeria Egypt Ethiopia* Ghana  Libya	Bangladesh India Iraq Malaysia  Yugoslavia	Argentina Brazil Colombia Trinidad & Tobago Venezuela
Working Group of 30 on Economic Cooperation among Developing Countries.	Algeria Egypt Gabon Ivory Coast Libya Nigeria Somalia Sudan Zaire	Bangladesh India Indonesia Iran Iraq Pakistan Philippines Sri Lanka Thailand Yugoslavia	Argentina Brazil Colombia Cuba Ecuador Guatemala Jamaica Mexico* Peru Venezuela
Working Group of 15 on Monetary and Financial Issues	Egypt Ghana* Nigeria Sudan Zaire	Bangladesh India Iran Pakistan Yugoslavia	Bolivia Chile Honduras Jamaica Venezuela

/contd

TABLE 5.3.

Group	Member		
	Africa	Asia	Latin America
Co-ordinating Committee on Multilateral Trade Negotiations. <sup>1</sup>	Algeria Egypt Ethiopia Gabon Ghana Ivory Coast Senegal  Tunisia Zaire	India Indonesia Iraq Iran Malaysia Pakistan Philippines  Singapore Sri Lanka Thailand Yugoslavia	Argentina Brazil Bolivia Colombia Cuba Chile Dominican Republic Ecuador El Salvador Jamaica Mexico Nicaragua Peru Trinidad & Tobago Uruguay Venezuela
Working Group of 15 on Transfer of Technology.	Algeria Egypt Ivory Coast Kenya Nigeria Senegal Zaire	India Indonesia Iraq Pakistan Philippines Sri Lanka Yugoslavia	Argentina Brazil* Chile Colombia Jamaica Mexico Venezuela
Working Group of 15 on Restrictive Business Practices.	Burundi Egypt Ghana Tunisia Uganda	India Malaysia Pakistan Qatar Sri Lanka	Argentina Brazil* Chile Colombia Trinidad & Tobago
Working Group of 15 on the International Development Strategy.	Burundi Ghana Libya Nigeria Sudan  OAU <sup>2</sup> SIECA <sup>2</sup>	India* Indonesia Iraq Pakistan Thailand  Yugoslavia <sup>2</sup>	Argentina Brazil Colombia Mexico Venezuela  El Salvador <sup>2</sup> Jamaica <sup>2</sup>

/contd

TABLE 5.3.

	Member		
	Africa	Asia	Latin America
Working Group of 15 on Manufactures.	Algeria Ghana Morocco Nigeria Zaire	Bangladesh India* Iraq Malaysia Philippines	Brazil Chile Cuba El Salvador Mexico

Source : K.P. Sauvart - The Group of 77 - Table 17

\*The country in the chair

1 No fixed membership

2 Other Participants

FIGURE 5.1.Organisational Structure of the Group of 77 : Geneva 1976-1979

Group of 77		
African Group	Asian Group	Latin American Group

Working  
Group. 33  
Integrated  
Programme  
for  
Commodities/  
Common Fund

Working  
Group. 15  
Institu-  
tional  
Questions

Working  
Group. 30  
Economic  
Cooper-  
ation  
Among  
Developing  
Countries

Preparatory  
Committee

Working  
Group. 15  
Money &  
Finance

Working  
Coordinating  
Committee

Sub-Cttee  
I

Sub-Cttee  
II

Sub-Cttee  
III

Sub-Cttee  
Organisational  
Matters

the G77 on specific issues in which they have an interest. Membership of these contact groups are determined by the interested states themselves and includes states which are members of the formal working groups and states outside the formal structure. The creation of specifically G77 contact groups arises from the general nature of the UNCTAD political process where informal and formal contact groups consisting of members of the G77, Group B and Group D are a general feature of the negotiating process.

Prior to the expansion of the TDB in 1972, coordination of G77 activities in Geneva had been entrusted to the Group of 31. After UNCTAD I, the Group of 31 developing countries members of the TDB began coordinating G77 policy. However, because (a) prior to UNCTAD II in 1968, meetings of the TDB were split between New York and Geneva, (b) the G77 had first arisen in New York - a jurisdictional dispute arose over leadership of the G77 between the New York and Geneva delegations.<sup>20</sup> The First Ministerial Meeting of the G77 in Algiers, 1967, decided that the Group of 31 should be the official coordinating body for G77 activities. The Algiers Charter stated,

"In all matters relating to the preparation for Ministerial Meetings of developing countries, and, during the intervals between these Ministerial Meetings, and for the formulating of joint positions on issues within the purview of UNCTAD, the competent authority of the Group of 77 is the Group of 31 developing countries".<sup>21</sup>

With the demise of the Group of 31 coordination functions have been passed to the Chairmen of the regional groups and the Chairman of the G77.

Although the chairmanship of the G77 is in principle elective as are those of the regional groups, these offices rotate on a geographical or alphabetical basis. In Geneva, the office of the Chairman of the G77 is held on a three-monthly basis by a delegate from the African, Asian or Latin American Group. Each group therefore

holds the chairmanship once every nine months. This is done on an alphabetical order within the groups. The Chairman of the G77 is responsible for coordinating the work of all the G77 working groups, sub-committees and regional groups. He becomes the spokesman for the G77 in all forums and during all negotiations with Groups B and D.

Each regional group has different rules for the rotation of the chairmanship. In the African and Latin American groups, the Chairmanship rotates on an alphabetical basis. Despite the automatic nature of the changeover a formal meeting is still held to approve the change. A state may relinquish its period in the Chair if it feels that it lacks the resources to do the job properly. In the Latin American Group, the office of Chairman is held for two months and in the African Group for one month. In the period covered by this study the Asian Group only had one Chairman - Ambassador Hortencio Brilliantes of the Philippines. This deviation from the practice of the other two regional groups developed after 1964 and remained so because no member of the Asian Group ever felt the necessity of challenging it. This fixed chairmanship developed a momentum of its own and it became increasingly difficult as time passed to find a valid reason for objecting to the practice. Furthermore, the Asian delegates recognised that Brilliantes had been an astute and efficient Chairman.

The Chairman of a regional group is responsible for convening the meetings of his group. These normally are held at the mission of the country currently occupying the chairmanship. Meetings of the G77 are convened by the Chairman of the G77. There are no set time-tables of meetings. These are dependent on need and are convened either at the request of one of the regional groups or when the negotiation of a specific issue in UNCTAD has reached a stage where it is deemed necessary to have a G77 meeting.

### 5.1.3. Organisational Infrastructure in UNCTAD

The organisational infrastructure of the G77 shows an increasing degree of institutionalisation over time. The first Ministerial Meeting in Algiers, 1967 began a process which has served to maintain the existence of the group.<sup>22</sup> The key organisational elements are the Preparatory Committee, the regional groups, the Senior Officials Meeting and the Ministerial Meetings of the G77. These developments are indicative of increases in both the scope and level of the G77 as an organisation. The discussion below will examine the development of these institutional features. The importance of the regional groups in the organisational structure of the G77 has already been discussed and therefore this will not be repeated here. The aim of the organisational developments is the coordination of G77 negotiating positions for UNCTAD conferences. The sequential development of this process for the post-Algiers period is outlined in Figure 5.2.

During the third session of the TDB (25 January-17 February 1966) the Group of 31 decided that the G77 should be convened at ministerial level prior to UNCTAD II in 1968. Pursuant to this decision the G31 decided in September 1966<sup>23</sup> to create a co-ordinating committee to carry out 'the effective preparation' for the ministerial meeting. The Co-ordinating Committee met in Algiers on 10 October 1967 to consider the agenda items of the Algiers meeting.<sup>24</sup> This initiative by the Group of 31 to hold a preparatory meeting prior to the Algiers Ministerial Meeting became a key feature in the institutionalisation of the G77. Prior to UNCTAD III, the Group of 31 decided that a Preparatory Committee should be established on the basis of equitable geographical representation of the three regional groups (ten countries from each region) but that its deliberation be kept open to all members of the G77.<sup>25</sup> The Preparatory Committee meets in Geneva and its

FIGURE 5.2.Preparation for UNCTAD Conference : The G77's Policy-Making Process

Regional	Preparatory	Ministerial	Senior	Ministerial
Groups	Committee	Meetings	Officials	Meeting
in		of the	Meeting	of the
Geneva		Regional		G77
		Groups		

sessions last on average for eight months. The Preparatory Committee for the Second Ministerial Meeting met from 10 March - 7 November 1971, that for the Third Ministerial Meeting from 13 March - 22 December 1975 and that for the Fourth Ministerial Meeting from 21 April - 15 December 1978.

The main task of the Preparatory Committee is the production of the documentation required for the Ministerial Meeting and a draft agenda. The work of the Preparatory Committee is carried out by a number of working groups and sub-committees. The expansion of these groups and their specific areas of concern reflect the major issues dominant in UNCTAD and scheduled to be discussed at the forthcoming Conference.<sup>26</sup> The work of the Preparatory Committee proceeds in three stages. In the first stage organisational details are discussed i.e. the organisation of the Preparatory Committee - the creation of sub-committees, etc. At this stage the chairmen of the existing working groups and senior UNCTAD Secretariat officials brief the Preparatory Committee on the major policy issues for the forthcoming conference. In the second stage, the Preparatory Committee begins the formulation of the G77's position on Conference agenda items. The third stage is concerned with the drafting of position papers and recommendations for the Ministerial Meeting.<sup>27</sup>

The members of the G77 had met at the regional level prior to the Geneva Conference and it became customary for the regional groups to meet at ministerial level prior to all subsequent UNCTAD Conferences. At these meetings (see Table 5.4) the common positions of the region are arrived at before the Ministerial Meeting of the G77. The regional basis of G77 politics determines this organisational feature and even if coordination did not take place on other levels, it would have to be done on the regional level.

TABLE 5.4.

Regional Groups Ministerial Meetings Prior to UNCTAD Conferences 1963-1979

Regional Group	UNCTAD I	UNCTAD II	UNCTAD III	UNCTAD IV	UNCTAD V
Africa	OAU, Niamey 9-13 Dec 1963; ECA Addis Ababa Feb 1964	ECA/OAU, Algiers 1-15 Oct 1967	ECA/OAU Addis Ababa 1-14 Oct 1971	OAU Trade Ministers, Algiers 24-20 Nov 1975	OAU Trade Ministers, Addis Ababa 30 Jun-1 Feb 1979
Asia	ECAFE, Bangkok March 1964	ECAFE, 25-27 Sept 1967	Ministerial Meeting of the Asian Group, Bangkok 5-7 Oct 1971	Ministerial Meeting of the Asian Group, Jakarta 19-21 Jan 1976	Ministerial Meeting of the Asian Group, Colombo 15-17 Jan 1979
Latin America	OAS, Alta Gracia Feb-March 1964	CECLA, Bogota 25-30 Sept. 1967	CECLA, Lima 20-27 Oct. 1971	SELA, Caracas 12-15 Jan 1976	SELA, Caracas 15-19 Jan 1979

The next stage in the process is the Senior Officials Meeting.<sup>28</sup> This has developed from a meeting concerned almost exclusively with procedural and organisational matters at Lima, 1971<sup>29</sup> to one in which detailed substantive work was undertaken at Arusha, 1979.<sup>30</sup> The turning point in this process came with the Senior Officials Meeting in Manila, 1976<sup>31</sup> when consideration was given to the substantive items on the provisional agenda of UNCTAD IV; rules of procedure of the Second Ministerial Meeting were adopted and working groups created to prepare a draft declaration and draft programme of action.

The highest policy-making organ of the G77 is the Ministerial Meeting held before the four yearly UNCTAD Conferences to coordinate the position of the G77. In the period covered by this study, Ministerial Meetings have been held at Algiers, 1968, Lima, 1972, Manila, 1976 and Arusha 1979. The supreme authority of the Ministerial Meeting was decided by the Algiers Conference. The Charter of Algiers states that,

"The Group of 77 should meet at the ministerial level as often as this may be deemed necessary, and in any case always prior to the convening of sessions of the United Nations Conference on Trade and Development, in order to harmonize the actions of developing countries and to formulate joint programmes of action in all matters related to trade and development".<sup>32</sup>

The Ministerial Meeting as the supreme organ of the G77 sets the policy guidelines until the next meeting at ministerial level. The outcome of the Ministerial Meeting is two-fold. First, a declaration which provides an overview of the global economy, reaffirms the solidarity of the G77 and demands certain changes in the international economy. Secondly, a programme of action which sets out in an itemised fashion the various areas in which 'technical' change should be forthcoming.<sup>33</sup>

The Ministerial Meetings usually has before it a synoptic table comparing the texts of the three regional groups,<sup>34</sup> the report of the Preparatory Committee and the report of the Senior Officials Meeting. Discussions are held in plenary and in a series of working groups established to prepare the declaration and the programme of action. The organisational infrastructure of the Ministerial Meeting has changed over time (see Figure 5.3.). First, with the increased participation of the Senior Officials Meeting in substantive areas since Lima 1971, the work carried out by the Drafting Committee and the four main committees of the whole have decreased. Secondly, the composition of the Bureau has changed. At Arusha the Bureau was enlarged from the normal composition of President, ten Vice-Presidents and rapporteur-general to include the regional coordinators and the Chairman of the Senior Officials Meeting.<sup>35</sup> These developments in the organisation of the ministerial meeting are a result of the increased institutionalisation of the group and the mode of decision making. Unlike Algiers, when the foundations of the group were still shaky, by 1979 the existence of the group was not in doubt and working methods clearly established. The ministers could delegate the preparation of a common group position to politically junior officials. It was unlikely that a severe crisis would arise and the consensus method of decision-making effectively protected national autonomy. Highlevel officials (ministers) were necessary for the final agreements but negotiations could be entrusted to their subordinates.

#### 5.1.4. The Relationship Between The Group of 77 in UNCTAD and the Group of 77 in Other Geographical Centres

The organisation of the developing countries into the G77 for the purpose of coordinating policy positions in international institutions has not been confined solely to UNCTAD. International economic policy is discussed in a number of global forums and the interest of the

FIGURE 5.3.

The Structure of the Ministerial Meeting 1967-1979

Ministerial Meeting	1967 Algiers	1971 Lima	1976 Manila	1979 Arusha
Ministerial Meeting Proper	Bureau Drafting Committee (to prepare the declaration)  4 Main Committees of the whole (to prepare the programme of action)	Bureau Working Group (to prepare the declaration)  4 Main Committees of the whole (to prepare the programme of action)	Bureau Co-ordinating Committee (to prepare the declaration)  4 Main Committees of the whole (to prepare the programme of action)	Bureau
Senior Officials Meeting	-	The meeting as a whole dealt with organisational matters	Drafting Group (to draft the declaration)  4 Working Groups of the whole (to draft the programme of action)	Drafting Group (to prepare the declaration)  3 Working Groups of the Whole (to prepare the programme of action)

developing countries in all areas of international economic relations has led to the mushrooming of the G77 in other international institutions. This process has been aided by the relationship of UNCTAD itself, to other international organisations, most notably the United Nations. The close constitutional relationship between UNCTAD and the General Assembly of the United Nations and the general importance of the General Assembly in initiating strategies of economic development led to the creation of the first centre of the G77 away from Geneva in New York.

The G77 is now a multi-centric organisation with further branches in Rome (Food and Agricultural Organisation), Vienna (United Nations Industrial Development Organisation, and the International Atomic Energy Agency), Washington (the IMF and World Bank), Paris (United Nations Educational, Scientific and Cultural Organisation), Nairobi (United Nations Environment Programme) (see Figure 5.4). The developing countries meet as the G77 in all the specialised agencies and during various global conferences e.g. the Law of the Sea negotiations. Even when the Group is not recognised by the organisation concerned e.g. in GATT, the developing countries still act in concert. The organisation and structure of the G77 varies in the different regional centres and at ad hoc global negotiations. In this thesis we are not concerned with the operation of the G77 in other fora.<sup>36</sup> We are, however, interested in the problem of coordination between these different Groups of 77. These different Groups of 77 are not subsidiaries of one central organisation but rather autonomous bodies with certain minimal features in common. These include a similarity in membership, the use of the group system and the ministerial meeting as the highest decision-making body.

FIGURE 5.4.

The Organisational Structure of the Group of 77

Ministerial Meeting of the Group of 77

Ministerial Meeting  
of the  
African Group

Ministerial Meeting  
of the  
Latin American Group

Ministerial Meeting  
of the  
Asian Group

Regional Centres : Geneva, New York, Vienna, Rome, Washington, Paris, Nairobi.

African Group

Latin American Group

Asian Group

Committees, Sub-Committees and Working Groups

This autonomous development is reflected in the relations between these different centres of G77 activity. Despite the interrelationship between the activities of the different organisations within which the G77 acts, no formal methods of coordination have been created. To date, there has been only a few attempts at coordination and these have proved to be singularly ineffective in developing any flows of communication. Many delegates in Geneva are aware of the lack of effective coordination but no consensus exists on the problems caused by this, or on the necessary measures to improve consultation between the different centres of the G77.<sup>37</sup> Some delegates regard the lack of coordination as being serious, and would like to see some institutional development to remedy what they consider to be an impediment to the effective working of the Group of 77, whilst others are quite happy with the existing situation which in their estimation does not hinder the working of the G77. Even those delegates who would like to see effective coordination have not as yet proposed any specific plans detailing what form any attempt at coordination should take. In my interviews with diplomats in Geneva the most elaborate form of coordination proposed was the creation of a liaison group, but one whose functions were never explicitly defined.

The need for liaison between the different centres of the G77 arises from the similarity of the issues considered and the institutional links between the different organs of the United Nations system. However, as shown in the previous chapter there is a lack of effective coordination with the U.N. system and this spills over into intra-G77 affairs. There are two main arguments concerning the necessity of liaison between the different regional centres. The first, concerns the need for consistency in national policy. Some delegates claim that individual delegations in one city are often unaware of the position taken by their counterparts in another city,

on the same issue. This schizophrenia in national policy can arise when missions in different cities attach different priorities to the same issue.<sup>38</sup> Secondly, it is argued that coordination would increase the consistency of the G77's policy. Given that questions of interest to UNCTAD are discussed in other international forums, it is only natural to ask for a consistent policy in all forums. At present this is not the case and no means exist for discovering what is happening in other international organisations.<sup>39</sup>

There are two main arguments against the creation of a liaison group. The first is that it is unnecessary and would be needless bureaucratisation. Proponents of this view deny that there has been any evident contradiction in G77 policy. The second is that it would be illogical to ask the representatives of a government in one international organisation who gets the same set of instructions as another group of representatives of the same state in a different international organisation to confer. This would be tantamount to asking a government to confer with itself. It should be noted that proponents of this view do not accept that a state may follow inconsistent policies in two different organisations. They argue that the national policy has already been decided in the home capital and all contradictions resolved. This argument, however, contains a serious flaw in assuming that there is a single model of governmental behaviour. That is, some governments will have resolved differences between departments and will maintain a consistent policy but this will not be so for all governments. Furthermore, many ambassadors have a great deal of leverage and are not dependent on their national capitals for text book instructions.

To date there have been two attempts at some form of coordination between the developing countries acting as a group outside Geneva and the Group of 77 in Geneva. The first occurred during the Conference

on International Economic Cooperation (CIEC), 1975-1977. The CIEC talks were convened by the members of the International Energy Agency (IEA) in response to the actions of the OPEC producers in quadrupling oil prices between 1973-1974. Nineteen developing countries were invited to these Paris-based talks.<sup>40</sup> The selective nature of LDC participation created a division between those countries who wanted to make the Group of 19 in Paris responsive to the demands and wishes of the G77 as a whole and those who did not.<sup>41</sup>

On one side were countries which expressed misgivings at what they felt was a deliberate attempt by the developed countries to weaken the unity of the Group of 77. They did not see the need for the creation of a separate and distinct enterprise and therefore argued that the Group of 19 in Paris should be seen as representative of the Group of 77, that is, they should be delegates of the G77 reporting back to it and mandated by it. These states subsequently proposed that some link should be made between the Group of 19 in Paris and the G77 in Geneva.<sup>42</sup> The push for closer consultation between Paris and Geneva was supported by some members of the Group of 19 who felt that they needed to be backed up by the weight of numbers of the Group of 77.<sup>43</sup> These countries argued that they would have a stronger bargaining position in Paris if they could be seen to be representing the G77 as a whole. They were therefore in favour of establishing an institutional link between the CIEC talks in Paris and the G77 in Geneva.

Conversely, most members of the Group of 19 wanted to maintain a free hand in negotiations with the developed countries and so resisted the creation of any institutional link with the G77 in Geneva. These states argued that they were not engaged in a separate and distinctive enterprise but were acting within the guidelines of the resolutions passed at the Sixth and Seventh Special Sessions of the United Nations General Assembly.<sup>44</sup>

This issue was finally resolved at the Third Ministerial Meeting of the Group of 77. It was brought to the Manila Conference as a result of a decision adopted at the Third Ministerial Meeting of the Asian Group<sup>45</sup> which, inter alia, called on the Chairman of the Group of 77 in Geneva in coordination with the Chairman of the Group of 77 in New York to ensure closer cooperation and coordination with the Group of 19 and invited the Co-Chairman of the Paris Conference representing the Group of 19 to report on a regular basis to the Group of 77 in Geneva and New York on the progress and developments at the Conference on International Economic Cooperation. At Manila a compromise agreement was reached on the creation of a Liaison Group between Paris and Geneva. It was decided,

- "1. That arrangements should be made for the constant exchange and flow of information between the Group of 19 participating in the Paris Conference and the Group of 77 in Geneva and in New York;
2. That the Group of 77 in Geneva establish a liaison group composed of the countries members of the Bureau of the Ministerial Meeting under the chairmanship of the representative of the country holding the presidency of the Ministerial Meeting, to transmit to the Group of 19 such information and views as the Group of 77 in Geneva or in New York may deem necessary for a more effective participation of the Group of 19 at the Paris Conference". 46.

This compromise satisfied those countries wanting some kind of a link and at least an acknowledgement that the Group of 77 could make an input into the Paris Conference. It also satisfied those countries which resented G77 interference because the role of the Liaison Group was left ambiguous and vague. At best, it could be interpreted as giving the members of the G77 not represented in Paris an advisory role, but it did not specify how the inputs from the Group of 77 would be useful to the Group of 19 or how this advice would be used. The Group of 19 was not bound in any way to respect the suggestions of the G77 in Geneva. Moreover, the chairman of the liaison group was Ambassador Brilliantes of the Philippines who was known to be lukewarm about the proposed link. 47.

The second attempt to initiate some form of coordination between the different sections of the G77 was taken in March, 1978. Arising from an initiative of the Jamaican Mission in Geneva,<sup>48</sup> the Jamaican Ambassador in New York, Mr Donald Mills, who was then the Chairman of the Group of 77 in New York, convened a meeting of the G77 representatives to the Committee of the Whole<sup>49</sup> to discuss the problem of coordination. It was decided to hold talks on closer cooperation with the Group of 77 in Geneva. These talks were held after the summer session of ECOSOC, but did not lead to any important institutional developments. The initiative of the Committee of the Whole was resented by many ambassadors in Geneva<sup>50</sup> many of whom treated the committee with a certain humorous disdain.<sup>51</sup> Nevertheless, by the beginning of 1980 a limited amount of co-ordination was instituted and agreement reached that co-ordination sessions would be held twice yearly - January and July. The first meeting of co-ordinators took place in Geneva on 14 February 1980<sup>52</sup> and the second meeting on 24 July 1980.<sup>53</sup> This is a limited form of consultation and falls short of instituting an effective system of coordination.

Four related explanations can be given to account for the failure of any effective network of consultation to develop between the different geographical locations of the Group of 77. First, the petty jealousies and rivalries between diplomats in the major cities unwilling to forego any of their prestige has inhibited any moves toward closer coordination. Secondly, most of the G77 ambassadors in Geneva feel that UNCTAD is the centre of the G77's activities and they are unwilling to allow outside interference in their activities. It is also argued that the Group first emerged within UNCTAD and it is felt that if any precedents are made then they should be made in Geneva. Thirdly, rivalries between the missions in New York and Geneva inhibits

efforts at increased coordination. It is alleged that delegates in New York, with accreditation to the General Assembly with its emphasis on political matters, consider that they should take precedence over those in Geneva with their essentially economic concerns. Finally, the UNCTAD secretariat has been lukewarm to the idea of greater consultation because it fears that some of its influence might be eroded. The co-ordination issue was part of a wider debate on strengthening the organisation infrastructure of the G77. In the next section we examine that debate.

#### 5.1.5. The Debate on the Creation of a Secretariat

As is apparent from this chapter, the Group of 77 has a very skeletal if changing organisational framework. The major debate on institutional reform within the Group of 77 has centred on the creation of a permanent secretariat. Within the three regional groups there are conflicting views on the necessity for and/or desirability of a secretariat. If one were to aggregate the views of the regions, however, then the campaign for a secretariat can be identified with the Asian Group<sup>54</sup> and resistance to the idea with the Latin American and the African Groups.

Those countries in favour of a secretariat argue that one is necessary in order to enhance the expertise of developing country delegations in negotiations with the developed countries.<sup>55</sup> The poor economic knowledge and tactical skill of many LDC negotiators is openly acknowledged. Only a handful of developing countries Brazil, Argentina, Mexico and India have the administrative and professional expertise to service their delegations to a sufficiently high level on all major policy questions. In negotiations with the developed countries, the developing countries start with inbuilt handicaps. The

developed countries have not only their substantial national resource pools of expertise but are also able to draw on their collective expertise. Group B in the shape of the OECD and Group D in the shape of Comecon. This asymmetry in national and collective research facilities between the Group of 77 and Groups B and D and the need to lessen it has been the main motive force of those countries who argue the case for the creation of a secretariat of the G77. A secondary consideration related to an increase in bargaining power is the increased scope for coordination between the G77 in Geneva and the different regional centres that such a secretariat would provide.

Those countries which oppose the creation of a secretariat do so for a variety of reasons. Some are hesitant about the extent of any proposed operational functions. These states are worried not only about the nature of its role, according to its constitutive instrument, but also the course of its future development. Other countries are apprehensive concerning the financial implications - the source of financing and the extent of individual countries' contributions. Other states express concern over the exercise of influence within the secretariat - what would be its administrative structure? Would it reflect the present equal balancing of the three regional groups? What scope would a Secretary-General have for independent initiative? They would require satisfactory answers to these questions before committing themselves to supporting the creation of a secretariat. Some states express doubts about the ability of any G77 secretariat to service meetings in the different regional centres of the G77. Allied to this is the problem of agreeing a suitable headquarters for the location of the secretariat.<sup>56</sup> Finally, although never explicitly stated, some of the larger countries are against the creation of a secretariat because they do not need its research .

resources, but more importantly perceive that their influence within the G77 and their region would be lessened.<sup>57</sup> For example, within the Latin American Group it is the three most advanced states Brazil, Argentina and Mexico which currently dominate the *Systemo Economica de Latino Americano* (SELA) and it is the Latin American Group which is most vehemently opposed to the creation of a secretariat.

The creation of a secretariat represents the most advanced form of infrastructural change and therefore the debate has included consideration of less radical alternatives. The perception of organisational inadequacy and the debate on the creation of some kind of support machinery can be dated to the Second Ministerial Meeting of the G77 in Lima in 1971 at which it was decided to establish a small "Service Bureau" to be located in Geneva. The G77 in Geneva was requested to undertake a study of the proposal and to report to the G77 at UNCTAD III.<sup>58</sup> However, no action was ever taken on this proposal. The initiative taken by the Asian Group at the Third Ministerial Meeting in Manila resulted in Decision (2) which requested the G77 in Geneva to

"establish a working group under the chairmanship of the representative of the country holding the presidency of the Third Ministerial Meeting to carry out a comprehensive study on the proposed establishment of a secretariat of the Group of 77, including its terms of reference and means of financing, and to make available the conclusions of the study to member states before the fourth session of the United Nations Conference on Trade and Development in Nairobi." 59.

A working group of 16 member states produced a report which identified the objectives of a possible secretariat and considered five possible institutional mechanisms.<sup>60</sup> The objectives were twofold - the promotion of economic relationships or cooperation among the developing countries and the achievement of a common front of developing countries vis-à-vis the developed countries in international

negotiations: The five possible mechanisms were:

- a) The present informal arrangement;
- b) Modified present informal arrangement;
- c) Reinforced present informal arrangement;
- d) Establishment of Intra-Mission Servicing Secretariat;
- e) Establishment of a fully fledged and independent secretariat.

After a consideration of each of these approaches, the Working Group concluded that a fully fledged and independent secretariat

"would not fit well with the Group of 77. The group is an informal and flexible association of developing countries and the secretariat set up to serve it should also be informal and flexible. There is also political opposition by some members of the Group to the establishment of such a secretariat". 61.

The report of this working group was considered at the G77 meeting in Nairobi prior to UNCTAD IV and it was decided to implement the proposal to establish an Intra-Mission Servicing Secretariat. However, the proposal proved unworkable and was shelved.

The question of a secretariat for the G77 surfaced again at the Fourth Ministerial Meeting in Arusha.<sup>63</sup> It was decided to establish an ad hoc Committee of 21 to study the "desirability or otherwise of the creation of a technical support machinery which will provide adequate back-up for the Group of 77 in their negotiations with other groups on the programme for the New International Economic Order and in programmes for mutual co-operation among them".<sup>64</sup> The committee located in Geneva but receiving inputs from New York and other regional centres was deputed to consider the nature, scope, role, location and financial implications of a technical support machinery. The report argued in favour of creating a Technical Support Unit which would be "advisory and responsible to the Group of 77 organising its detailed work programmes strictly at the request of the group".<sup>65</sup> This

proposal, however, fared no better than the previous ones and was killed by political opposition.<sup>66</sup>

The lack of concrete action is a result of the conflicting political interests and perceptions outlined above. Another obstacle to this type of organisational reform is presented by the UNCTAD secretariat. First, the existence of the UNCTAD secretariat and its performance of a variety of secretarial type functions for the G77 masks to some extent the need for an independent secretariat. Secondly, the UNCTAD secretariat itself is opposed to the creation of a G77 secretariat because it feels that one can only develop at the expense of its own influence. The UNCTAD secretariat uses its considerable political influence within the G77 to support those states sceptical about the benefits to be gained by the creation of a G77 secretariat. Although the UNCTAD secretariat is not part of the G77's organisational structure, an examination of the relationship between the G77 and the UNCTAD secretariat is vital for understanding the operation of the Group in Geneva. It also provides a link with the political processes of the G77 which will be examined in the second half of this chapter.

5.1.6. The UNCTAD Secretariat and the Organisation Machinery of the Group of 77. 67.

The UNCTAD secretariat can extend its services to all groups and individual countries within its budgetary limitations. In practice, Groups B and D have not made much use of the UNCTAD secretariat's services, relying on the OECD and Comecon respectively instead. The relationship between the Group of 77 and the UNCTAD secretariat is conditioned by the absence of an independent secretariat of the G77 and the political commitment of the UNCTAD secretariat to the developing countries.<sup>68</sup>

Although some members of the secretariat and some representatives of the developing countries deny the existence of any formal link between the Group of 77 and the UNCTAD secretariat and insist that only informal channels of communication exist, this is not the case. Within the Office of the Secretary-General a Liaison Office has been in existence since 1971<sup>69</sup>. specifically to provide a channel of communication and to facilitate liaison between the G77 and the secretariat. Communication between the members of the G77 and the secretariat occurs through a variety of channels, but the Liaison Office is the nodal point of the system.

The UNCTAD secretariat provides three different types of services for the G77. First, it fulfils a logistic role for meetings of the regional groups and also of the G77 as a whole. These services include note-taking, the provision of interpreters, the collection, duplication and dissemination of documents and the provision of records of these meetings for the participants. Secondly, the secretariat fulfils a research function for the G77 - conducting research and preparing reports requested by individual members of the G77, by one of the regional groups or by the G77 as a whole or by initiating such studies itself. The secretariat also gives economic briefing sessions to members of the G77. Thirdly, the secretariat provides an input into the strategic-political operations of the G77. It helps the Group to draft its resolutions and it often mediates in intra-G77 disputes.

The logistic provisions are not only confined to the activities of the Group of 77 in Geneva. The Secretariat also provides conference facilities for the ministerial meetings of the G77 and has done so at Algiers, Lima, Manila and Arusha, and these services include the preparation of a synoptic table of the Preparatory Texts of the three regional groups. The costs of the services provided to the ministerial

meetings are borne by the host state. Apart from this open provision of services, the secretariat also gives discrete informal advice bilaterally to the regional groups and to the G77 as a whole.<sup>70</sup>

This relationship between the Group of 77 and the UNCTAD secretariat is subject to differing assessments by state members of the G77. Three different perspectives are discernible - (i) satisfied; (ii) dissatisfied and (iii) critical. These views are summarised below:<sup>71</sup>

- (i) The UNCTAD secretariat performs a valuable and important role for the G77. Its positive commitment to the developing countries ensures that it produces relevant and helpful research. It is a unit which is useful in getting the developing countries to articulate their interests. Its research facilities are adequate for the needs of the G77.
- (ii) The UNCTAD secretariat does perform some important functions for the G77; however, these services do not go far enough. The UNCTAD secretariat as part of the United Nations secretariat has inherent limitations which restricts it from developing into an adequate secretariat of the G77. Officials of the secretariat are international civil servants and are bound by United Nations rules. The organisation itself has to serve the interest of all its members; it is a global body and cannot therefore be a lasting organisation of LDC interests. Further, the UNCTAD work programme is a political compromise resulting from the interplay of the G77, Group B and Group D. To support the contention that despite all that it has done for the developing countries UNCTAD's role is still a restricted one, certain limitations are pointed to in its research programme. For example, although much of its research is critical of the policies of the developed countries in the trade field and, furthermore, its organisational ideology critical of the present organisation of the world trade and payments

system, it still operates within the confines of the liberal economic paradigm i.e. a concentration on the merits of comparative advantage and economic specialisation. UNCTAD's research is directed towards the freeing of trade and the integration of the world economy, therefore it cannot research for example the best methods available for the creation of primary producer cartels, nor can it recommend policies of national self-reliance.

- (iii) This perspective on the UNCTAD secretariat is almost indistinguishable from that of the developed countries. First, the secretariat is criticised for overstepping its constitutional provisions, initiating when it should be responsive to the needs and wishes of its members. Secondly, its staff are said to be of low calibre, and its economic judgements called into question. Thirdly, it is criticised for producing too many reports. One ambassador reported that when he complained to Manuel Perez-Guerrero, the then Secretary-General, about the unnecessary amount of documentation he was told that it was necessary for the poorer developing countries who lacked the staff to produce their own reports. The ambassador questioned the logic behind this reasoning because if his country, a large and sophisticated LDC, could not adequately process and digest the large number of documents with its huge staff then the poorer countries surely could not.<sup>72</sup> The UNCTAD secretariat then, despite its close working relationship with G77, does not enjoy the full support of all members of the Group.

The second half of this chapter examines the political process of the G77. Once again the focus is on the G77 in UNCTAD. Growth and change in organisational characteristics provide an important dimension for the study of conflict and consensus in the G77. Processes of

decision-making, the structure of influence and political dynamics fill out organisational characteristics and make outcomes more intelligible.

## 5.2. The Political Process

### 5.2. 1. Theoretical Considerations

To study adequately the political processes of the G77 within UNCTAD the researcher has to consider features and developments extraneous to the organisation. That is to say, the political process of the G77 cannot be confined wholly to the operation of the Group within UNCTAD partly because of the wider dimensions of the issues discussed there and partly because the G77 within UNCTAD is merely part of a larger G77. To provide as thorough an analysis as possible of any international organisation it is imperative to discover the various political and organisational networks within which the organisation is embedded. In this chapter, the analysis of the political process of the G77 therefore takes account of the networks surrounding both the G77 in UNCTAD itself and UNCTAD as an international organisation. (73)

For UNCTAD we can identify the following networks - (1) the United Nations system - this includes the relationship between UNCTAD and all members of the U.N. family; (2) other international organisations - all intergovernmental and nongovernmental organisations which participate in UNCTAD's work and/or whose activities impinge upon UNCTAD's performance of its duties, or debates within the UNCTAD forum; (3) UNCTAD itself - that is, political relations within the organisation - this encompasses the Group System, the Committees, the Secretariat, the Trade and Development Board, the Conference and the various Ad Hoc bodies; (4) the wider international political system - that is, the changing balance of forces and changing power configurations and international political alliances; (5) the international economic framework - including not only the actual process of international economic exchange (the movement of goods and

services) affecting the wealth and poverty of nations, individuals and groups, but also the rules governing these relations.

Thus within UNCTAD, the structure of influence, decision-making and conflict resolution will be conditioned by inputs from and outputs into these networks.

Apart from the above mentioned environmental impacts, there are certain specific networks which impinge on the political process of the G77 in UNCTAD. These are (1) the current state of North-South relations <sup>(74)</sup>; (2) views within the South about present and future South-South contacts <sup>(75)</sup>; (3) specific bilateral and multilateral arrangements between members of the G77 and individual market economy or centrally planned developed countries.

In all that follows the importance of (any of) these networks for a particular pattern or characteristic feature will be explored. It should be obvious that the relationship between the networks and the political process is not a static but a dynamic one. On any given issue one or more of these networks may provide a specific environmental impact or constraint. In most cases all the networks delineated will form part of the general environment, although it is conceivable that in a few cases a particular network might be irrelevant to a specific problem under discussion. Similarly, the configurations of the networks themselves change over time e.g. the international economic environment changed from a relatively favourable one in the early 1960's to an unfavourable one in the late 1970s.

Before we proceed further it would be helpful to attempt to identify the overriding organisational characteristic of the G77, so that we will have a theoretical framework within which to structure our discussion. The G77 is clearly an organisation of developing countries with an institutional structure but without any formal centralised machinery, i.e. a secretariat; which coordinates positions both before and during international conferences on a wide variety of issues. At these conferences the G77 attempts to bargain and to vote as one group. (76) As well as this coordination and voting function at ad hoc conferences, the G77 meets regularly and performs these same functions within the continuing machinery of permanent multilateral bodies. (77) Thus in purely organisational terms the G77 would fulfil the conditions for two and possibly three of the six types of groups which Hovet identified in the context of the General Assembly. (78)

The identification of the G77 as a bloc, caucussing group or even a common interest group, however, does not contribute significantly to an analysis of its political process, but merely describes one of its behavioural characteristics.

In attempting to develop a theoretical perspective three other concepts suggest themselves:- alliance, coalition and pressure group. In the international relations literature the first two terms are generally used synonymously or interchangeably to mean a collective organisation of states pursuing a common goal or set of goals. The terminological confusion within the literature can be overcome if coalition is seen as a generic term referring to a grouping of two or more actors (states) who have decided to pool certain resources for the pursuance of a common goal. (79) If it is accepted that coalitions refer to any partnership, then partnerships with specific features can

be seen as special cases of coalitions. That is, if all groups are coalitions, then particular characteristics will define and distinguish different types of coalitions. Thus alliances and pressure groups can be seen as specific types of coalitions. The central feature of an alliance appears to be the contemplation of military engagement and the specification of certain enemies. Whether offensive or defensive, alliances commit the members to the armed defense of their common territory. <sup>(80)</sup> Whilst alliances have been a constant feature of international relations international pressure groups at least composed of states is a relatively new phenomenon. <sup>(81)</sup> In the domestic context a pressure group is a set of individuals, organisations etc. putting pressure on the government for a particular purpose. At the international level a pressure group can be thought of as a group of states (individuals etc) applying pressure as a political device to secure a change (or the maintenance of the status quo) on a particular set of issues. In this respect the G77 is a pressure group exerting pressure for the reform of the international economic system, the creation of new international norms and rules and the transfer of resources from the richer states to the poorer ones. As a coalition the G77 represents a temporary conjoining of interests between more than one hundred states who can increase their individual bargaining power through joint action.

Another important consideration relevant to the political process is the nature of the Group's activity. A central assumption of group theory is that organisations exist to further the aims of their members. In any given group the members will have purely individual as well as common interests. It is the task of the group to further the common interests. Individual interests are often left to individual action and are usually best served in that way.

Nevertheless, because of the existence of a wide range of interests an organisation may further the individual interests of some members and if the organisation itself is divided into sub-groups it may seek to serve various sectional interests as well as the joint interests of all its members. It is the tension between the pursuit of the common goal and the pursuit of purely individual ones which makes the study of groups interesting. The analyst may be interested in either the centrifugal or centripetal forces and s/he may approach the problem from the standpoint of the collectivity as the decision-making unit or from the standpoint of the individual participant in the decision-making process. <sup>(82)</sup> But from whatever angle and whether emphasising conflict or consensus, the focus is on collective decision or collective choice; therefore all groups engaged in some form of collective decision-making in respect of the pursuit of a common interest. In terms of economic theory this common interest can be seen as a common, collective or public good. <sup>(83)</sup> A collective good has two distinguishing characteristics. First, if the common goal is achieved all who share the goal automatically benefits; and secondly, if the good is made available to any one member of the group it can be made available to others at little or no marginal cost. <sup>(84)</sup> But as previously noted the membership of organisations may be such (and this is more true of large than small coalitions) that in order to pursue the collective good non-collective goods must be provided for some of the membership either as incentives to join or as incentives to remain within the coalition. The G77 as a coalition is by definition engaged in the pursuit of collective goods for its members. As a large and heterogeneous group, it is therefore necessary for it to provide selective (non-collective) goods for some of its members. Within the context of the international political economy, the members of the G77 feel that they have certain interests which are not only

shared with other members of the coalition but which by their very nature could not be pursued on an individual state basis. (85) Thus although the mass level of aggregation at which the G77 operates is held to be a sham and essentially a non-productive exercise, (86) it is precisely the central element of commonality. In other words from its inception the G77 has been seeking changes in the rules which govern international economic relations and where it has not been seeking such changes it has been campaigning for the introduction of new norms and new policies related to economic development. These type of demands can only be pursued through concerted multilateral pressure because existing instruments and modalities are multilateral in nature. It is of course possible for a single powerful state to effect changes in international law and conduct e.g. President Truman's declaration (1947) on the Continental Shelf; but this course of action is not available to the weak, powerless states which comprise the membership of the G77. Conjointly with these general demands and shared interests the member states of the G77 have different interests and needs arising from their specific levels of development, the structure of their economies, their political and social systems, and their political and economic philosophies. (87) Hence, they have specific interests which often conflict and within the wide area of agreement there is divergence concerning the application or interpretation of any proposed change.

Given the occasional non-coincidence or non-congruence between individual interests and common interests the coalition had to devise procedures whereby the common interest would be determined (since it is not always patently obvious) and in which the conflicting interests of various members can be reconciled. In the pursuit of their national interests (88) states will not retain membership in a coalition if

there is a continued divergence between the national interest and the collective interest. (89) Neither will states continue to retain membership in a coalition if the costs of membership begin to outweigh the benefits. Integration theory argues convincingly that coalitions will disintegrate if the division of benefits are perceived to be unequal. (90) Thus there must be a striving of a conscious political nature to equilibrate the gains. All of these standard points from coalition theory are of prime importance in any study of the political processes of the G77, but it should be remembered that these stipulations relate not to any 'objective' criteria but to a perceptual process. That is, to say, we cannot stipulate certain divergencies between the national interest and the collective interest or quantify the costs and benefits of membership of the G77 in numerical terms because any division is essentially a political one. The decisional calculus of any group of policy makers will contain elements which it will not be possible to know and therefore include in one's calculations. The costs of membership will vary from state to state and although one can categorise them e.g. economic, political etc. a cost is not one until it is perceived as such by the relevant decision-maker. Similar considerations affect the perception of benefits. Hence it is both naive and bad scholarship to upbraid states for remaining in the G77 when it can be shown that according to some calculations they would be better off outside it. (91) One of the main faults with this type of analysis is its unidimensional nature.

The argument is not that we cannot know in advance the likely outcome of the strains and stresses on any coalition and can only as it were engage in post-event analysis. Rather the point is that there is a need for extreme caution in making predictive statements and that one needs to go beyond 'objective' quantifiable criteria and examine

the perceptual and psychological processes involved. Furthermore decisions are never taken in a vacuum but within an institutional context. Institutional arrangements can either encourage or discourage conflict. The relative decentralisation of decision-making within the G77 and the necessity for unanimity although it introduces elements of rigidity and time consumption into the decisional process is also valuable in moderating conflict to a certain medium level. This coupled with bureaucratic inertia and ignorance (of what is being discussed in Geneva) in many Third World government departments combines to make conflicts within the G77 less dangerous from the perspective of coalition maintenance than it would otherwise be.

Another important point related to coalition maintenance is the existence of other possible coalitions and the question of side payments. Within UNCTAD there are two other coalitions - Groups B and D. Membership in an UNCTAD group is largely based on ascriptive characteristics. Membership of Group D is not a viable option for most members of the G77, even those Group members with centrally planned economies are not likely to join. <sup>(92)</sup> Romania defected from Group D, Yugoslavia was a founder member of the G77 and a staunch supporter of Third World unity and the other developing countries of a socialist orientation lack the geographical and institutional features which the Group D countries have in common. Membership of Group B would be a viable option for the more advanced countries members of the G77, <sup>(93)</sup> but to do so would require a conscious and in many respects brave foreign policy decision. Membership of the B Group would involve a declaration that the state in question no longer desired to be considered underdeveloped. Any benefits which were currently accruing as a result of membership of the G77 would have to be

abandoned. Between 1964-1980 the countries which ranked highest as possible deviationists were Brazil, India, Argentina, Mexico, Nigeria and Yugoslavia. The decision to upgrade would have political consequences and for at least three of the six countries - India, Nigeria and Yugoslavia would be in a fundamental conflict with their aspirations to leadership of the Non-Aligned and Third World movements. The three Latin American states <sup>(94)</sup> have been engaged in a struggle for supremacy in the Latin American sub-system. They have continually stressed their similarities with the countries in that region in contradistinction to the United States, and therefore any attempt to upgrade their status would probably lead to a diminution of their regional influence. Moreover, since there is an element of competition any state unilaterally upgrading would lose out.

Side payments can be understood in this context to operate in two distinct ways. The first occurs when outside the UNCTAD structure major developed countries attempt through bilateral and multilateral arrangements to provide a developing country or group of developing countries with certain benefits which will either lead to direct conflict within the G77 e.g. preferential trading arrangements or will make the country concerned lessen its support for a common position e.g. the conclusion of a commodity agreement. The second type of side payment occurs directly in UNCTAD where a developed country may make an offer to some members of the G77 designed to reduce these countries support for a common position, e.g. at UNCTAD V Australia made certain concessions on air transport to the Philippines, Malaysia and Indonesia which caused them to withdraw their previous support for a Singapore sponsored resolution which was sharply critical of Australian air transport policies. <sup>(95)</sup>

Considerations of coalition maintenance and coalition disintegration are important not only for the light this throws on the internal political process but also on the power of the coalition within any bargaining context, (96) as the previous illustration shows.

Consideration of coalition dynamics stresses the negative disintegrative tendencies within the G77 and tends to ignore the positive reinforcing bonds. There are however, strong, solidarist tendencies within the group. The precise nature of the common interests of the G77 can best be garnered from the various declarations and collective statements issued by the Group at the four ministerial meetings held between 1967 and 1980. From the Charter of Algiers (1967) to the Arusha Programme for Collective Self-Reliance and Framework for Negotiation (1979) there are certain oft repeated demands for reform of the international economic system based on an analysis which views the international economic order as working inequitably to the benefit of the developing countries. This view may be expressed differently,

"The rate of economic growth of the developing world has slowed down and the disparity between it and the affluent world is widening." (97)

".... the inequities and injustices in the prevailing order (which) have cast an avoidable and intolerable proportion of the global burden of readjustment on the developing countries and seriously retarded their development effort." (98)

but to a large extent the demands of the developing countries have remained constant since 1964. More concretely, the common interests of the G77 members may be summarised as follows. (i) in the commodity field these countries would like the creation of orderly and stable markets which provide for an equitable remuneration to primary producers. The organisation of commodity markets should aim at an

increase in prices <sup>(99)</sup> and the stabilisation of revenue. The means envisaged are multiple, they include International Commodity Agreements, diversification programmes and the provision of compensatory and supplementary financing. <sup>(100)</sup> (ii) on trade in manufactures and semi-manufactures the developing countries are united in demanding a standstill on tariff and non-tariff barriers and the gradual removal of existing barriers to products of special interest to developing countries. More specifically they demanded the introduction of a GSP and since its introduction a liberalisation of its conditions and an extension of its life. <sup>(101)</sup> (iii) the states are also united around calls for the greater accountability of multinational corporations, sovereignty over their natural resources and changes in the international rules governing the transfer of technology. (iv) in the field of financing and invisible trade they have campaigned for increased flows of economic aid (specifically the fulfilment of the 0.7% GNP target) <sup>(102)</sup> on more generous terms i.e. a higher grant element with longer repayment and grace periods and lower interest rates. (v) on shipping, demands have centred around an increase in developing countries share of world tonnage. (vi) the ldc's have a common interest in increasing their effective participation in international decision-making. Developing countries are generally not consulted when major international economic decisions are taken e.g. the decision-making structure of the IMF inhibits this (but even if the decision-making structure of the IMF gave greater weight to the developing countries the developed countries would circumvent it through recourse to the General Agreements to Borrow, the Bank of International Settlements, the Basle Group and the OECD's Group of Ten). The nature of tariff negotiations in the GATT means that developing countries are generally excluded from effective participation - the main provisions of the Tokyo Round for example were

mainly negotiated between the United States, the European Community and Japan, despite the provisions of the Tokyo Declaration of September 1973 which tried to ensure effective participation for the developing countries. (103)

Apart from these common interests support for the G77 can result from the calculation that membership of the G77 provides indirect benefits. The concerted pressure of the G77 on international economic issues in one institution has a spillover effect on other institutions. Thus, some of the more advanced countries within the Group can use the G77 pressure as a bargaining lever in its negotiations with the developed countries. As a Brazilian delegate observed,

"If Brazil speaks on its own in GATT it would be by-passed by the developed countries. But with the weight of the Group of 77 behind it, although the Group of 77 is not formally constituted in GATT it will be listened to." (104)

Thus even though a concrete multilateral agreement e.g. a buffer stock mechanism, might not result from Group of 77 pressure in UNCTAD individual states may perceive political and economic gains in other fora to be a result of G77 pressure.

We have identified the G77 as a coalition engaged in the pursuit of collective goods. The major source of power possessed by the coalition comes from its aggregation of over 100 states in a multilateral bargaining context. Members share certain common interests which can only be pursued through the pressure group. Nevertheless the membership is diverse and this heterogeneity makes the coalition subject to splintering since members may defect to the winning coalitions or accept side payments. The stability of the group is therefore

dependent on the development of procedures which negate or contain the conflictual tendencies and which provides a basis of accommodation satisfactory to the entire membership. (105) The following sections of this chapter assesses the manner in which these considerations affect group dynamics.

### 5.2. 2. Political Dynamics of the Regional Groups

The previous section on organisational structure demonstrated that the regional group is the basic organisational unit of the G77. The importance of the regional group is one which has developed over time, with the present structure forming around the time of the Algiers Conference (1967). Today all proposals discussed by the G77 originate within the regional groups and there is a very high level of group discipline. Moreover, the three geographical groups have precise identities of their own and often within the various UNCTAD bodies designated spokesmen present the regional view as contradistinct from the G77's view. Thus on any single issue it is possible to have four views emanating from the G77 presented in plenary - those of the African, Asian and Latin American Groups and the coordinated position of the G77 as a whole. The pattern of institutionalisation varies between the regional groups. Salient factors relating to conflict and consensus in UNCTAD relate to a) the experience of cooperative ventures in the region; b) the influence of extra-regional powers on regional politics; c) the homogeneity of the region; d) the level of institutionalisation in the region. In this section we assess the relevance of these factors on political dynamics and identify influential regional actors and their sources of influence.

The Latin American Group is the most structured with a long history of diplomatic cooperation. However most of the Latin American cooperation in the past had been in a Pan-American vein and it was only with the focus provided by the Economic Commission for Latin America (ECLA) that the underdeveloped countries of the region began to develop a separate identity. The first major development in creating a more solid framework for coordinated Latin American trade policy matters was the creation of the Special Latin American Coordinating Committee (CECLA) in February 1964 at the meeting of the Latin American nations at Alta Gracia, Argentina to discuss a joint Latin American position for UNCTAD I. The decision to create CECLA was the result of developments which had been underway since 1962 when a proposal had been made at the first annual meeting of the Inter-American Economic and Social Council (CIES) of the Organisation of American States (OAS) in Mexico. The proposal initially met with failure due to the opposition of the United States. CECLA existed from 1964 until December 1975 when it was replaced by the Latin American Economic System (SELA). The initial purpose of CECLA was to plan for UNCTAD meetings, but by 1968 it had become a permanent arrangement with a mandate to negotiate with the United States and the European Economic Community and to coordinate bloc action in multilateral frameworks such as the IBERD and IMF.

Most of the debate on economic issues in the Latin American Group takes place within a framework of dependence on the United States (106) and a conscious striving to promote regional integration. Traditionally Latin America has depended on the United States as its largest single export market and the source of its largest single flows of private capital. The United States influence over its southern neighbours was recognised as early as the nineteenth century

with the promulgation of the Monroe Doctrine. But official U.S. government commitment to Latin American economic development through public in contradistinction to private channels was recognised only in 1961 with the signing of the Charter of Punta del Este on August 17th. inaugurating the Alliance for Progress. (107) In their relationships with the developed world the Latin American countries have a pre-disposition to respond to U.S. initiatives and during the 1960's the Alliance for Progress provided a rudimentary framework within which to conduct developmental efforts.

Most of the inter-Latin American economic diplomacy has been concerned with the creation of regional infrastructural trade and common market arrangements. ECLA philosophy emphasised small market size and the lack of economies of scale as being prime hindrances to Latin American industrialisation. The favoured solution to these problems was the creation of regional markets to supersede national markets. Following this doctrine the Latin American states initiated a series of cooperative projects in the 1950s and 1960s (108) - the Latin American Free Trade Area (LAFTA), the Central American Common Market (CACM), the Andean Common Market (ACM), and the Cuenca del Plata River Basin Project.

Within these two frameworks however the potential for conflict was not diminished. The supervisory role of the United States meant that until 1971 one traditional member of the Latin American sub-system - Cuba was excluded from these activities and occasional attempts by some states to change their internal political systems led to conflict with the dominant power and its satellites e.g. Guatemala, 1953, the Dominican Republic, 1965 and Chile, 1973. (109) The efforts at increased regional economic integration and

cooperation led to a series of conflicts both economic and political. The conflicts of an economic nature mainly arose from the disparate size and levels of development of the partners and the consequent unequal distribution of gains and losses. Argentina, Brazil and Mexico generally benefited disproportionately from trade and were unwilling to grant concessions to the less advanced countries in LAFTA. Conflicts of an ideological and political nature centred around specific inter-state disputes e.g. the 1970 'Football War' between El Salvador and Honduras and the struggle for regional power between the more economically prosperous states - Argentina, Brazil and Mexico.

The relative cultural homogeneity of the Latin American Group has been disrupted by the rise in membership with the attainment of sovereign statehood by the English speaking Caribbean states, with traditional links to Europe and not the United States. For example, the Caribbean states are linked to the EEC through the Lomé Agreements. These countries are also outside the Latin American integrative system having their own regional economic arrangements - the Caribbean Community and Common Market (CARICOM) and the Caribbean Development Bank. The political processes within the Latin American Group is therefore influenced by relations with different metropolitan powers; two separate common historical experiences (Latin America was independent in the nineteenth century, the Commonwealth Caribbean from the nineteen sixties); local conflict and rivalry and different levels of development.

Leadership within the group is related to these extraneous factors and to the calibre of national representatives in Geneva. The main actors within the group over the period of this study have been the largest, most developed states - Argentina, Brazil, Mexico and

Venezuela. Other major actors for more limited periods of time have been Colombia and Jamaica. Colombia's prominence in the Latin American Group and the G77 between 1976-1980 was due in large measure to the personal qualities of Ambassador Jaramillo. His influence stemmed from his expert chairmanship of the G77's Coordinating Committee on the Multilateral Trade Negotiations (CCMTN). Jamaica played a leading role in the G77 and in wider Third World politics under the government of Michael Manley (1972-1980). Jamaica's position arose from a leadership role in the Commonwealth Caribbean Manley's interest and occasional forays into Third World issues, and the calibre of its diplomatic staff in Geneva and New York. It is not an easy task to assess the influence exercised by any state in a regional group or the G77 as a whole partly because the larger states afraid of appearing too dominant occasionally get a smaller member of their region to represent their views. Thus, for example, at UNCTAD V although Costa Rica was the main proponent of the view that petroleum should be included in the agenda item 8 many delegates have privately expressed the view that it was Brazil which was behind the move. (110)

As a group the Latin Americans can be differentiated from the others by their collective views on preferences, lddcs, commodity problems and the institutionalisation of the G77. Within the group there are specific conflicts e.g. between Bolivia and Chile over the right of land-locked countries to have a guaranteed access to the sea (Bolivia lost its coastline in the 1879 War of the Pacific with Chile and refuses to reconise the permanency of Chile's acquisition). On the other hand there are certain specific alliances e.g. the coffee producers of Brazil, Colombia and Central America

generally present a common front against the African coffee producers. The Latin American Group is the most homogenous of the three regional groups and was the first to develop regular institutional processes in the G77.

Two issues dominates policy-making in the African Group. First, the existence of a rift between the French speaking countries and the English speaking ones.<sup>(111)</sup> With the accession of the United Kingdom to the EEC and the widening of the relations between the EEC and its African Associates to include the U.K.'s former territories in Africa, the Caribbean and the Pacific, a bond of interest was forged between the former African associates and the new ones. This was successful in dampening down the rift between the two groups of countries over the question of trade preferences but a basic split continues because of fundamental differences in outlook. This is especially related to relations with the developed countries. For example, whereas the ex-British colonies have largely freed themselves from direct control over their economies the Francophone countries are still largely dependent on the French Treasury and the French Central Bank to handle their monetary and financial affairs.

Secondly, the under-representation of African states in Geneva, e.g. in 1980 only 18 of the 48 member states had missions there, seriously affects decision-making. Problems arise because before decisions can be taken it is frequently necessary to consult missions in Bonn, Brussels and Paris thus prolonging the time the process takes. Furthermore, even when consensus has been reached there is the necessity of reopening the issue when delegates from

other European capitals or national capitals arrive for any important meeting.

Like the Latin American Group the African Group has an institutional focus separate from UNCTAD. This is provided by the OAU which through its Liaison Office in Geneva services the meetings of the group and prepares position papers to be discussed at higher levels. This is a function which has evolved over time. In formal terms the OAU Liaison Office is not a coordinating body but rather the representative of the OAU to the cluster of international organisations in Geneva.<sup>(112)</sup> Nevertheless, the chairman of the African Group normally asks the OAU Liaison Office to arrange meetings and to perform secretariat type duties such as note-taking. The OAU officials also provide a policy framework through the provision of limited research facilities. A further institutional feature of the African Group is that issues discussed in UNCTAD can be transmitted to African Ministerial Meetings and OAU Heads of States Meetings in order to provide a sharper political thrust to the group's work. The history of institutional cooperation on economic matters in Africa is very recent. The Economic Commission for Africa provides one forum and the OAU'S Economic Committee another.

The history of regional integration schemes in Africa is even more dismal than in Latin America. Indeed the integrative scheme that looked on paper to have the greatest chance of success, the East African Community collapsed in 1976 under the weight of ideological differences having struggled for years to find a more

equitable distributive system for the allocation of benefits.<sup>(113)</sup>  
 The most ambitious scheme currently operating the Economic Community of West African States (ECOWAS) has not to date produced any meaningful results.<sup>(114)</sup>

Between 1964-1980 the leading members of the group in UNCTAD were subject to change. The major causal factors related to the personal qualities of diplomats and the importance attached to UNCTAD deliberations by governments. Between 1964-1970 Algeria and Egypt were in the forefront of the group's activities mainly because of the importance attached to UNCTAD and Third World issues by those governments and their high profiles within the region. The Algerian contribution slackened in the early 1970s but a leadership role was again assumed after 1974 in the wake of President Houari Boumedienne's initiative in launching the North-South dialogue. With the death of Nasser Egypt became less prominent. Nigeria was constantly in the forefront of group politics from 1966. Tanzania played an effective role from 1979. Some states whilst not influential on a wide range of issues were held to be so on specific issues. For example, Ethiopia on lddcs and Ghana on commodity negotiations. The African Group is fairly homogenous in terms of levels of development, and also contains the majority of countries belonging to the special interest groups of the lddcs and land-locked countries.

The Asian Group is the least homogenous of the three regional groups. It has no common history of pre-UNCTAD regional cooperation similar to that of Africa or Latin America. Its membership is extremely diverse ranging from oil rich states such as Saudi Arabia, Bahrain, Iran, Iraq, Kuwait, Qatar and the United Arab Emirates to the small islands lacking in resources such as Fiji, Samoa and the

Maldives, to the large populous states such as India, Pakistan and Bangladesh. The Asian Group also has three European members - Cyprus, Malta and Yugoslavia. With this wide-ranging and diverse membership regional integration schemes<sup>(115)</sup> where they exist provide low level institutional patterns. The most notable scheme is the Association of South East Asian Nations (ASEAN). The Arab states are members of an Arab sub-system which stretches to encompass Arab members of the African Group. ECAFE and its replacement the Economic Commission for Asia and the Pacific (ESCAP) have never provided an institutional focus for the complete membership of the group. A significant sub-grouping within the Asian Group consists of those countries which are also members of the Organisation of Petroleum Exporting Countries (OPEC).

Overall leadership of the Asian Group remained relatively constant in the period under review and resided in the more developed states in the region - India, Pakistan and Yugoslavia; and the Philippines through Ambassador Brillantes position as Chairman of the Asian Group. After the rise in oil prices in 1973 Saudi Arabia played a more prominent role within the group's deliberations. For the smaller states influence is heavily dependent on the personal attributes of their delegates e.g. Indonesian influence between 1976-1978 was largely due to Ambassador Alatas and his work on the Common Fund negotiations. On specific issues certain states are recognised as being influential. In this category would come Afghanistan on the problems of land-locked states and Malta on the problems of developing island economies. An extraneous input into decision-making arises from the influence of competing external powers - the United States, France, Japan, the United Kingdom and Australia.

### 5.2.3. Decision-Making

The process of arriving at collective decisions among a group of sovereign states is never an easy one. States are generally unwilling easily to forego their right to a unit veto and although in many formal bodies the principle of majoritarianism has triumphed, in informal arrangements unanimity still prevails as the basic method of arriving at decisions. The decision-making structure of the G77 reflects this reluctance to submit to majority decisions. It is not surprising that this is so, given the diversity of interests among the members and the over-protective attitude most new states have toward their newly gained sovereignty. Moreover, it must be remembered that the G77 is not a policy-making body, although in practice this often happens, it is principally a forum for the harmonisation and coordination of individual viewpoints. To change from a unanimous to a majority rule would to a large extent sanction a policy-making role.

The method by which actors seek to reconcile conflicting objectives or to reach agreement on common positions without the resort to force is negotiation. That is to say, in negotiations the parties aim at reaching a collective agreement through the discussion of proposals on certain issues identified as salient for the negotiative process.<sup>116</sup> The G77 strives to reach agreement on a set of issues where it is felt that agreement is better than no agreement at all. In doing so they use techniques of mixed bargaining. Mixed bargaining encompasses features of distributive bargaining (bargaining over the way something should be divided with emphasis on one's own share) and integrative bargaining (trying to increase the joint gain without worrying about distribution).<sup>117</sup>

In the G77 both within and between regional groups the emphasis in bargaining has been on a mixed strategy. States are concerned to

preserve their interests and reluctant to forego any present benefit without some equivalent advantage. This can be illustrated by the refusal of the Francophone African countries to surrender their preferential access to the European Economic Community without adequate compensation.<sup>118</sup> But on the question of international financial transfers the G77 has followed an integrative approach, trying to increase the total quantity of aid and to improve the terms of this transfer. This integrative approach was seriously tested over the question of debt relief because when the G77 presented proposals for Generalised Debt Relief, the developed countries' response was one which forced the developing countries into a distributive framework. The resulting clash in the G77 at the Ninth Special Session of the Trade and Development Board<sup>119</sup> arose as a result of a dispute between those states which were most likely to benefit from any scheme to re-schedule debt and those states which would only benefit from a scheme of comprehensive Generalised Debt Relief.<sup>120</sup>

The mode of intra-G77 bargaining therefore is as much a reflection of the issues under discussion as of the political attributes of the states themselves. Negotiations between the G77 and Groups B and D whilst of a mixed nature correspond more closely to distributive rather than integrative bargaining.

Decision-making in the G77 is based on consensus and this applies to all aspects of the organisational infrastructure. In Geneva, the first stage of decision-making is the regional group, and after consensus has been reached at the regional level attempts are made to form a common group position. Often within specific UNCTAD bodies it is the regional groups which present a common position rather than the G77 at the beginning of the negotiations. Indeed, the necessity of getting regional group consensus is such an important part of the decision-making process that plenary and other meetings are often

postponed because one or more regional group has not arrived at a consensus.<sup>121</sup> This necessity for regional consensus and the compromises that are necessary to achieve it makes it difficult to reach a common G77 position since the regional compromises have to be safeguarded. (A similar process occurs in Group B where the EEC common position has to be safeguarded.)<sup>122</sup> In this context issues are viewed not in terms of individual country interests but in terms of regional group interests.

The origination of a common G77 position is both a simple and a tortuous process. Within the framework of UNCTAD the demands of the G77 on any issue is first the result of pressures by one state or a group of states. A country with an interest in a particular issue will first present a draft resolution to a meeting of its regional group. Normally, before a resolution is formally presented informal consultations are held with several members of the group to see what the likely reaction to the proposal will be. The draft resolution is then debated in the regional group. This process can last either for one meeting or several meetings depending on the nature of the proposal and the positive or negative response it elicits from other states. If the resolution fails to gain consensus within the regional group it generally dies at that stage, but it is possible for states to resurrect their proposal at a meeting of the G77 as a whole especially if members of other regional groups are likely to give support to the proposal.<sup>123</sup> If the resolution is successful it is then adopted as an official position of the regional group for presentation to the G77 as a whole.

Within the regional group the resolution is debated by states from the perspective of their individual interests. Objections to any proposal are generally based on two divergent types of reasoning. On the one hand states will invoke considerations of their national interests and, on the other, they will invoke the likely reactions

of Groups B and D to the proposal; either as a call for moderation or to argue in favour of more far-reaching demands. Because decisions are by consensus every state has a theoretical veto. The possession of this automatic veto would severely restrict the activities of the G77 if the custom had not been adopted of states entering reservations on any resolution with which they fundamentally disagreed. Persuasion is the normal method of arriving at collective decisions in a context of minimal sanctions. This is done through appeals to higher shared values or longer run self-interest considerations and through the use of economic argument to show that the proposed policy really would benefit the state in question. There is very little conscious trade-offs between different proposals. Any trade-offs take place within the parameters of a specific issue. There is an inbuilt hostility to the use of a conscious trade-off strategy. Negotiations among the G77 are conducted in a hard-headed bargaining atmosphere, and within these negotiations two different approaches may be emphasised. I have termed these approaches maximalist and minimalist. Maximalists argue that G77 positions should contain the most far-reaching demands to be made of Group B. Proponents of this approach argue that this would force Group B to upgrade its offers. Maximalists criticise the present G77 approach which is based on obtaining group cohesion. They argue that it provides Group B with the opportunity of making offers below the G77 position which will be acceptable to some countries. Given the internal G77 negotiating processs, it is difficult to envisage circumstances in which the resulting negotiating position cannot be undercut to the satisfaction of some members. Minimalists argue that G77 positions should provide a meaningful basis for negotiations with Group B and therefore should not contain excessive demands.

It is not really possible to identify which method pertains most widely over the range of G77 decision-making. Decision-making within regional groups is a closed process and it is not possible to arrive at firm conclusions regarding the type of outcome reached.<sup>124</sup> The accommodation of regional positions into that of the group as a whole is a more open process (especially at the ministerial level) and some more definite conclusions can be drawn. Nevertheless all results should be treated with caution. Although decision-making here seems a compromise between maximalists and minimalists because it tends towards portmanteau resolutions covering all points of view, it approximates more readily to the maximalist strategy. Once compromise has been reached at the regional level, it usually proves difficult to re-negotiate positions in the G77 as a whole. This inflexibility arising from the need to balance the intricacies of the regional (internal) agreement gives G77 final positions a forceful and uncompromising air.

The plethora of working groups and sub-committees created to cover specific negotiations also provide centres for G77 decision-making. These working groups, although formally composed of a limited number of members, are all in practice open-ended. Decision-making is again by consensus and when agreement has been reached it is forwarded to the regional groups for approval.

It is often claimed that the Non-Aligned Movement (NAM) plays an important role in G77 decision-making.<sup>125</sup> This research does not support that conclusion. In Geneva the NAM is not constituted as a formal group and does not have an input into G77 deliberations.<sup>126</sup> Nevertheless, at the global level, the NAM links into the global negotiating process and together with the G77 forms part of a Third World coalition seeking global reform. Since the NAM took a decisive

interest in international economic issues following its Third Heads of State conference at Lusaka (8-10 September 1970), it has provided an input into the ideas of the G77. The continued support for the objectives of the G77 given by successive NAM conferences represents some input into G77 decision-making at the global level. But this process is diffuse and difficult to isolate. Enumerating a coincidence of objectives and similarity of topics discussed by the NAM and the G77 is not the same as showing the influence of the NAM on G77 decision-making. The NAM has been useful in agenda setting for the NIEO. But the deliberations of the G77 in UNCTAD have not been affected by specific NAM inputs.

#### 5.2.4. The Structure of Influence

The concepts of power and influence central as they are to political science have as yet not been reduced to definitions widely acceptable to political theorists.<sup>127</sup> In what follows, influence will be defined as the ability to affect the distribution of goods and services and the formulation of value consensus within the negotiating process. Two types of influence are possible - negative influence and positive influence. Negative influence is exercised when an actor plays a blocking role preventing some proposal from being accepted and positive influence is exercised when an actor initiates a successful proposal. We are primarily concerned with the exercise of influence over time and not specific, discrete acts. The major source for the findings which follow is the series of interviews conducted in Geneva in 1976, 1978 and 1979. Within the G77 in UNCTAD two distinct types of influential actors can be identified - states and the UNCTAD secretariat. The sources of and the nature of these two types of influence are different. Having made a preliminary characterisation it still remains

to prepare adequately for UNCTAD meetings.<sup>128.</sup> In these circumstances, those G77 members with the administrative capacity equipped to cope with these demands enjoy a tremendous advantage over the others who are unable to respond. As J.M. Thomas and W.G. Bennis argue "power will accrue to those organisations and positions within organisations which can develop access to and control of the knowledge and information needed for complex problem-solving".<sup>129.</sup> Between 1964 and 1980 only a handful of countries enjoyed this administrative advantage - Brazil, India and Yugoslavia and to a lesser extent Argentina, Nigeria and Pakistan. Harrassed missions with one or two professional staff members cannot cope with the wide range of issues with any degree of competence and so they specialise in a few areas and rely on a general approach in others.<sup>130.</sup> Since only the few countries mentioned can discuss adequately all questions under UNCTAD jurisdiction their leadership role in the G77 is greatly enhanced.

The converse of influence being a function of size, level of development and administrative excellence<sup>131.</sup> is the influence resulting from the personal qualities of the ambassador or other members of the delegation. The influence of delegates<sup>132.</sup> is the result of a combination of factors not all being present in any given instance. Influence exerted by a delegate may be due to his diplomatic skill and wide range of experience making him a consummate negotiator in the type of consensus politics so prevalent in UNCTAD. The ability to be a moderator, to facilitate agreement between opposing sides and to construct compromises can contribute to the esteem in which a particular representative is held. At various times over the course of this study, Lall (India), Silveira (Brazil), Maciel (Brazil), Walker (Jamaica) and Brilliantes (Philippines) have all been in the forefront of G77 politics.<sup>133.</sup> The possession of expert knowledge in a certain area and general economic expertise may contribute to a

representative's high standing within the group e.g. Alatas (Indonesia) on the Common Fund and Jaramillo (Colombia) on the multilateral trade negotiations. The two categories are not mutually exclusive and some factors are common to both - long tenure, importance of the problem area to the diplomat's government and his personal interest. Some diplomats are able to exercise influence because they are not constrained by orders from their national capitals (e.g. Alula, Ethiopia). Because of this, they are relatively free to initiate proposals and are not subject to the confusion that can stymie national policy due to jurisdictional or political conflicts between different ministries. Influence within the G77 is exercised not only in a general manner but also on specific issues. Thus Malta and Fiji on developing island countries, Afghanistan and Bolivia on land-locked states and Brazil and India on market access for manufactures, are examples of states which play leading roles in certain issue areas.

The influence of individual states within the G77 therefore varies over time. For the larger states it has been relatively constant and for the smaller states it is largely dependent on the expertise of its mission staff and the importance attached to any particular issue. States which are main actors within their regional group are not necessarily major actors in the G77 as a whole. Between 1976-1979 the following states, although major regional actors, were not in the forefront of the group as a whole - Egypt, the Ivory Coast, Morocco, Tunisia (African Group), Indonesia, Sri Lanka and Malaysia (Asian Group) and Peru, Trinidad and Tobago and Colombia (Latin American Group). Influence within the Group can also stem from outside factors; for example, both Algeria and Cuba have used their chairmanship of the NAM to exercise an effective degree of persuasion.

The influence of the UNCTAD Secretariat<sup>134.</sup> is a direct result of its operation as a de facto secretariat of the G77. In fulfilment of this role it exercises two particular functions which contribute to its influence in the Group of 77's decision-making process - (i) as an intellectual hothouse of ideas and (ii) as a mediator in G77 conflicts. Beginning with Prebisch's 'Towards A New Trade Policy For Development', the UNCTAD secretariat has consistently provided the developing countries with an economic rationale for their political objectives. It is the secretariat which conducts the research on which the common G77 positions are so often dependent. Over the years some countries have become less dependent on secretariat research (e.g. Brazil and India) and there have often been denunciations of the secretariat's work,<sup>135.</sup> but most countries lacking the technical expertise still depend on the secretariat for almost all their economic arguments. Thus G77 policies are largely formulated on the basis of the UNCTAD secretariat's statistical information and economic interpretation. Secondly, secretariat members through their informal contact with delegates are often able to get delegates to sponsor resolutions largely drawn up by the secretariat.<sup>136.</sup>

The secretariat also plays a brokerage role within the decision-making process of the G77 and also in the contact groups established in the various UNCTAD organs. For example, Prebisch played a significant role in the compromise on institutional issues at UNCTAD I and on the GSP agreement at UNCTAD II and Corea was instrumental in securing consensus on the Common Fund resolution at UNCTAD IV. Finally, the Special Unit for Liaison with the G77 within the Office of the Secretary-General (UNCTAD) plays a day-to-day brokerage role and is important in reconciling the diverse interests of the group members at the various ministerial meetings and UNCTAD conferences.

The potential of an international secretariat to influence the workings of an international organisation should not be underestimated. The brokerage role is perhaps the most visible sign of this influence but the informational role is just as important. As Nicholas has written,

"The collection, ordering and providing of information at the points where it is most needed and can produce its greatest effect is one of the most important services that U.N. officials discharge. It is much more than an archivist's or a statistician's function, it is political in the highest degree, calling for qualities of political judgement and forethought no less than of accuracy and integrity." 137.

In his study of UNCTAD, Nye neglected the informational role and underestimated the brokerage function.<sup>138.</sup>

#### 5.2.5. Conflict and Conflict Resolution

The conflictual process within the G77 is a reflection of the three types of cleavages<sup>139.</sup> found within the group - ascriptive (different levels of development, and the differing structures of individual economies); attitudinal (ideology and preferences); and behavioural (activities within UNCTAD, and membership in other organisations and groupings).

Ascriptive cleavages determines the heterogeneity or homogeneity of a group. The G77 is a very heterogeneous group because of the great economic and political differences between the members.<sup>140.</sup> Economic differences can be measured in terms of G.N.P. or other economic indicators or they can be plotted in terms of any specific issue area being discussed. But while ascriptive cleavages do mean that different states will have different interests on particular issues it is the intensity of the cleavage which is important. That is to say, it is not only the particular trait cleavage which is important but the political importance which is attached to it which

will determine the unity or disunity of the G77. Examples of ascriptive traits to which political importance has been attached in the G77 are levels of development most specifically the least developed of the developing countries; geographical disadvantages - the landlocked states and the island developing countries. The issue of the least developed countries has always been a sensitive one within the group because it strikes at the very heart of one fundamental conception of group unity. As a pressure group which accepts its necessary heterogeneity of membership but subordinates this to the pursuit of common interests, the identification of sub-categorisations within the group based upon a separate developmental axis poses fundamental problems for the maintenance of group unity. Thus some of the more advanced countries, particularly in Latin America, have resented the creation of this category and have only grudgingly agreed to the provision of special measures for the lddcs.<sup>141</sup> Moreover, identification of the lddcs constituted a serious political problem for the G77. It was apparent at the outset that those countries designated lddcs would receive special (favourable) treatment from the developed countries, therefore there was an incentive for countries to be included within that category.<sup>142</sup> Further, the identification of lddcs caused a cleavage along regional lines within the Group since most of the designated countries belonged to the African Group. This gave the African Group a vested interest in supporting this categorisation and the special measures for it whilst the Latin American Group which felt that it was underrepresented in this category a political interest in opposing any special measures. The dispute over special measures for the lddcs is not only an inter-group affair but also leads to intra-group conflict e.g. between Bangladesh and India in the Asian Group.

a difficult task to assess the structure of influence within the group given its large membership, relatively informal character and the possession of a veto (a source of negative influence) by all its members. But it is possible to trace some patterns of consistent effects on the group's decisional outcomes. Given the decision-making structure of the group the exercise of influence is first noticeable within a regional context. Here it has been found that during the period of the study there was a correlation between the main actors within the UNCTAD regional groups and within the regional sub-systems at the global level. Thus within the Latin American Group Brazil, Argentina, Mexico and Venezuela were consistently regarded as the most influential states. Similarly in the African and Asian Groups Nigeria, Algeria, Egypt, Ghana, India and Pakistan were acknowledged as being influential at various times. The relative high status of these states in the political and economic institutions of their regions and their wide-ranging interests and political activity contributes to their prestige and effectiveness within UNCTAD. Further, it is precisely those attributes which contribute to their regional preponderance which enhances their roles within UNCTAD.

The ability to maintain a diplomatic mission in Geneva with a large and competent professional staff with good communication links with the national capital is an invaluable asset for any state member of the G77. This is important because despite the outpourings of rhetoric UNCTAD is essentially an organisation concerned with technical issues, the understanding of which is important if any meaningful negotiations are to take place. As the UNCTAD work programme has expanded mainly at the request of the developing countries themselves, the ability to read all the reports and to prepare an informed response become increasingly more difficult. With issues and attendant meetings proliferating monthly, even the developed countries find it difficult

The conflict over special treatment for land-locked countries does not suffer an identification problem similar to that of the lddc category since it is patently obvious which countries are land-locked.<sup>143</sup> The conflicts concerning land-locked states centre around their relations with their transit neighbours and the drafting of rules to safeguard the right of access to the sea for the llcs. However, security considerations are as important as economic ones in this context thus adding a degree of political intensity to the debate; e.g. India and Nepal, and Pakistan and Afghanistan. In Latin America, the land-locked issue is highly politicised because of the territorial dispute between Bolivia and Chile. Chile annexed a part of Bolivia during the War of the Pacific in 1879 causing Bolivia to lose its coastline, an annexation that Bolivia refuses to recognise.

The category of developing island economies is one that by its very nature creates a high degree of political opposition. Many states, particularly those in the lddc category resent the creation of another special interest group within the G77 which detracts from their own needs and, more importantly, diverts resources away from the lddcs. The category of dic is so wide as to be intellectually meaningless but it is politically impossible to get a category that makes more sense economically. By creating such a category in the first place the island countries were ascribing a political commitment to their geographical status<sup>144</sup>. and it is difficult to foresee a narrowing down of the category.

The existence of cleavages poses problems for G77 unity but the proliferation of interest groups in the coalition does not necessarily create disunity. Interest groups are contained in the G77 and become enmeshed in its political process. The fact that states can pursue specific interests in an organisational forum, to some extent enhances the degree of unity achieved by the G77. The mode of

decision-making protects national autonomy and the proliferation of interest groups increases the scope of the G77 as an international organisation. It also provides a stable pattern of expectations concerning the behaviour of disaffected group members.

Attitudinal cleavages within the G77 are of two types. First, those of a political nature relating to the relations between member countries and developed countries and the bearing this has on the collective efforts of the developing countries and, secondly, those resulting from particular ideological and political conflicts between developing countries themselves. Within the G77 there is a continuum of opinion on relations with the developed countries which stretch from a desire for closer cooperation at one end to a rejectionist position at the other. The developed countries attempt to exploit these attitudinal differences in order to undermine the degree of unity achieved by the G77, which they find an irritant. Attempts to increase these divergent tendencies are made by designing bilateral and multilateral arrangements with specific developing countries on issues which directly affect G77 demands.<sup>145</sup>

Whilst at the regional and global levels, there are many disputes of a political nature between states members of the G77; these are very rarely allowed to intrude into the Group's deliberations in UNCTAD. The unwritten agreement is that UNCTAD is a technical body and extra-political considerations should <sup>not</sup> interrupt its work programme. Nevertheless, there are occasionally disputes of a political nature which surface and lead to a degree of antagonism between states e.g. at the fourteenth session of the Trade and Development Board Algeria, Cuba, Hungary, Libya, Mexico and Yugoslavia submitted a draft resolution<sup>146</sup> which condemned the imprisonment of Clodomiro Almeyda, the President of the Third Session of the Conference and requested his

release by the Chilean authorities. This resolution was strongly opposed by the Chilean delegation which objected that the resolution constituted interference in its internal affairs.<sup>147</sup> Similarly at UNCTAD V in Manila, there was a political dispute over the correct representation for the Democratic Republic of Kampuchea - some states were unwilling to recognise the government of the Vietnamese backed Heng Samrin which controlled most of the territory preferring to support the representatives of the de jure government of Pol Pot.<sup>148</sup> There are also ritual exchanges of animosity between the South Korean and North Korean delegations but these are seemingly a matter of form. Political jealousies do play a part in the election of members to a committee and in the election of officers to serve the various committees, but the open-ended nature of the committees and the regional rotation of offices is helpful in diminishing some of the conflict that could possibly arise from this source.

Behavioural cleavages are of two types. Those relating to behaviour within UNCTAD itself has been covered throughout this chapter and reflects the ascriptive and attitudinal cleavages found within the group. The other type of behavioural cleavage relates to the conflicting membership some states have outside the UNCTAD framework. For example, the existence of the Yaoundé Convention and its successor, the Lomé Convention, by which certain developing countries benefit from trade and preferential arrangements with the European Community has caused a great deal of divisiveness within the G77. Those countries not benefiting from the preferential arrangements have attacked these arrangements as imperialistic and divisive. The main attack against the Yaoundé Conventions came from the Latin American countries and against the Lomé Convention from India.

It is clear that these three types of cleavages overlap and that the definitional boundaries are not clear but they are helpful in analysing the conflictual process within the group along the following continua - homogeneity/heterogeneity; consensus/dissensus; and cohesion/fractionalisation.

The section on decision-making has already outlined the main features of conflict resolution within the group. The avoidance and diminution of conflict is a continuous process within the G77 and of utmost importance for its continued unity. Given the general level of common interests variations are bound to arise on matters of detail. The slow nature of much of the decision-making within the group is a result of efforts to arrive at consensus resolutions. No dispute settlement procedures exist within the group because the nature of conflicting objectives does not require this type of institution. Whenever there is a major dispute a working group is created to try to formulate a compromise solution. The tortuous and slow nature of the conciliation process arises from the fact that the general method used is one of persuasion. The issue is debated until some measure of agreement is reached through fatigue or a change in position by one of the parties to the dispute. This necessity to seek agreement through persuasion with its resulting slowness and the fact that failure to reach agreement on one issue usually means that other issues also suffer at conferences (by the refusal of one side to negotiate until the outstanding issue is resolved), gives the G77 decision-making an air of crisis. The conscious use of a trade-off policy would alleviate some of these problems of conflict resolution.

The level of conflict and dissensus within the group has not produced any defections from the coalition. This is not because there have not been severe strains on G77 unity but because the benefits to date outweigh the costs. The economic costs of membership

are minimal and do not have to be borne by the states. In other words, there are no real direct participation costs, although the cost of a mission in Geneva is a high one it is not an essential prerequisite of membership. Moreover, a mission in Geneva is located there not only for G77 activities but to represent the state to a cluster of international organisations. The economic cost of sending missions to ministerial meetings and UNCTAD conferences are not unduly high.<sup>149</sup> Another set of economic costs are those benefits which would accrue from bilateral or multilateral agreements but are foregone because of membership of the G77 and adherence to its principles, but to date membership of the G77 has not in practice prevented states from making such deals.<sup>150</sup> A political cost can exist if a country feels that a G77 resolution or common position is unwise and likely to lead to a souring of relations with the developed countries. But in that case a government can ignore those positions in which it has no interest and those which it finds embarrassing.

### 5.3. Conclusions

The G77 experienced a 58 per cent increase in its membership between 1964 and 1979 and a steady growth in its organisational infrastructure. Change was incremental rather than revolutionary. Proposals for major organisational change - the creation of a secretariat or technical support machinery were rejected. The G77 responded to changes in its environment e.g. a minimal form of coordination between the regional centres only became possible after the proliferation of global negotiations and the increased profile of the United Nations General Assembly.

We began this chapter by considering the importance of changes in scope and level for organisational performance. Having considered the evidence it is now possible to assess the relevance of our amended concepts for an understanding of the nature and stability of the G77. The scope of the organisation has increased considerably. Beginning with the First Ministerial Meeting in Algiers in 1967, a permanent structure has gradually developed for the group. Secondly, the number of groups involved in policy making increased with the proliferation of the G77 in various international fora (permanent and transient). Moreover, this proliferation can be taken to signal the importance of the G77 as a coordinating body for national governments. Thirdly, within the UNCTAD context two sets of groups developed (i) organisational bodies e.g. working groups and (ii) interest groups e.g. developing island countries. These developments have contributed to the continuity of joint decision-making, thus increasing the level of organisational activity. Creation of the Preparatory Committee and the changes in the Ministerial Meeting signalled not only increased institutionalisation but the creation of a stable pattern of expectations.

We have argued that the consensus method of decision-making because it protects national autonomy contributes to the stability of the G77. This argument is the reverse of the findings of organisational theory but far from being perverse merely recognises the special characteristics of the G77. From the viewpoint of organisational development i.e. increasing the autonomy of the G77, this stress on national sovereignty had an inhibiting effect on the development of a secretariat or implementation of co-ordination between the various regional centres.

The regional group and UNCTAD Secretariat are key features of the organisational process of the G77. The regional group provides the basic organisational unit around which other features revolve. All G77 bodies are based on the three regional groups and convened according to the principle of equal geographical representation.<sup>151</sup> In the absence of a secretariat of the G77 the UNCTAD secretariat, through its command of UNCTAD resources, material and ideological, exercised a significant degree of influence over the group.

Developments in organisational structure and the mode of decision-making provided effective checks on the tendency toward disunity. The importance of cleavages for the G77's stability cannot be inferred from rational actor assumptions. The enmeshment of state actors in a complex organisational web and the methods of reconciling conflict (and safeguarding national action) significantly condition group outcome. The development of issues, nature of cooperation and management of conflict reflect organisational characteristics of UNCTAD and the G77. Part 3 of the thesis is a detailed examination of two case-studies (the most important issues discussed in the period 1964-1980). We will be examining the importance of organisational context on the outcomes of these two sets of negotiations.

FOOTNOTES

1. P.C. Schmitter, "Three Neo-Functional Hypotheses About International Integration", International Organization (Winter 1969) pp. 161-166.
2. Ibid., p. 163.
3. Ansari op. cit. p. 183.
4. The current membership of the group is 127.
5. China, being the exception which proves the rule. China has enough resources at its command and sufficient influence potential to eschew membership of the G77 and still make an effective contribution to UNCTAD politics.
6. See Jakarta Declaration 1976. 77/MM(III)/6. Annex I Resolution on the PLO.
7. Interviews, March 1976
8. See Working Group on Membership : Report on Procedures for the Admission of New Members to the Group of 77 and on Membership of the Group. (Geneva, 28 April 1976) in K.P. Sauvants (ed.), The Collected Documents of the Group of 77, vol. III [hereinafter referred to as Collected Documents with volume number].
9. This issue had previously been discussed at both the Ministerial Meetings of the African and Latin American groups.
10. Malta had applied to the Asian Group for membership but had been refused. The Third Ministerial Meeting of the Asian Group had suggested that Malta apply for non-regional membership. See Jakarta Declaration, ibid.
11. See Senior Officials Meeting Manila 26-31 January 1976, Report and Annexes, in Collected Documents, vol. II pp. 522-587; Sauvants, The Group of 77, op. cit. p. 24.
12. Manila Declaration and Programme of Action. TD/195 and 77/MM(III)/49. Decision I. Annex I. p.9.
13. The membership of the Working Group consisted of (Africa) - Algeria, Egypt, Ethiopia, The Gabon, Nigeria, Senegal; (Asia) - Bangladesh, India, Indonesia, Pakistan, Qatar; (Latin America) - Argentina, Brazil, Panama, Peru, Trinidad and Tobago. The chairman was Mr A. Kherbi of Algeria.
14. During the course of the Manila Conference, Malta was accepted as a member of the Asian Group.
15. Manila Declaration ibid., Annex I p. 9. These stipulations were made because Romania's application had been greeted unfavourably by some countries who were annoyed that at a UNIDO meeting immediately preceding Manila it had consistently supported the Group D position.

16. Interviews, March 1967.
17. This is compounded by a) lack of professional staff;  
b) a rapid turnover of important officials.
18. Sauvant, op. cit. p. 52.
19. This is the case with middle-ranking countries like Nigeria and Pakistan.
20. See B. Gosovic, "UNCTAD : North-South Encounter", International Conciliation (May 1968) p. 17.
21. The Charter of Algiers, TD/38. Add. 1. p. 28.
22. Prior to the Algiers Meeting the G77 was riven by disunity particularly over the GSP and lddc issues. See Dick Wilson, "Unity of the South", Far Eastern Economic Review (Oct. 20, 1966) p. 130; Edith Rebecca Lenart, "The Algiers Charter", Far Eastern Economic Review (Nov. 9, 1967) p. 266.
23. TD/B/Misc.60/Rev. 2 (23 Sept 1966).
24. See MM. 77/I/4. and Add. 1 (3 Oct. 1967); MM. 77/I/3/Rev. 1 and Corr. 1 and Add. 1 (11 Oct. 1967); MM. 77/I/Misc. 6/Rev. 1 (12 Oct. 1967) in Collected Documents, vol I.
25. TAD/31(X)/Misc.6/Rev. 3 (10 March 1971) Collected Documents vol.I
26. See the reports of the Preparatory Committees for the second, third and fourth ministerial meetings in Collected Documents vol. I. pp. 476-96; vol. I. pp. 337-378; vol. III. pp.151-241.
27. Sauvant, op. cit. p. 32.
28. The Group of 31 in its preparations for the Second Ministerial Meeting requested a preparatory meeting of "high officials", See TAO/31(X)/Misc. 6/Rev. 3.
29. See MM/77/II/4 (27 Oct 1971), Report on the Meeting of Senior Government Officials Collected Documents, vol. II.
30. See 77/MM(IV)18 (4 Feb. 1979). Senior Officials Meeting Collected Documents, vol III
31. See 77/MM(III)/2 (27 Jan. 1976). Senior Officials Meeting Collected Documents vol. II.
32. TD/38. Add. 1. p. 28.
33. See The Charter of Algiers (1967), The Declaration and Principles of the Action Programme of Lima (1971), the Manila Declaration and Programme of Action (1976) and the Arusha Programme for Collective Self-Reliance and Framework for Negotiations (1979).
34. For the Manila Ministerial Meeting 77/MM(III)/4. and Add 1-7; for the Arusha Ministerial Meeting see 77/MM(IV)/5 - 77/MM/(IV)/15.
35. See Sauvant op. cit. pp.38-43 for more details on the institutionalisation of the ministerial meeting.

36. See Sauvant op. cit. pp. 54-86.
37. Interviews March 1976, September 1978, October-November 1979.
38. For example, the Yugoslavian missions in New York and Geneva held differing views pertaining to the agenda of UNCTAD V; those in New York wanted a broad agenda and those in Geneva a limited one. The views of the New York mission prevailed and became official Yugoslav policy. (Interview with Yugoslavian diplomat 21 September 1978.)
39. One Jamaican diplomat reported that in eighteen months in Geneva he had never seen nor heard anything of the G77 in Rome or Vienna (Interview 22 September 1978). Despite the common interests of UNCTAD and FAO with respect to the IPC no coordination took place between the regional centres of the G77.
40. Algeria, Argentina, Brazil, Cameroon, Egypt, India, Indonesia, Iran, Iraq, Jamaica, Mexico, Nigeria, Pakistan, Peru, Saudi Arabia, Venezuela, Yugoslavia, Zaire, Zambia.
41. These divisions sometimes surfaced publicly. See TD/B/SR.461 for an expression of India's dissatisfaction. Also see TD/B/SR.477 for Afghanistan denunciation of CIEC because of the lack of representation for lddcs.
42. For example the lddcs, the African group and the smaller states.
43. For example Algeria, Jamaica, Zaire, Zambia.
44. For example Iran, Saudi Arabia, Brazil, Argentina and India were the leaders of this group.
45. "Co-ordination between the Group of 19 at the Conference on International Economic Cooperation and the Group of 77 as a whole". Jakarta Declaration 1976. Part V, II (d). 77/MM (III)/6. p. 91.
46. "Co-ordination between the Group of 19 and the Group of 77", Manila Declaration and Programme of Action. Annex I. p. 10 (TD/195).
47. Thus ensuring that no concrete action would be taken.
48. Information obtained in an interview with a Jamaican diplomat (22 September 1978)
49. The Committee of the Whole was created by UNGA Resolution 32/174 "Assessment of progress in the establishment of the New International Economic Order" (19 December 1977).
50. For example the Ambassador of Bangladesh stated that it had no right to interfere in the affairs of the G77 in Geneva. (Source: Interviews September 1978)
51. The acronym of this committee is COW and constant jokes are made about the COW that delivers no milk. (Interviews September 1978)

52. This was attended by the Chairman of the G77 in Geneva, New York, Paris, Rome and Vienna.
53. This was attended by the Chairman of the G77 in Geneva, New York, Paris, Rome, Vienna and the Chairman of the Group of 24 in Washington.
54. See for example Decision C of the Third Ministerial Meeting of the Asian Group "Establishment of the international secretariat of the Group of 77" where the Asian Group recommends that an international secretariat with headquarters in Geneva be established. Jakarta Declaration 1976. 77/MM(III)/6. Annex II, p. 90.
55. See Kenneth O. Hall, "Technical and Organizational Support for Developing Countries on International Economic Negotiations : A Report" in The Group of 77 : Strengthening Its Negotiating Capacity (Nyon : Third World Forum 1979) p. 18.
56. States are afraid that if the headquarters are situated in a developing country then that country might be able to exert unwanted influence on the secretariat. On the other hand although Geneva is the most obvious site some countries are certain to campaign for the headquarters to be situated in the Third World.
57. A Brazilian diplomat attacked the creation of a G77 secretariat as "unnecessary bureaucratisation" and added somewhat revealingly that a secretariat would be unhelpful or too efficient". (Interview 24 March 1976). Emphasis mine.
58. The Declaration and Principles of the Action Programme of Lima. Part Four (IV).
59. Manila Declaration and Programme of Action. (TD/195). Annex I. p.10.
60. See Working Group of the Group of 77 - Manila Decision No. 2: Report on the Proposed Establishment of the Group of 77; Geneva 27 April 1976. UNCTAD/CA/843 (28 April 1976). Collected Documents pp. 75-82/
61. Ibid. para 30.
62. See Committee of 21 of the Group of 77 at Geneva 'Report on a Special Technical Support Machinery for the Group of 77', Annex I - History and Analysis of Proposals to Equip the Group of 77 with Support Machinery'. (Mimeo) p.2. Sauvart however says that the issue was never discussed at Nairobi. See Sauvart op. cit. pp. 48-49.
63. Prior to this meeting a proposal had been made at the First Meeting of Ministers of Foreign Affairs (September 1977) that a technical support machinery be set up.
64. Arusha Programme for Collective Self-Reliance and Framework for Negotiations. Annex I.B. Decision - "Future Activities and organization of the Group of 77". TD/236.

65. Report of the Committee of 21 op. cit. p. 4.
66. The report was first submitted to the September, 1979 Meeting of Ministers of Foreign Affairs of the Group of 77 in New York. It was then shunted to the Group of 27 in New York; then on to the September, 1980 Meeting of Ministers of Foreign Affairs. They in turn referred it to the continuing machinery of the Group of 27.
67. The influence of the UNCTAD secretariat in G77 decision-making is discussed below in section 5.2.d.
68. See Richard N. Gardner, "the United Nations Conference on Trade and Development" International Organization (Winter 1968) pp. 99-130; A.K. Bhattacharya, "The influence of the international secretariat : UNCTAD and generalized preferences", International Organization (Winter 1976) pp. 75-90.
69. Regularised contact between the secretariat and the G77 had been taking place before then but in 1971 the process was given an institutional focus. The Liaison Unit consisted of two professional staff members (1971-1980).
70. Source - Mr M.T. Adebajo, then Secretary of the Trade and Development Board (Interview 5 April 1976).
71. These assessments are based on interviews.
72. Ambassador Maciel (Brazil). Interview, 12th September 1978.
73. For a different interpretation of the environment within which decision-making in international organisations occur see Robert W. Cox and Harold K. Jacobson, The Anatomy of Influence (New Haven and London : Yale University Press, 1974) pp. 25-36 and 37-58.
74. This has been much more to the fore following the onset of the so-called North-South dialogue ushered in by the Sixth Special Session of the United Nations General Assembly in May 1974.
75. This includes all forms of South-South associations including the NAM and ECDC.
76. For example the United Nations Law of the Sea Conferences, the 1972 Conference of the Environment and the 1974 World Food Conference.
77. For example UNCTAD, the UNGA, IMF, FAO.
78. See Thomas Hovet, Bloc Politics in the United Nations (1960) pp. 30-46 where he distinguishes between the bloc, caucusing group, geographical distribution group, regional group, common interest group and temporary interest group. The Group of 77 would fit the criteria for a bloc- 'a group of states which meets regularly in caucus and the members of which are bound in their votes by the caucus decision'; a caucusing group - 'any group of member states .... which has some degree of formal organisation,

/contd.

78. holds fairly regular meetings and is concerned with substantive issues and related procedural matters'; and possibly a common interest group defined as one in which states although not bound together by any sort of formal arrangement or membership in a regional body nevertheless have some elements in common which tend to provide a common outlook on certain types of issues.
79. This definition is similar to that of William Riker who defines coalitions as partnerships which emerge in decision-making in which "several persons must for the sake of winning, come together, for common action without much regard for considerations of ideology or previous friendship". W.H. Riker, The Theory of Political Coalitions (New Haven & London : Yale University Press 1962) p. 21.
80. See J.R. Friedman, "Alliance in International Politics" in Friedman, Bladen and Rosen (eds.), Alliance in International Politics (Boston, Mass : Allyn & Bacon Inc 1970) pp. 4-5.
81. See Carol Lancaster, The Politics of the Powerless (Ph.D. University of London 1972), for an application of the pressure group concept to development diplomacy. Also see P. Willetts (ed.), Pressure Groups in the Global System (London : Frances Pinter 1982 ).
82. See J.M. Buchanan and G. Tullock, The Calculus of Consent (Ann Arbor : The University of Michigan Press, 1962) p. 31.
83. As Olson says "the achievement of any common goal or the satisfaction of any common interest means that a public or collective good has been provided for that group". Mancur Olson, The Logic of Collective Action (New York : Schocken Books, 1968) p. 15.
84. For definitions of a collective good see Olson ibid. pp. 14-15; M. Olson and Richard Zeckhauser, 'An Economic Theory of Alliances', Review of Economics and Statistics, (August 1966) pp. 266-279; John G. Head, 'Public Goods and Public Policy', Public Finance, (1962), pp. 197-219.
85. See Address by Julius Nyerere to Fourth Ministerial Meeting of the G77 reproduced in TD/236. Annex II.
86. See Roger D. Hansen, Beyond The North-South Stalemate (New York: McGraw-Hill for the Council on Foreign Relations, 1979) pp. 87-125 for an elaboration of this view and Branislav Gosovic and John G. Ruggie, 'On the creation of a new international economic order: issue linkage and the Seventh Special Session of the U.N. General Assembly', International Organization (Spring 1976) for a more sympathetic treatment of the G77's mass aggregation.
87. Much of the literature on the G77 stresses this heterogeneity. See e.g. C. Geldart & P. Lyon, "The Group of 77 : A Perspective View", International Affairs (Winter 1980-1981) pp. 79-101; S. Krasner, "Third World vulnerabilities and global negotiations", Review of International Studies (October 1983) pp. 235-249 and Hansen ibid.

88. A rather confusing term. See H.J. Morgenthau, Politics Among Nations (New York : Knopf 6th. ed. 1972). K.J. Holsti, International Politics (Englewood Cliffs N.J. 1st ed. 1967) pp. 124-154. S. Krasner, Defending the National Interest (Princeton N.H. : Princeton U.P. 1978).
89. J.G. Ruggie, "Collective Goods and Future International Action", American Political Science Review (September 1972) pp. 874-893 makes an interesting point when he claims that "in keeping with the interstate system states prefer to limit their dependence upon others to the least necessary level above that assumed by all states". p. 878.
90. See L.K. Mytelka, "The Saliency of Gains in Third World Integrative Systems" World Politics (January 1973) pp. 236-250.
91. Hansen ibid., ch. 4; Krasner ibid.
92. Cuba and Mozambique are members of Comecon but unlikely to join Group D.
93. The Newly Industrialising Countries or OPEC states.
94. The debt crisis of the 1980s revealed the unfeasibility of the graduation scenario.
95. Interview (31 October 1979) with UNCTAD Secretariat official.
96. For a formal demonstration of the relationship between coalition cohesion and coalition power see Anatol Rapoport, N-Person Game Theory (Ann Arbor : The University of Michigan Press, 1970) pp. 234-253.
97. The Charter of Algiers.
98. Arusha Programme for Collective Self-Reliance and Framework for Negotiations
99. It is debatable whether commodity agreements can affect the long-term trend. For discussions of this issue see for example, Ervin Ernst, International Commodity Agreements (The Hague : Martinus Nijhoff 1982); C.P. Brown, Primary Commodity Control (Kuala Lumpur, Oxford University Press 1975).
100. For a detailed discussion of the developing countries and international commodity policy see chapter 7.
101. For a more detailed exposition of the Group of 77 and the GSP, see chapter 6.
102. See Conference Decision 27(II).
103. See e.g. Bela Balassa, "The Tokyo Round and the Developing Countries", Journal of World Trade Law (March/April 1980) pp.93-118; Multilateral Trade negotiations: evaluation and further recommendations arising therefrom. Report by the UNCTAD Secretariat TD/227 (2 April 1979).

104. Interview 12 September 1978.
105. It is conceivable that the G77 can survive a few defections but the psychological mood (in the period under study) was such that no defections could be accepted.
106. See W.A. Agor, "Latin American Inter-State Politics : Patterns of Cooperation and Conflict", Inter-American Economic Affairs (August 1972) p. 19.
107. For a succinct analysis of the Alliance for Progress see L.J. Gay, The Alliance For Progress : An Interpretation In The Context Of Inter-American Relations (M.A. Thesis, University of Sussex 1979).
108. See e.g. E.S. Milenky, The Politics of Regional Organization in Latin America (New York : Praeger 1973) W.R. Cline & E. Delgado (eds.), Economic Integration in Central America (Washington D.C. : Brookings Institution 1978). M.S. Wionczek (ed.), Latin American Economic Integration (New York : Praeger 1966).
109. See Jenny Pearce, Under The Eagle, (London : Latin American Bureau 1982).
110. Marc A. Williams, "The Group of 77, UNCTAD V and the North/South Dialogue, IDS Bulletin (January 1980) p. 7.
111. Interviews.
112. The head of the mission has ambassadorial rank.
113. See A. Hazelwood, Economic Integration : The East African Experience (London : Heinemann 1975); J. Ravenhill, "Regional Integration and Development in Africa : Lessons from the East African Community", Journal of Commonwealth and Comparative Politics (November 1979).
114. See T.O. Elias, "The Economic Commission of West Africa" Yearbook of World Affairs (1978); D.C. B h, "The Politics of West African Economic Co-operation : CEAO and ECOWAS", Journal of Modern African Studies (December 1983).
115. Integration in Asia is poorly developed compared to Africa and Latin America. See M. Wionczek (ed.), Economic Cooperation in Latin America, Africa and Asia (Cambridge, Mass. : MIT Press 1969); also see S.W. Arndt & R. Garnaut "ASEAN and the Industrialization of East Asia" Journal of Common Market Studies 'March 1979) pp. 191-212.
116. See K. Midgaard, "Co-operative Negotiations and Bargaining : Some Notes on Power and Powerlessness" p. 117 in Brian Barry (ed.), Power and Political Theory (London : John Wiley 1976).
117. See Peter Warr, Psychology and Collective Bargaining (London: Hutchinson 1973, pp. 17-20).
118. This was usually phrased as follows, 'The new system of general preferences should ensure at least equivalent advantages to developing countries enjoying preferences in certain developed countries'. The Charter of Algiers.

119. 5-10 September 1977; 23-27 January 1978 and 6-11 March 1978.
120. See TD/B/SR. 478-494.
121. See e.g. the complaints of the French delegates at the fourteenth session of the TDB. TD/B/SR.431.
122. Interviews with Canadian, British and American delegates (29 Oct-1Nov. 1979).
123. This occurs when membership of interest group cross-cuts the regional groupings.
124. Interviews. The information received was inconclusive.
125. See Odette Jankowitsch & Karl P. Sauvart, "The Initiating Role of the Non-Aligned Countries" in K.P. Sauvart (ed.), Changing Priorities on the International Agenda : The New International Economic Order (Oxford : Pergamon 1981) pp. 41-77. R.A. Mortimer op. cit. pp. 74-94.
126. Interviews.
127. See Cox & Jacobson op. cit. pp. 20-21 for an attempt to operationalise the concept of influence and power in international organisations. See also S. Lukes, Power : Radical View (London : Macmillan 1974).
128. Interviews October-November 1979.
129. J.M. Thomas & W.G. Bennis (eds.), Management of Change and Conflict (Harmondsworth, Middx. : Penguin Books 1972) pp. 9-10.
130. For example, during the 1979 Code of Conduct on the Transfer of Technology negotiations, some African delegations had no negotiating expertise. They presented a position which stated 'We support the position on a legally binding code in principle' but were unable to discuss details. Brazil and India who were against a legally binding code were able to argue their case persuasively.
131. This argument is more sophisticated than Kenneth Hall op. cit. who only discussed personal qualities as a source of influence.
132. For an interesting argument on the influence of delegates in international organisations, see Chadwick F. Alger, "Personal Contact in Intergovernmental Organisations" in Herbert G. Kelman (ed.), International Behaviour (New York : Holt, Reinhart & Winton 1965) pp. 521-547.
133. These were the ambassadors most consistently mentioned by G77 delegates during the course of my interviews.

134. See Leon Gordenker, "Policy Making and Secretarial Influence in the U.N. General Assembly : The Case of Public Information", The American Political Science Review (September 1960), for a discussion of influence and international secretariats.
135. Note, for example, the arguments over the identification of the lddcs.
136. Interviews.
137. H.G. Nicholas, The U.N. as a Political Institution (Oxford : Oxford University Press 1959) p. 149.
138. J.S. Nye, "UNCTAD : Poor Nations Pressure" in Cox & Jacobson op. cit. pp. 334-370.
139. See Rae and Taylor op. cit. and chapter 1.2 above.
140. See also Jean-Phillipe Colson, "Le Groupe Des 77 et Le Problème De L'Unité Des Pays Du Tiers Monde", Revue Tiers Monde (Oct-Dec 1972) pp. 813-830. B. Gosovic, "UNCTAD : North-South Encounter" International Conciliation (May 1968) pp. 1-80; B. Gosovic, UNCTAD : Conflict and Compromise (1972) pp. 297-286.
141. See the various debates at the Trade and Development Board.
142. The Latin American region had traditionally differentiated in their regional integration programmes between the more developed countries, those with insufficient markets' (Chile, Colombia, Peru, Uruguay and Venezuela) and the 'least developed' (Bolivia, Ecuador and Paraguay) none of which were included in the UNCTAD secretariat's list.
143. Although Zaire with only a small outlet to the sea and one which is insufficient considering its large size would like to be included in this category.
144. Although I have been informed privately that this category was created by the Latin American countries in an attempt to proliferate special categories. The rationale behind this is to limit any special benefits gained from special status.
145. For example CIEC.
146. TD/B/L.361.
147. Adopted as TDB Resolution III(XIV).
148. See Proceedings (1976) vol.1. Report and Annexes, Part 2, paras 1-229.
149. Ansari did, however, find that between 1964 and 1976 there was a relative decline in the level of participation of key ldc states in UNCTAD. Ansari op. cit. p. 232.

150. On the other hand some states do feel that there are economic constraints involved. A Pakistani delegate has said that Pakistan had refrained from making some bilateral deals because of its G77 commitments. He admitted however that Pakistan gained from pressure the G77 exerts in fields outside UNCTAD's immediate range because bilateral deals reflect the multilateral agreements of organisations such as UNCTAD. Interview 19 September 1978.
151. Equitable representation i.e. weighted to provide for the numerical strengths of the regional groups had by 1979 been effectively replaced by equal representation.

## CHAPTER 6

### CONFLICT AND CONFLICT MANAGEMENT: The Negotiations for a Generalised System of Preferences. 1964-1970

#### INTRODUCTION

The aim of this chapter is to examine the way in which the G77 position on a Generalised System of Preferences was formulated. Two central questions are posed for the analysis: (1) How given the initial differences did agreement come about? (2) What effect did the existence of various cleavages have on the shape of the final agreement? The analysis concentrates on two separate but interrelated levels. First, the joint negotiating strategy of the G77 and secondly, the UNCTAD decision to implement a GSP. Two outcomes are therefore being examined - a common G77 position and agreement with Group B countries. In order to examine intra-G77 bargaining on the preference issue and its effect on negotiations with the industrialised countries, the chapter will begin with an analysis of the economic debate on preferences and a delineation of the cleavages within the group. The major section of the chapter will be concerned with a study of the bargaining process from 1964-1970. During this period the issue of preferential treatment for the manufactured and semi-manufactured exports of the developing countries dominated the UNCTAD forum. The major political commitment was invested in this area and an examination therefore will illuminate overall group cohesion and fractionalisation.

#### 6.1. Economic Analysis and the Debate on Preferences

Before discussing the bargaining which took place over the issue of preferences it is important that some attention is given to the economic considerations underlying the proposed generalised system of

preferences. It is not the aim of this section to assess the benefits which have flowed from the actual operation of the scheme <sup>(1)</sup> or to debate the limitations of the scheme that was agreed. <sup>(2)</sup> Rather it is to examine the underlying economic arguments for and against the granting of wide ranging preferential access for the manufactured and semi-manufactured exports of the ldc's to the markets of the developed countries. <sup>(3)</sup> Negotiating positions are based to a large extent on economic analysis and therefore it is necessary to examine the economic debate. We will be examining divergent opinions on two sets of arguments. First, those relating to any form of preferential access for ldc manufacture exports (to developed markets) and secondly, those relating, more specifically to the concept of the GSP. Thus we will discuss economic arguments advanced between 1964-1970 and arguments likely to be raised during any discussion of economic preferences.

The immediate rationale for the implementation of discriminatory preferences <sup>(4)</sup> in favour of developing countries rests on the infant-industry argument. However, lying beneath the infant-industry argument, so to speak, are a number of broader objectives and goals. At the highest level of generality the aim is to increase economic growth and development. Historically the major engine of growth has been industrialisation; a development reinforced by the limited gains available from the agricultural sector. <sup>(5)</sup> Agricultural productivity so vital to development prospects proceeds through technological innovation with the resulting increased output being produced with a reduced workforce. The displaced agricultural workers migrate to the cities seeking employment in the industrial and service sectors thus creating a demand for increased job opportunities in these sectors. Moreover, one of the primary obstacles to third world industrialisation is the limited size of domestic markets which means

that essential economies of scale cannot be realised. (6) Access to the markets of the industrialised states is therefore a prerequisite for economic growth. Furthermore, increased production of manufactured goods is needed in order to diversify the structure of developing countries economies. Over dependence on primary commodity exports act as a constraint on growth. (7) First, because primary commodities face declining export prices and secondly, because the demand for primary commodities is less income-elastic and less price-elastic than for manufactures. The growth prospects for manufactured goods are more dynamic and increased ldc export of manufactures and semi-manufactures would improve their terms of trade and contribute to closing the 'trade gap' between them and the industrialised world. (8)

The ability of the developing countries to sustain economic growth being a function of their capacity to earn foreign exchange. Thus, at base, proposed preferential schemes seek to expand ldc exports and export earnings. This objective would be accomplished through static price advantages which would make the developing countries goods more competitive vis-a-vis domestic producers and third country non-preferred exporters; and also bring dynamic incentives for investment in export capacity.

Following on from these considerations two types of measures are envisaged in order to stimulate the export of manufactures, semi-manufactures, processed and semi-processed goods from developing countries - (a) Those aimed at improving access to Northern markets through the elimination of obstacles; (b) export promotion measures in developing countries. The economic case for preferences is based on, and extends the first consideration. Three aspects of the economic argument in favour of preferences can be distinguished -

i) the infant-industry argument; ii) the structure of tariff protection in the developed world; iii) welfare considerations. We now consider each of these in turn.

i) The infant-industry argument rests on three considerations. (9) First, increasing returns to scale i.e. as output grows costs diminish until the point is reached when the industry becomes competitive; second, "externalities" i.e. an industry tends to produce secondary industries, services and infrastructure investment; third, learning effect in the development of technical, organisational and managerial skills. In the specific context of developing countries it is argued that without preferential treatment they would be unable to compete on equal terms with developed countries' manufacturing producers because of the existence of certain conditions germane to underdevelopment. (10) For example, underdeveloped countries have high import costs for machinery, equipment and components necessary to produce manufactures and semi-manufactures. In the labour field, they have high labour costs arising from the necessity of training and the costs of foreign technicians and this is coupled with the traditional low productivity of domestic labour. There is, also, a lack of internal economies arising from poor infrastructural facilities and inadequate financial and marketing organisation. The small size of local markets does not permit scale economies, and low productivity is accompanied by low wages. Further, specific disadvantages arise from high transport costs, high quality-control rejection rates and excessive power interruptions. Preferences would neutralise the above competitive disadvantages.

ii) The tariff structures of developed countries act as a disincentive to ldc exporters. Tariff structure rather than tariff rate is the crucial variable. In other words the effective degree of protection given to domestic producers is often far in excess of the nominal rate of protection. One of the basic features of tariff

regimes in the developed countries is the escalation of rates from the lower to the higher stages of processing. (11) Duties on imported raw materials tend to be low or even nil, but increasingly higher duties are levied on products manufactured from the same raw materials. The nominal tariff is the duty charged on a product when it is imported. The effective protection given to domestic industry however depends upon the value added in processing. A nominal tariff of 10% on a product with 20% value added during processing gives a real rate of protection of 50%, (12) whereas a nominal tariff of 10% on a good in which half the value is added in domestic processing yields an effective rate of protection of 20%. This kind of tariff structure discourages the processing of raw materials in the exporting country and encourages the export of raw materials instead. (13) Taking the steeply escalated tariff structures of developed countries in conjunction with the high dependence on imported materials and components characteristic of developing countries, tariffs do then provide a sizeable barrier to ldc export of manufactured and semi-manufactured products. Preferential tariff reductions would give developing country exporters advantages in two categories. First, the degree of protection given to domestic producers in the preference giving country would be reduced. Second, they would gain a competitive edge over competing exports from non-preferred third countries. (14)

The first type of advantage is gained because the GSP provision eliminates the escalation properties of the tariff structure of the developed countries. The disincentives for ldc exports would be removed and developed country producers would lose their protection. In fact the resulting preferential system may give ldc exporters an advantage over domestic producers. This would arise if MFN duties still applied to developed country trade and domestic producers had

to import some of their materials from other developed countries.

If the ldc's get some components free of duty then they would enjoy a competitive advantage vis-a-vis domestic producers of preference giving countries. (15) Developing country exporters would also gain an advantage over non-preferred exporters which is greater than that indicated by the rate of duty, <sup>s</sup> Since the entire price advantage can be applied to local processing industries and this is not offset by preference giving country duties being imposed on non-preferred country materials and components. The magnitude of advantage vis-a-vis non-preferred exporters is greater than that vis-a-vis domestic producers. (16)

iii) The concepts of trade creation and trade diversion (17) have been used to analyse the impact of preferential arrangements on world welfare. An increase in trade creation enhances world welfare and an increase in trade diversion diminishes world welfare. These effects are likely to be negligible for any system of tariff preference introduced by the industrialised countries for the developing countries. Trade creation is likely to be small since the economic structure of the preference giving and the preference receiving countries are dissimilar. Similarly trade diversion is also likely to be minimal since the economic structure of the preference receiving countries and the non-preferred countries differ. Although the overall effects on world welfare are likely to be negligible the redistributionist effect could be significant. That is "redistribution of world income in favour of developing countries might increase the welfare value of a constant (or even declining) level of world income." (18) Moreover, the welfare argument based on trade creation and trade diversion assumes that factors of production have alternative employment opportunities but this need not be the case in developing countries.

In fact the new exports may use previously unemployed or under-employed factors thus increasing welfare i.e. welfare equals producer surplus plus the entire factor wage bill. It is also possible that factors displaced in preference giving and preference receiving countries are likely to be re-employed. (19)

In addition to the three major economic arguments for preferences outlined above some additional arguments tangential to and supplementary to the main case can be put forward. Increased productivity in developing countries would lead to increased income which in turn leads to increased market size, investment etc. Improved access to world markets leads to improved opportunities for large scale production and enlarged domestic markets. Furthermore, there might be a new export flow of new products which were previously non-competitive in the preference giving conditions and of products previously only exported to other developing countries. Indirect dynamic gains would include incentives for investment by local firms and transnational corporations; the establishment of new market linkages in developed countries; and the diversification of supply source by the developed country importers to include developing countries. Finally, given the wide-ranging import substitution policies in developing countries any scheme to encourage promotion would be desirable. (20)

The economic rationale for preferences rests on a number of considerations - the most important being the infant industry case, the structure of protection in developed countries and the redistributionist welfare case. Preferences can be conceived as a subsidy to foreign producers. If after a tariff cut is made, the price remains the same, extra profits are passed back to the exporter. Domestic producers lose to the extent that imported goods replace domestic

production or supply the new demand created. If prices fall then consumers will benefit. As an extension of the infant industry argument temporary preferences can be viewed in two ways: (i) Protectionism is the norm and the test of international competitiveness is whether foreigners can compete effectively with home producers. Preferences granted to some countries treat them like domestic producers. (ii) In an atmosphere of trade liberalisation preferences would be temporary prior to the widespread reduction of tariff barriers. The foregoing arguments were used to support the demand for a GSP. The specific concept of a GSP was supported because it was seen as the best method of providing wide-ranging gains for a majority of the ldc's.

The objection to the GSP rested on three main arguments. Two were questions of general principle i.e. a) the inappropriateness of the proposed measures and b) the existence of better alternatives to reach the same objectives. The third was a specific objection to the concept of a GSP. It was argued that the complexity of the negotiation and administration of a GSP was too costly. We now examine each of these arguments in turn.

i) Tariff preferences for developing countries are held to be an inappropriate policy instrument for a variety of reasons. First, it is argued that the case that is presented is too general. The infant industry argument cannot be generalised to cover the wide range of industries and countries proposed. The proposition that preferential terms are necessary for a breakthrough to Northern markets while true in some cases is therefore debatable in others. (21) A distinction has to be made between the case for free access to Western markets and preferential access for the developing countries as a group.

Secondly, if infant industries cannot compete then this is primarily because of internal problems in developing countries, which will not be solved by changes in the commercial policies of the developed countries. <sup>(22)</sup> Any attempt to do so would increase economic inefficiency. The appropriate remedy is subsidies not tariff protection. Thirdly, the developing countries' failure to compete effectively in the markets of developed countries does not arise from high tariffs because developed country tariffs are not prohibitive. The bulk of ldc exports is comprised of products with low duties or those facing rigid non-tariff barriers. Prior to the completion of the Kennedy Round it was argued that tariff reductions in GATT would be beneficial. Subsequent to the conclusion of the Kennedy Round it was argued that the OECD countries had very low tariffs. Moreover it can be argued that preferences would be eaten up by transport costs, ldc productive inefficiencies and the import costs of materials and components. As Hindley observed <sup>(23)</sup> ldc's failure to be competitive arises from their lack of complementary factors, capital, technical know-how, managerial and marketing skills which in turn are magnified by overvalued exchange rates and other policy measures. Fourthly, the creation of preferences could be double-edged and backfire in that they could give producers in the developed countries a better opportunity to press for legislation implementing restrictive safeguards than would be possible under a non-discriminatory regime. <sup>(24)</sup>

ii) Three alternative preference systems have been proposed. First, in so far as preferences attempt to stimulate exports then devaluation is a better alternative. Devaluation as an export-stimulating measure only fails when trading partners take retaliatory measures. Given the relative insignificance of developing countries in world trade, it is unlikely that the industrialised states would risk upsetting

the structure of exchange rates to retaliate against an individual developing country. And as Murray argues, it would be much easier for the developing countries to negotiate joint currency devaluations than to negotiate tariff preferences. (25) The argument against this policy can be stated simply. There is a conflict between the exchange rate requirements of the primary sectors and the manufacturing sectors of a developing country. In developing countries the exchange rate reflects the level of money costs of production in the primary sectors (the dominant sector) of the economy and not in the manufacturing sector. Given the low price elasticities of most primary commodities devaluation would reduce export earnings from these products and it is unlikely that increased earnings from manufacturing exports will be sufficient to offset this shortfall. Secondly, some method of subsidising industrial exports could be used. But here developed countries would have to agree not to apply countervailing duties. Thirdly, from the perspective of global redistribution preferences are an inferior form of aid giving, and results in aid costs being distributed unequally. (26) Therefore, if the aim is to increase revenue accruing to ldc's then this could best be satisfied by an increase in aid.

iii) The debate over the granting of preferences involved consideration of the complexity of any system agreed. These difficulties will be discussed later when examining the negotiations. Some critics of the GSP argued that such a system would be difficult to negotiate and administer and therefore was a costly and time-consuming exercise best abandoned given the previous arguments against preferences. Johnson (27) identified seven main problem-areas. (1) If the GATT non-discriminatory rules were followed then goods in which some ldc's were already competitive would be included, hence making it

necessary to build-in some degree of exclusion. But this would be a very difficult enterprise because developed countries differ in their vulnerability to ldc competition. (2) Equity in the burden shared by developed countries in importing ldc goods i.e. quantities to be imported by specific developed countries to be subject to restriction. (3) Developing countries have differential abilities to make use of preferential treatment. This raises the possibility of conflict over discrimination among the developing countries and further raises the question of the equitable distribution of benefits among them. (4) The duration of the preferences - this depends on whether one is looking at the economy as a whole or at the infant industry in question. (5) How does one define equal degree of preference by developed countries given their different tariff rates? (6) Developing countries already enjoying selective preferences would need to be compensated but it is difficult to work out a satisfactory formula. (7) Which countries would give preference? The fewer countries that did the greater would be the impact on their economies.

The case against preferences rests on a denial of the benefits claimed by the proponents of the scheme and an argument that the objectives could be gained through more cost effective means. Nevertheless, it is instructive to remember that the rationale for preferences does not rest entirely on its contribution to financing the stimulus for increased exports or on the static gains from trade. Instead it attempts to overcome a structural imbalance and stresses the dynamic effects of trade liberalisation.

## 6.2. Cleavages

In this section the specific cleavages which existed in the G77 over preferences will be examined. The nature and salience of particular cleavages were of crucial importance in the bargaining process. The significant ascriptive traits are those relating to the ability of a country to benefit from the operation of a GSP. This is dependent on the level of development achieved and the ability to export manufactured and semi-manufactured products. It is also dependent upon whether a GSP might interfere with existing patterns of trade in a detrimental manner. The significant attitudinal traits relate to the perception of whether a general system or a more selective arrangement might enhance a country's access to markets. The significant behavioural traits relate to the use made of organisational membership outside the UNCTAD framework and to actions within the UNCTAD institutions. Although inevitably there is an element of overlap involved the analytical separation of the three categories rests on distinctions between material conditions (ascriptive), perceptions (attitudinal) and actions (behavioural).

An examination of the immediate or short-term potential of the developing countries to benefit from the introduction of a preference scheme shows that only a handful of them were sufficiently competitive to be able to take advantage of the improved access to developed country markets. The ability to benefit from the GSP was also dependent on the extent of product coverage and here on the wider question of principle there was an argument for extending the system to cover processed and semi-processed agricultural products. The expansion of manufactured and semi-manufactured exports from developing countries to the developed countries between 1961 and 1965 was confined

to a small number of countries. The biggest growth in exports was achieved by Hong Kong, Taiwan, Yugoslavia, Israel, South Korea, Brazil, Mexico, and Chile. The principal manufactured exports consisted of a limited range of products, mainly textiles and other light manufactures. In 1961 five developing countries supplied 51.8 per cent of all developing countries manufactured exports. In 1965 these same five (Hong Kong, India, Yugoslavia, Mexico and Algeria) supplied 50 per cent. With the addition of Taiwan and Brazil these seven countries accounted for 56.7 per cent and 57.7 per cent of developing countries exports of manufactures and semi-manufactures in 1961 and 1965 respectively. As Table 6.1 shows twenty-five developing countries account for 85.9 per cent of total exports of manufactures and semi-manufactures from this group in 1965.

In 1965 the export of processed agricultural products accounted for the total (100%) manufactured and semi-manufactured exports of Somalia, El Salvador, Togo and Yemen; and for more than 50% for Cuba, Algeria, Paraguay, Sengal, Iraq, Morocco, Nicaragua, Ethiopia, Argentina, Uruguay and the Dominican Republic. (28)

There were two (29) main special preference systems in operation - the EEC preferential system and the Commonwealth preference system. The relevant EEC preferential system was part of its agreement with the AASM. (30) Commonwealth preferences were an outgrowth of the British Imperial preferences and by 1964 although their structure had not altered their scope had been modified through successive agreed reductions in the MFN duties and also as a result of rising world prices and British abolition of duties on industrial inputs from

TABLE 6.1

Imports of manufactures and semi-manufactures into developed market economy countries from developing countries, by main countries of origin, 1965.

Major supplying developing countries	Exports in value (\$ US million)	Per cent Distribution
Developing countries total	3585.3	100
Hong Kong	723.6	20.3
India	472.2	13.2
Yugoslavia	255.7	7.1
Mexico	178.2	5.0
Algeria	161.8	4.5
Taiwan	146.0	4.1
Brazil	130.5	3.6
Argentina	101.4	2.8
Iran	101.0	2.8
Israel	95.5	2.7
Malaysia/Singapore	87.4	2.4
Philippines	87.4	2.4
Morocco	72.7	2.0
Pakistan	71.2	2.0
Republic of Korea	61.2	1.7
Chile	61.0	1.7
Jamaica	50.6	1.4
Thailand	41.2	1.1
Panama	37.8	1.1
United Arab Republic	34.0	0.9
Peru	25.6	0.7
Guinea	25.1	0.7
Paraguay	21.3	0.6
Cameroon	21.0	0.6
Trinidad and Tobago	16.4	0.5
Sub-Total	3080.1	85.9
Others	505.2	14.1

Source: UNCTAD Review of Trade in Manufactures and Semi-Manufactures.  
TD/10/Supp.1.

the European Free Trade Association (EFTA) areas. Evaluation of the importance of these selective preferences for the developing countries beneficiaries at the onset of discussion is difficult given the limited evidence available. The UNCTAD secretariat attempted an analysis in 1968 <sup>(31)</sup> and the following discussion is based on that source. <sup>(32)</sup>

Preferential imports from the African and Malagasy States amounted to some \$580 m. or about half the total EEC imports from this source in 1965. But manufactures (SITC 5-8) constituted a very small part of the total exports from the African and Malagasy states. Although virtually all their exports to the EEC were covered by preferences, trade was only about \$10 m. ie. 2% of total preferential trade flows. About 60% of the preferential imports into the EEC came from three of the eighteen associated countries. The Ivory Coast, Cameroon and Senegal had preferential exports of more than \$100m. each. At the other end of the scale, six countries had preferential exports of less than \$1m. - Burundi, Chad, Mali, Mauritania, Rwanda and Upper Volta. There was also a wide variation in market concentration from country to country. The associated states as a group shipped on average nearly 60 per cent of their total exports to the EEC; but Dahomey, Senegal and Togo had an 80 per cent concentration in the EEC market whereas export concentration for Mali and Upper Volta was 17 per cent and 6 per cent respectively.

The pattern of preferences and the preference margin enjoyed by individual Commonwealth developing countries was determined by the composition of their exports to Commonwealth developed countries. In the United Kingdom most manufactured products entered duty free. In Canada, Australia and New Zealand, although preferences fell short of duty free entry, there was still a considerable margin of preference

over third countries. But it was the United Kingdom which was the most important market since in 1965 this market accounted for 79 per cent of all exports of Commonwealth developing countries to the more developed members of the Commonwealth. In the U.K. preferential system manufactured products (including foodstuffs) accounted for about half the total preferential trade. Preferential trade in manufactures was spread over a wide area. The bulk of the trade consisted of manufactures of SITC classes 5-8 - \$360m. or 63 per cent; food industry products contributed \$200m. or 35 per cent; and processed raw materials \$14m. or 2 per cent. The main preferred suppliers among the developing Commonwealth countries were India and Hong Kong followed by Nigeria; about one-third of the countries had preferential exports of about \$10m. or less. Some countries e.g. Hong Kong, Malta and Gibraltar enjoyed preferences for a relatively high share of their manufactured exports. Trade dependence was less than that of the EEC's African associates. The developing Commonwealth countries only relying on the U.K. market for one fifth of their exports. Concentration of exports also varied widely from country to country. Only a few countries shipped more than half their exports to the U.K. - Sierra Leone, Mauritius, Barbados, and the Gambia whereas for Malaysia and Singapore the proportion was less than 10 per cent each.

In terms of the relationship between preferential trade and world exports the EEC Associates exhibited a higher level of dependence. For about a third of them (notably Senegal, Cameroon and Dahomey), preferential trade amounted to between one-half to two-thirds of their world exports; for another third this proportion ranged between 10 and 40 per cent. For the remaining six countries - Burundi, Chad,

Mali, Mauritania, Rwanda and Upper Volta, the proportions were between 1 and 10 per cent. Only for three Commonwealth countries did preferential trade exceed half of their world exports - Mauritius, Gambia and Barbados; for most countries the proportion ranged between 1 and 10 per cent. For countries such as Ghana, Malaysia, Singapore, South Yemen and Zambia, preferential exports to the U.K. were insignificant.

The heterogeneity of the group then varied not only across these two trait cleavages - ability to export manufactures and semi-manufactures and beneficiary of an existing selective preference system - but also within these identifiable groups.

In the absence of any concrete evidence to support or refute the proposition that selective preferences seriously damaged the export prospects of third countries, the G77 was divided between those countries which felt that the existing system of selective preferences were detrimental to their own development efforts and the preference holders who refused to countenance giving up their "advantages" without some form of compensation. The Latin American countries, particularly Brazil, <sup>(33)</sup> Argentina and Chile called for the immediate abolition of existing preferential schemes upon the introduction of the new scheme. <sup>(34)</sup> Some Latin American states frustrated at the continuation of vertical preferential schemes proposed as a counter, the creation of a preferential system linking the U.S. and Latin America. It is difficult to assess whether this was viewed as an alternative to the GSP or if it was being used to put pressure

on developing countries in receipt of special preferences to abandon their systems. In this context, given that most ldc preference receivers did not stand to gain much from the GSP it seems more a serious proposal than a bargaining ploy.

This counterbalancing policy was especially favoured by Colombia and it was a Colombian national, Carlos Saenz de Santamaria, who as Chairman of the Inter-American Committee on the Alliance for Progress (CIAP), proposed such a scheme in a letter of 10 August 1965 to the Presidents of the American Republics. (35) The view was also taken that existing preferential arrangements were exploitative since they perpetuated colonial structures of production and export. However, not all countries currently enjoying vertical preferences took the attitude that these should be preserved. In the Commonwealth the Asian members were willing to forego this special arrangement in return for a satisfactory GSP. (36) The AASM countries on the other hand although having no significant preferential exports into the EEC market, insisted on the granting of equivalent advantages. (37)

Apart from different perceptions concerning existing preferential arrangements there were conflicting viewpoints in relation to a number of other issues. These included the purpose of the scheme, the likely duration of the scheme, country coverage and the treatment to be accorded to the ldcs. These conflicts of interest will be discussed in greater detail later.

The behavioural cleavages are really the substance of the rest of this chapter and arise from the trait and attitudinal cleavages discussed above. Nevertheless, one can point to membership of other organisations and the attempt to mobilise support within these organisations for particular positions within the debate as evidence of behavioural cleavages. In this respect the African associates of the EEC were able to use both their diplomatic missions in Brussels and also the institutionalised structure of association to put pressure on the EEC to safeguard their special interests. The relevant joint institutions were the Association Council, the Association Committee and the consultative Parliamentary Conference.<sup>(38)</sup> Latin American states used their membership of GATT and two regional bodies the CIAP and the Inter-American Special Committee for Consultations and Negotiations (CECON) to exert institutional pressure on the United States.<sup>(39)</sup> Similarly, developing Commonwealth countries belonged to an exclusive organisation through which they could exert pressure.

The regional group structure of the G77 tended to produce conflicts in the GSP along regional lines. The degree of fractionalisation was greatest between the African and Latin American groups but within each group a diversity of interest and attitude also existed. For example, not all Latin American countries supported the demand for a vertical preference system with the U.S.<sup>(40)</sup> In a similar vein in the African Group both Ghana and Guinea argued against the continuation of vertical preferences.<sup>(41)</sup> In the Latin American Group Bolivia and Ecuador stressed the necessity to build safeguards for lddcs within any agreed GSP.

### 6.3. The Bargaining Process

The global discussion concerning trade in manufactures and semi-manufactures was wide-ranging but concentrated around the need to increase the rate of growth of export earnings of the developing countries. After consideration of the salient features of exports of manufactures from developing countries attention was focused on three broad areas - the obstacles to trade faced by developing country exporters viz tariff and non-tariff barriers; <sup>(42)</sup> the removal of these obstacles; and structural adjustment in developed countries. Among the measures considered for improving the market access of developing countries' manufactures and semi-manufactures exports was the creation of a preferential tariff system. The rapid enlargement of the export of manufactures from developing countries was aimed at increasing industrial production within these countries and hence economic growth. In 1964, when UNCTAD I was convened the share of developing countries in the total export of manufactures was small, representing only 5 per cent of the world total. <sup>(43)</sup> This position had only marginally changed since the launching of the first Development Decade. In 1961, total exports from all developing countries amounted to \$2.6 billion out of total world trade of \$62.3 billion i.e. 4.2 per cent (see table 6.2). Furthermore, manufactures continued to remain low as a proportion of total exports as table 6.3. shows. The developing countries as a group then had an interest in any measure proposed which would expand their exports of manufactures and semi-manufactures.

TABLE 6.2

World: Exports of manufactures, by origin 1955 and 1961

Exporting group	<u>Amount in billions of dollars</u>		<u>Index, 1961</u> (1955 = 100)	<u>Percentage Distribution</u>	
	1955	1961		1955	1961
World	37.8	62.3	165	100	100
Developed market economies	32.0	52.0	162	85	83
Developing market economies	1.8	2.6	146	5	4
Centrally planned economies	3.9	7.7	196	10	12

Source: United Nations, Handbook of International Trade Statistics, (E/CONF. 46/12/Add.1.)

TABLE 6.3

Percentage of Manufactures in Total Value of Exports by Developing Countries

	1955	1960	1963
All developing countries	8	9	10
Latin America	3	3	4
Africa	6	6	7
Far East	17	21	25
West Asia	4	5	6

Source: ECOSOC, World Economic Trends, (E/4059, 1965), Table 22, p.50.

Prior to the convening of UNCTAD there had been discussion of the preference issue within the framework of GATT. (44) Of most importance in this context was the GATT Ministerial Meeting of May, 1963, (45) at which two separate proposals concerning special tariff treatment for developing countries were considered. The first suggested a 50 per cent reduction of MFN tariffs over a three year period on a list of manufactures and semi-manufactures of special interest to developing countries. In keeping with GATT non-discriminatory rules these concessions would also apply to developed country exporters of such goods. In the absence of agreement the EEC and the Associates proposed the creation of a Working Party to investigate the problems and possibilities of the granting of preferences from the developed to developing countries and from developing countries to other developing countries. (46) The second proposal came from Mr Maurice Brasseur, the Belgian Minister of Foreign Trade and Technical Assistance. (47)

Subsequently developed and expanded, the Brasseur Plan as these proposals became known were submitted as part of a French memorandum to the Geneva Conference. (48) Brasseur envisaged the creation of temporary, selective and degressive preferences. A series of bilateral negotiations would be held between individual preference givers and preference receivers. On a case by case basis they would reach agreement on the preferential margins, duration of the preferences and the size of tariff quotas. Each preference giver, although engaged in ostensibly solely bilateral talks with interested developing countries, would nevertheless be making its decisions in the light of what other developed countries were doing. In this sense an element of multi-lateral negotiations would be imposed on the bilateral system. Preferences would be selective in respect of country and product and

a declining level of preferences would be given for industries in developing countries that were not yet competitive. The rationale behind the scheme was two-fold - (i) it would create a quick and effective machinery for negotiating preferences since this would be done by individual countries; the alternative was a list of goods which all preference givers had to agree on and this would prove difficult to negotiate; (ii) the scope of preferences would be limited to those products in which agreement could be reached between individual countries, hence overcoming fears of market disruption and unfair competition. However, there were two sustainable objections to the scheme. First, it would prove administratively and diplomatically cumbersome, e.g. if twenty developed countries granted preferential treatment to seventy developing countries on one thousand products then 1.4 million separate agreements would have to be negotiated. Secondly, it was feared that the selective nature of the scheme might result in increased economic and political dependence by certain developed countries on some developed countries.

### 6.3.1. UNCTAD 1964

Thus when the Geneva Conference convened the subject of preferential treatment for the manufactures and semi-manufactures exports of developing countries had been on the international agenda for about a year. It was being discussed in GATT, had been examined in material prepared for the conference, <sup>(49)</sup> and countries had already adopted positions on the subject. At the regional meetings which preceded UNCTAD I, the members of the G77 had all discussed

the subject. The respective common group positions as expressed in the Niamey Resolution, the Tehran Resolution and the Charter of Alta Gracia show the existence of differences within the G77. The African group urged,

"..... the acceptance by the developed countries the principle that the developing countries should be accorded preferential treatment, particularly in the protection of infant industries based on the recognition that even with a complete liberalization of trade the developing countries would not be in a position to compete on even terms with the industrialized countries;" (50)

Many African states already enjoyed preferential access to western markets either through association with the EEC or through the Commonwealth. This resolution welcomed the creation of a wider system of preferences specially aimed at manufacturing products. The Asian states passed an ambiguous resolution which seemed to be welcoming a system of selective preferences. They urged,

"extending non-discriminatory preferential treatment to imports of selected products originating in the developing countries as a whole;" (51)

The Latin American preparation for the Conference was more extensive than the other two regional groups and on the preference issue they had a more developed and clearly articulated position. Emphasis was placed on a generalised non-discriminatory system which would ensure the dismantling of existing vertical preferences. As the Charter of Alta Gracia stated,

"The developed countries shall guarantee the access of developing countries to their markets on non-discriminatory bases. With regard to the benefits derived from such preferences and discriminations in force as are considered indispensable to maintain the export income of certain developed countries, they shall be gradually replaced by others to compensate for them;"

"Steps should be taken forthwith to eliminate the preferences granted to some of the underdeveloped countries by certain developed countries, provided that these preferences have not already led to the creation of trade flows. When such trade flows have been established, the developed countries should limit the application of preferences to the volume of trade attained in the last few years, without prejudice to the gradual reduction and eventual elimination of such preferences." (52)

The stress on trade flows is important since many of the African states enjoying preferences for manufactures and semi-manufactures had to date attained only nominal benefit. The Latin American proposal would effectively cut them off from achieving any benefit which they might gain in the future when they had established the relevant industries. These divisions were reflected in the general debate at the conference (53) and in the deliberations of the Second Committee concerned with Trade in Manufactures and Semi-Manufactures.

Agreement among the developing countries could not in itself bring into being a generalised system of preferences. The developed countries had to be convinced of the economic sense and practicality of the idea. Among these countries a variety of views prevailed concerning the subject of preferences with a majority, however, being in favour of some kind of scheme. The May, 1963 Ministerial Meeting of GATT had accepted the principle of non-reciprocal tariff concessions to the developing countries and in doing so had opened the door for a consideration of a GSP. It is also pertinent to remember that at this time preparations were under way for the Kennedy Round of tariff negotiations in GATT and developed countries were anxious that nothing should distract from those negotiations. Given the hoped for level of tariff reduction (50 per cent) any consideration

of preferences had to be undertaken in relation to the outcome of the Kennedy Round. Among the industrialised countries the United States was vehemently opposed to the idea of a preferential system for ldc manufactured exports. (54) United States officials argued that the implementation of preferences would seriously hamper efforts at dismantling barriers to trade being pursued in the context of the Kennedy Round, partly because developing countries once they have been granted preferential margins would not want them eroded by further cuts in the MFN rates and partly because developed countries having opened their markets by granting preferences might argue that they had reached the limit of trade liberalization. Hence agreement on preferences would inhibit the lowering of MFN reductions. Secondly, they argued that the developing countries would be better served by the long-term general erosion of duties which would enlarge Northern markets rather than the limited treatment likely under any preference scheme. Thirdly, it was feared that the change of law that would be necessary (existing U.S. law prohibited new preferences) might lead to a surge of protectionism from special interest groups bent on protecting their share of the market. Furthermore, the U.S. viewed preferences within the overall context of global political relations and argued that there were two competing ways of organising relations between developed and developing states. One stressed the responsibility of all developed countries for all developing countries and the other emphasised the creation of different "regional" groupings. George Ball, then Under-Secretary of State in addressing the delegates to UNCTAD I stressed that existing and past preferential systems had been of the latter type,

"..... We should conduct our discussion during the coming weeks in full awareness that special trading arrangements have historically evolved in the context of special political relationships, and that special responsibilities in the area of trade are likely to carry with them special responsibilities in the area of politics and even of defence." (55)

Preferences as Ball said later were neo-colonial, created spheres of influence and carried "special political, financial and economic relations" that impaired the "freedom of choice or action" of the developing countries. (56) The United States position did not change during the Geneva negotiations and it remained in 'apparent' isolation among the rich countries. The U.S. position was also dictated by a desire to stand up to the G77. (57)

Among the other major industrialised countries (apart from Italy)<sup>(58)</sup> whilst there was a cautious welcome for the idea of preferences in principle there was a sharp division concerning the type of scheme envisaged. Belgium and France, favoured the introduction of selective preferences. Maurice Brasseur put forward his plan for temporary selective and degressive preferences which should have the following characteristics, "Firstly, to avoid the formation of permanent links which might distort the flow of trade; Secondly, to encourage the protected industry to use the preference period to improve its production methods, output and commercial processes." (59)

The French position as expounded by Valery Giscard D'Estaing, then the Minister for Economic Affairs and Finance, was in support of selective preferences but not necessarily the Brasseur Plan. Giscard D'Estaing argued that apart from preferences further measures were needed. He suggested a lowering of tariffs for semi-processed goods and semi-manufactures. He proposed, that in respect

of manufactures the developed countries agree to accept a fixed percentage of their imports from various developing regions. The United Kingdom and West Germany both favoured generalised preferences against the selective scheme. The United Kingdom was prepared to extend preferences currently granted to Commonwealth countries on the proviso that the other major industrialised countries also instituted a scheme thereby ensuring benefits in these markets for the Commonwealth developing countries. Any preference scheme should fit in with plans for a continued lowering of tariff rates.

".... preferences should therefore be created, not by raising tariffs against other countries, but by lowering or abolishing tariffs for developing countries." (60)

West Germany which had not really gained from EEC preferences with the Associated States supported the British approach and Mr Kurt Schmker, the Federal Minister of the Economy stressed the need to decrease preferences, "beyond the general reduction of tariffs which we expect from the Kennedy Round of negotiations." (61)

Japan adopted an equivocal position, pointing out that such a proposal would only prove effective when all the developed countries agreed to it and that an equitable distribution of benefits among developing countries could only be secured if special account was taken of those industries in some developing countries which were already competitive on the world market.

For the developing countries to secure agreement on a preference scheme they would have to first secure agreement among themselves - this meant reconciling the different group positions and accommodating the particular interests of individual members and, secondly,

persuading all the developed countries of the necessity of the general scheme. Two major conflicts existed within the G77. First, between countries in receipt of vertical preferences and those outside such schemes. Secondly, between the lddcs and the more advanced developing countries. We have already discussed the influence of Prebisch and his report to the conference and it is worth noting that on this issue his report argued firmly in support of a general, non-reciprocal preference system. Indeed the concept of a GSP which in its integrated aspects went a stage further than previous discussions was Prebisch's idea. He was an astute politician and discussed differences between developing countries in relation to preferences. He argued that although it was the more advanced countries which would benefit from the scheme and that it would therefore be more equitable to limit their access by either control of quotas or a gradation of preferences, such refinements would increase the administrative complications of the scheme which might make it unworkable and lead to all (or most) countries failing to benefit. (62) The importance attached to the arguments of the report by all developing countries meant that the Prebisch view on preferences tended to become if not a point of agreement at least a point of convergence. The developing countries had come to Geneva with a new found solidarity but one which had not as yet been tested on any substantive issue. The conflict over preferences was thus very important for the unity and effectiveness of the group. On one hand the very diversity of the group created disagreements and on the other there was an intense belief that it was only through solidarity that they could hope to extract any concessions from the industrialised countries. The problem was therefore posed in terms of improving their effectiveness in the inter-group discussions and adjusting their conflicting

interests so that the distribution of any gains would be shared equitably. This necessitated compromise on the part of all regional groups.

The nature of a preference scheme is such that discussion must take place on product coverage; country coverage (both donor and recipient); the place of quantitative restrictions in any scheme; the duration of preferences (not only the time period but whether this should be related to products or an entire economy and the date from which the exports of developing countries are monitored); preference margins; the relationship between the preference system and existing schemes; rules of origin. A further complication was introduced at UNCTAD I by the demand for the abolition of existing vertical preferences. This was because the greatest value derived by the existing preference receivers was in terms of their primary commodity exports and not their manufactured exports. It thus seemed as if they were being asked to give up something of definite export interest to their economies in favour of something that was at best peripheral. The two main areas of disagreement at the Conference concerned the abolition or retention of the special preferences enjoyed by the EEC African Associates and the Commonwealth developing countries and the insistence of the lddcs that any scheme should be tailored to fit their special needs.

The majority of countries enjoying special preferential access to major Western markets did not countenance the loss of their privileged treatment. The EEC African associates were the most militant members of this group. This is not too difficult to understand when one considers the close relationship between France and .

many of its ex-colonies and the fact that these countries had only recently negotiated as independent states their first aid and trade agreement with the Community - the Yaoundé Convention - which only entered into force whilst the conference was underway. Apart from the criticism of vertical preferences, the EEC was often attacked by some developing countries for its supposed negative impact on world trade. The African associates reacted angrily to this explicit criticism.

As the delegate from the Cameroons stated,

"... These various forms of association ..... provide our countries with definite advantages ... Their purpose is to facilitate internal trade between associated countries rather than to erect barriers against those outside; such barriers are a means not an end. This observation is plainly borne out by the development of the foreign trade of certain states, whose dealings with third countries sometimes increase more than their dealings with the countries in the zone of association. We do not think it constructive, therefore, to engage in systematic criticism of the groupings in which we are associated, for they are our best guarantees of development at present, and they will remain so until we find better remedies, world-wide in scope and which can be more effectively applied." (63)

Sometimes a note of exasperation would creep into the Associates' tone,

"These preferences are criticised as hampering exports to the EEC by countries which are not associated with the Community, and so of interfering with the natural flow of world trade. Since that criticism was expressed we have been waiting for factual data to justify it." (64)

The EEC associates received strong support from some Commonwealth countries, in particular, the Commonwealth Caribbean. The Jamaican delegate declared that,

"In all frankness we cannot identify ourselves with the proposal to dismantle all the existing preferences for the developing countries ..... we would strenuously resist any effort to bring about the removal of the preferences we now enjoy so long as Britain is prepared to continue their application." (65)

The Commonwealth countries had to be slightly more cautious in their opposition since whilst France and the associates broadly supported selective preferences, the United Kingdom was quite willing to dilute Commonwealth preferences into a wider system. India, with one of the more developed industrial bases among developing countries, announced that it was willing to forego Commonwealth preferences for access to a wider generalised system. The non-preference receivers on the other hand called for the abolition of existing vertical preferences with some compensation being paid to the countries losing their preferential access. The Ecuadorean delegate made the novel suggestion that non-preference receiving ldc's should be financially compensated. He argued that,

"Present systems of preferential and discriminatory access which are considered essential for maintaining the export earnings of some developing countries, should be continued temporarily, financial compensation being granted to the other developing countries." (66)

These discussions were continued in the Second Committee where the differences were expressed in four draft resolutions (67) reflecting the various regional positions. The EEC associates argued that they could not be sure that new preferences in developed country markets would compensate for the loss of existing preferences; that their existing industries would have to undergo a long and costly adjustment process if they lost their special access and that

they had experienced difficulty in expanding tropical exports to other EEC states despite preferential treatment and therefore did not think that a new general system for the export of manufactured goods would be much use to them. They favoured the Brasseur Plan of selective preferences which would ensure both their continued preferential access and guaranteed that any new system would also bring them benefits at no further cost. This minority position was eventually submerged into a compromise proposal (E/CONF.46/C.2/L.40 and Add. 1-8) when compensation was promised for the loss of existing preferences. Disagreement was settled by an appeal to unity and by accommodating within the proposal the various special interests. Paragraph 18 of the draft resolution stated that,

"Preferential arrangements between developed countries and developing countries which involved discrimination against other developing countries and which are essential for the maintenance and growth of the export earnings and for the economic advancement of the less developed countries at present benefitting therefrom, should be abolished pari passu with the effective application of measures / described in paragraphs 5,6 and 10/ providing at least equivalent advantages for the said countries." (68)

It was quite obvious that preferences would benefit the more advanced among the developing countries. The economically weaker countries (and once again this included the EEC Associates) pressed for some recognition of their special problems. (69) The more advanced developing countries fearing that the preference givers might discriminate against them and their products argued in favour of a non-discriminatory scheme among all preferred suppliers and for the category of preferred supplier to be self-selecting. The poorer countries were worried that they would be unable to compete with the more advanced ones and that even if they became competitive in a

few years under a general scheme with a fixed duration, they would find it difficult to break into developed country markets. They therefore argued in favour of some system which would reserve some of the market for themselves by means of a system of quotas, higher preferential margins or selective preferences. The suggestion of a system of national quotas for each preference giver and each preference receiver was dismissed as being too administratively complex. India and Pakistan and the Latin American countries objected to the proposal that preferences could be granted on a sliding scale with the higher margins being given to the least developed by arguing that the sliding tariff scales in existence in developed countries would render the preferential concessions received meaningless. Since the more advanced countries needed the support of the least developed they came prepared to compromise and in the draft resolution accepted in paragraph 13, that,

"Without prejudice to the general provisions made in paragraph 7 special treatment may be granted by developed countries to the less-developed amongst developing countries in accordance with criteria to be determined and/or established by an appropriate body designated by the United Nations Conference on Trade and Development." (70)

Operative paragraph 7 had stated,

"The preferential treatment described above shall be extended uniformly by all developed countries to all developing countries in a non-discriminatory manner." (71)

The contradictory nature of these two paragraphs reflected the deep division within the group and the consensual nature of group decision-

making. The Associates had insisted on paragraph 13 and they were not prepared to support the resolution without its inclusion. On the duration of preferences it was agreed that preferential treatment began from the date that a particular industry in a developing country began to benefit from the application of the preferential tariff. This method of reconciling group diversity was to become a favoured way of solving group conflict. In this case all parties could go away reasonably satisfied. There was a commitment to abolish vertical preferences which pleased those countries currently not receiving any favoured treatment. On the other hand, this formula was an empty agreement which allowed each group to continue supporting its pre-agreement position. Agreement in principle to protect lddc interests was not wholly satisfactory to them since in the absence of concrete proposals there was no guarantee that they would benefit.

The developing countries maintained solidarity by aggregating all their interests. The confused nature of the final G77 position can be seen in the fact that although supporting the abolition of special preferences in conceding equivalent compensation for countries currently enjoying special preferences and in accepting that special measures could be taken in respect of the least developed developing countries it recognised that these arrangements would continue.

The pressure applied to developed countries was unable to change the positions as they existed at the beginning of the Conference. There was no agreement in principle on a general system. General Principle 8 which embodied this idea found the developed countries either abstaining(5) <sup>(72)</sup> or voting against(10) <sup>(73)</sup> In fact, even

within the G77 there was no unanimity; Brazil, Republic of Vietnam, Rwanda, Uganda and Venezuela all abstained. Recommendation A.III.5. marked the highest degree of unanimity possible on the preference issue at Geneva. Adopted without dissent, it called on the U.N. Secretary-General to set up a committee of government representatives to look at preferences and to work out the best method of implementing non-reciprocal preferences. Special Principle 3 which concerned preferences was shelved. Agreement had thus been reached only on the necessity of investigating the issue further. The developing countries had reconciled their differences but only at the very high level of principle. No serious consideration had been given to the precise nature of equivalent advantages or to the special measures to be initiated for the lddcs. A start had been made but a GSP still had to be negotiated; the fragile solidarity of the G77 still had to be cemented and the developed countries still had to be convinced of the merits of the scheme. Events between the first and second UNCTAD conferences created the circumstances so that when UNCTAD II convened in New Delhi the prospects for agreement on the GSP were propitious.

### 6.3.2. Between UNCTAD I and UNCTAD II (1964-1968)

Events here show the increasing institutionalisation of the group and its influence on the G77's bargaining strategy and tactics; the limited discipline imposed by group membership i.e. outside UNCTAD G77 members are 'free' to pursue policies which conflict with their stated aims within that forum; and the limitations of G77

pressure politics in changing developed countries' positions. The search for a preferential system had to find a solution to two conflicting objectives in order to make it acceptable to both developing and developed countries. It had to give adequate safeguards to the latter against market disruption and at the same time offer increased access to the former. This search for agreement was pursued within three different interactive frameworks; developed-developing country consultations within formal organizations; developed-developing countries political and economic interactions; and intra-developed country consultations.

Discussions among the major industrialised countries on the subject of preferences took place within the framework of the OECD. (74) Initially consultations were carried out within the Working Party of the Trade Committee but this was soon transferred to a group known as the 'Four Wise Men' consisting of senior trade officials of the United States, France, West Germany and United Kingdom. Two working sessions were held - 26 July-5 August 1966 and 4-18 July 1967 and two reports produced, first an interim report in November 1966 with a final report submitted to the OECD Council in December 1967. (75) At the first session it proved impossible to arrive at any agreement, positions remaining roughly where they had been at the time of the Geneva Conference. The U.S. opposition to any preference scheme was supported outside the group by Canada, Switzerland, Japan and to a lesser degree by Sweden and Norway. The U.K. and West Germany supported a general system and France and Belgium a selective one.

U.S. opposition killed any serious exploration of the problem. President Johnson's announcement on April 14, 1967 that the United States would "explore the possibility of temporary preferential tariff advantages for all developing countries in the markets of all the industrialized countries", (76) opened the way for a serious discussion. France dropped its insistence on selective preferences since it could find little support either among the developed or underdeveloped countries. The resulting OECD consensus was presented in the report of the 'Four Wise Men'. (77) This report set the OECD position which was maintained throughout the subsequent negotiations. Agreement was reached on the following main features of a non-reciprocal general scheme of preferences: (a) product coverage - this would conform with chapters 25-99 of the Brussels Tariff Nomenclature (BTN), but other products could be negotiated on a case-by-case basis; (b) beneficiary countries - by the method of self-election i.e. any country claiming developing country status; (c) duration - an initial period of ten years. Preferences should be temporary and degressive; (d) donor countries - all major developed countries. Agreement was not possible, however, on safeguards and exceptions, tariff arrangements then in force and the depth of tariff cuts.

Members of the Group of 77, notwithstanding the compromises reached at UNCTAD I continued to pursue individualistic policies in respect of the preference issue. Some African countries entered into negotiations with the EEC to create special preferences for themselves. Nigeria concluded a separate agreement, (78) the East African

Community countries, Kenya, Tanzania and Uganda embarked on the talks that would lead to the Arusha Agreement <sup>(79)</sup> and the Maghreb countries, Algeria, Morocco and Tunisia began discussions in 1968. In response to this potential widening of the existing discriminatory EEC preferential arrangements the majority of Latin American countries <sup>(80)</sup> pressed the United States government to establish a selective preference system for the region. <sup>(81)</sup> Prebisch waged a vigorous campaign against this sectarianism both inside and outside the UNCTAD framework. He used his reports to the sessions of the TDB to argue against special preferences and to put his weight firmly behind the GSP. <sup>(82)</sup> Outside UNCTAD Prebisch lobbied Latin American statesmen. In response to a call by Roberto Campos for defensive hemispheric preferences he made a speech on 22 March 1966 in Vina del Mar (Chile) where he argued that a special preference scheme would increase U.S. influence in Latin America. <sup>(83)</sup> He continued to stress this neo-colonial aspect of special preferences and urged the Latin American states to use concerted political pressure on the U.S. and European Community in order to seek redress for their grievances. The major proponent of selective hemispheric preferences was Colombia and he used a variety of tactics to persuade the Colombian president Carlos Lleras Restrepo to support the GSP. On his frequent trips to Santiago Prebisch made stopovers in Bogota in order to discuss preferences with Lleras. <sup>(84)</sup> Moreover, Prebisch created an informal group of Latin American diplomats to convince the U.S. that general preferences were needed to supplement the Kennedy Round results.

The change of policy by the United States was a response in part to the actions of the developing countries. First, in the context of Latin America, it was a response to the pressure for a GSP or

selective preferences. Unless the Johnson administration did something, U.S.-Latin American relations looked like being soured. The U.S. government, with its global responsibilities, did not want to institute vertical preferences for Latin America, it feared the reactions of developing countries in other regions. Secondly, opting for the GSP was an attempt to prevent the spread of the EEC selective preferential schemes and to try and control them under the GSP. Moreover, the U.S. was becoming increasingly isolated on this issue among developed and developing countries. A general scheme made political sense if the impact on domestic industry could be minimised through safeguards and exceptions. The U.S. could then minimise its political losses and use the GSP as a bargaining counter in its push for a free trade system. (85)

Within the formal organizational structure two sets of meetings specifically concerned with preferences took place. First, in May - June 1965 the U.N. Special Committee on Preferences (created by UNCTAD I) was convened. No progress was made and the positions rehearsed at the Geneva Conference were once again paraded. Nine developing country members of the Committee (Argentina, Brazil, India, Nigeria, Pakistan, Philippines, Senegal, United Arab Republic and Yugoslavia) submitted the main working paper which called for the creation of a preference system covering all the manufactures and semi-manufactures exported by the developing countries. After an inconclusive three week session, the Group submitted a report to the U.N Secretary-General which recommended that the matter be studied further. (86)

Discussions in UNCTAD were conditioned by the prevailing political dynamics of the organisation in its formative years. On one hand the G77 and Group B were polarised and an air of confrontation pervaded deliberations. On the other hand the G77 (and the G31 members of the TDB) had not yet achieved tight group discipline. Individual country or regional group positions were more frequently expressed than common G77 ones. The UNCTAD Trade and Development Board at its second session established a Group on Preferences as a subsidiary body of the Committee on Manufactures. (87) At its two meetings, 26 July-5 August 1966 and 4-18 July 1967, the Group concentrated on the technical aspects of the granting and extension of preferences in favour of the developing countries. In considering the principal elements in a scheme of preferences, the developing countries were able to agree a joint position on some issues but there were significant points of disagreement on others. The developing countries argued that product coverage should include those products already subject to quantitative restrictions in the developed countries and processed and semi-processed products. The developed countries refused to accept the inclusion of sensitive items. On the subject of eligibility the developing countries also found a common interest. They argued that they as a group should decide which countries would receive preferences: this was to prevent the dilution of benefits gained by extending coverage to countries such as Hong Kong, Israel and Turkey. Developed countries on the other hand insisted on self-election. Three kinds of safeguards for developed countries were considered: (a) the use of an escape clause to exclude products from preferential treatment, (b) tariff quotas and (c) duty reduction instead of a zero duty. The G77 representatives argued that any agreed safeguard should be determined through "objective" international consultations. The developed countries insisted that they

could not forego the right of a country to act unilaterally. On the remaining issues the G77 was unable to present a united front. The division over vertical preferences within the group led to three different positions being taken. The Latin American group called for the immediate abolition of existing preferences; some countries argued that it was premature to discuss the relationship between existing preferences and a future scheme until the exact nature and coverage of the new scheme were known; whilst the EEC associates refused to consider the end of special preferences without equivalent advantages being provided by the new scheme. Similarly, the more developed of the developing countries felt that the attempt by the least developed to have the scheme tailored to fit their needs was an irrelevance which hampered agreement. Both developed and developing countries were in agreement that preferences should be temporary and should be initially granted for a ten year period. (88)

It was with these various deliberations as a background that the First Ministerial Meeting of the Group of 77 was held, 10-25 October, 1967 in Algiers. The Algiers Conference was a very important one for the G77 coming as it did at a decisive time in its history. (89) The G77's strategy was based on the analysis that concessions could only be wrested from the rich countries through collective action by the developing countries. Solidarity and unity were essential for this strategy to work and initially it seemed that the mere application of collective pressure would be sufficient to get significant concessions. Yet, the period since UNCTAD I had been one of almost unmitigated disappointment. The recommendations of 1964 still remained to be implemented. In the commodities field universally agreed as the most important for development purposes only a handful of agreements

had been concluded and not all of these could be attributed to UNCTAD.<sup>(90)</sup> The confrontational attitude within UNCTAD was not conducive to the resolution of differences between the G77 and Group B. And within the G77 itself the various conflicts had made the unity more apparent than real. Algiers was important then first to reestablish G77 unity<sup>(91)</sup> and, secondly, to help improve the chances of the New Delhi meeting having a successful outcome. This desire for unity and compromise in the G77 had an important influence on the deliberations at Algiers. To ensure the success of the conference the G31 in Geneva established a Co-ordinating Committee under the chairmanship of the Brazilian ambassador, A.E. Azeredo da Silveira.<sup>(92)</sup> This committee prepared the documentation for the conference and outlined two broad aims. These were to clarify the positions of the G77 on the whole of the New Delhi agenda and to identify the crucial issues on which action was urgently needed and negotiations were most likely to be productive.<sup>(93)</sup>

Prior to the meeting in Algiers the three regional groups had met to prepare their individual group positions. The various group positions as expressed in their respective final documents clearly reveal the existing differences between the groups. They all called for the developed countries to institute a general, non-discriminatory and non-reciprocal preference scheme for all manufactured and semi-manufactured products of developing countries. But whilst the African Group affirmed,

"that the general system of preferences should provide at least equivalent advantages to those developing countries which are at present enjoying preferences in certain developed countries so as to enable them to agree to the suspension of their preferential arrangements,<sup>(94)</sup>

the Charter of Tequendema prepared by the Latin American Group did not mention compensation and stated,

"The discriminatory preferences granted by developed countries to developing countries for manufactures and semi-manufactures will be absorbed in the general preferential system".<sup>(95)</sup>

The Bangkok Declaration of the Asian countries did not even mention this issue.<sup>(96)</sup> All of the regional declarations recognised the special needs of the least developed countries but the African Group went further than the call for technical and financial assistance and urged the institution of tariff quotas and a safeguard clause to protect the lddc interests. As usual the Latin American proposal was the most ambitious setting out a twelve paragraph recommendation in distinction to the single paragraph items of the African and Asian groups.

Negotiations at the Algiers Conference were structured around four main committees. The preference issue was discussed in Committee 2, a committee of the whole which considered agenda item 11(c) of the New Delhi Conference - 'Expansion and diversification of exports of manufactures and semi-manufactures of developing countries'. The committee established a working group composed of Algeria, Brazil, Guatemala, India, Ivory Coast, Nigeria, Pakistan, Peru and the Philippines to consider the preference issue. Although convened in a spirit of compromise the entire conference was wracked by dissension and disagreement. It had been agreed in the rules of procedure that all decisions would be taken without a vote following the practice of G77 meetings in Geneva and New York.<sup>(97)</sup> The agreement that all decisions should be by consensus was important in the conflict

resolution process. Without the recourse to majority vote decisions could only be taken on the basis of approval by the entire membership of the G77. This meant that decisions would reflect the lowest common denominator; be the result of a splitting of the difference; or an aggregation of conflicting demands. After exhaustive discussions, a compromise on vertical preferences was reached which involved splitting the difference. The Latin American states gave up their demand for the immediate abolition of special preferences and the African Associates accepted that they would give up their special preferences because the new scheme would ensure them at least equivalent advantages. This compromise which did not really advance the stage reached in 1964 was brought about mainly through the mediatory efforts of ambassadors Lall (India), Brillantes (Philippines) and Stanovnik (Yugoslavia).<sup>(98)</sup> But in another sense the agreement was an advance since in papering over the cracks and restoring the level of unity to 1964 it marked the end of the "free-for-all" period which had been in existence from the close of the Geneva Conference. Paragraph g of the principles relating to preferences in the Algiers Charter, stated,

"The new system of general principles should ensure at least equivalent advantages to developing countries enjoying preferences in certain developed countries to enable them to suspend their existing preferences on manufactures and semi-manufactures. From the beginning, provision should be incorporated in the system of general preferences,,for the developed countries to redress any adverse situation which may arise for these developing countries as a consequence of the insttution of the general system of preferences."<sup>(99)</sup>

Given the salient factors this was the most likely result. The Latin American and more advanced countries wanted a GSP and had prior to Algiers identified it as a possible area for progress at New Delhi.

All the developed countries had moved towards accepting a general preferential scheme. There could be no possibility of creating 'defensive hemispheric preferences' now. But if they wanted an agreement they needed the support of other members of the G77 for bargaining purposes and therefore would have to accept some of their demands.

The lddcs also used the Algiers Conference to press their demands that any GSP must secure advantages for them as a distinct sub-group in the G77. At this stage an official list of lddcs had not been compiled<sup>(100)</sup> and the issue of differentiation within the G77 was an intensely political one. Tensions within the G77 were heightened because differentiation also ran along regional lines with most states claiming lddc status originating in Africa. In the Latin American Group Bolivia, Ecuador and the Central American countries<sup>(101)</sup> (none eventually classed as lddcs) vigorously supported and defended the claims of lddcs. Prior to the Algiers Conference the lddc delegates to the TDB had used every available occasion to demand special treatment in any GSP.<sup>(102)</sup> At Algiers, the lddcs formed a distinct sub-group which pressed not only for recognition within the G77 but for the initiation of a series of wide-ranging measures tailored to suit their needs.<sup>(103)</sup> The cross-regional alliance between African, Asian and Latin American lddcs was a novel feature of G77 politics. The lddcs stressed the need for continued G77 unity but argued that this could not be maintained if they were unable to benefit from any measures negotiated in UNCTAD.<sup>(104)</sup> The intransigence of the least developed succeeded in persuading the more advanced countries that some safeguards must be written into the GSP which would protect the poorest countries. Hence the inclusion

in the Algiers Charter of special measures for the lddcs on preferences and a widening of product coverage to include processed and semi-processed products.

On the other hand the African Associates were lending their support to a measure that was unlikely to be of immediate benefit to them and were more interested in damage limitation than in seeking any benefits from the proposed scheme. It is interesting to note that the whole issue of vertical preferences was clouded in speculation and only loosely based on statistical reasoning. The Latin Americans claimed that EEC preferences damaged their export prospects despite the fact that their exports to the EEC were rising faster than to the world as a whole. The Associates claimed that preferences benefitted their industries and the EEC argued that their selective preferences were neutral in their impact on third countries.<sup>(105)</sup> Within the context of the Algiers Conference<sup>(106)</sup> the agreement on preferences was vital for the continued unity of the G77. Preferences for manufactured goods had become the most important issue in international trade negotiations between North and South. In the light of the well publicised divisions within the Southern coalition it had become the acid test of unity. A common, if somewhat fragile, negotiating position had thus been agreed before UNCTAD II convened.

Between 1964 and 1968 there had been some important environmental developments in the G77's campaign for a general preferential scheme. In under four years from the end of UNCTAD I all the major developed countries had come out in favour of such a scheme. The extension of the European Community's preferential schemes meant that any general scheme would have to co-exist with these vertical preferen-

ces. From being a somewhat subsidiary issue in the whole area of improving manufactured exports from developing countries, it had become the main issue in North-South relations. This was a result both of the abject failures experienced in commodity negotiations and the seemingly imminent agreement on a GSP. As the President of the Trade and Development Board had said at the Board's fifth session, it was a question mature for consideration.<sup>(107)</sup> There was little doubt that agreement would be reached on this salient task at New Delhi. At the very least the main outline of such a scheme would be agreed. New Delhi would mark the culmination of one stage in the debate. As we have seen these considerations did not however mean that differences ceased to exist either between the G77 and Group B or within the G77. A wide gap still separated the G77 position and that of the OECD countries and the agreement reached at Algiers was not a particularly firm one; in fact it did not constitute a negotiating document. The Algiers agreement on preferences was a broad set of principles which would need considerable tightening up before it could serve as a joint negotiating platform for the G77.

### 6.3.3. UNCTAD II, New Delhi 1968

The historical judgement on UNCTAD II which met from 1 February - 29 March, 1968 is that it was a failure.<sup>(108)</sup> High hopes had been set prior to the conference opening on the possibility of concrete negotiations and definite outcomes. The immediate Trade and Development Board session before the Conference had seemed to point in this direction. Nevertheless, the developed capitalist countries did not view UNCTAD as a proper negotiating forum. To them it was simply an organisation in which trade policy issues could be discussed and principles formulated. The developing countries, on the other hand had come seeking positive results on specific agreements. The UNCTAD secretariat pointed to the need to move from generalities to specifics

and to this end drew up a list of issues on which concrete agreement seemed feasible. Apart from these conflicting perspectives on the nature of the "negotiations" and the aims of the conference, the common positions of both Group B and the G77 had been arrived at after hard internal bargaining and group members did not want to unravel the compromises. Thus two opposed positions were presented face-to-face with little prospect of agreement. The resultant deliberations were acrimonious. The developing countries accused the developed world of indifference to their plight and the developed countries accused the developing countries of presenting unreasonable demands. Confrontation persisted within the five Committees established<sup>(109)</sup> and in the "Himalayan" contact groups established at the end of every committee's deliberation to try to work towards consensus. But within these contact groups the search for consensus was hindered by the continued repetition of positions already stated.<sup>(110)</sup> It was within this atmosphere that agreement was sought on the preference issue.

The group positions arrived at prior to New Delhi, especially the report of the OECD Working Party, created conditions which made some agreement on preferences a likely outcome of the conference. Despite this initial agreement no detailed progress was made in New Delhi and this was a result of the serious divisions which still existed between the two groups. It is, perhaps, naive to have expected a fully worked out scheme to emerge from so ramshackle a conference as UNCTAD II.<sup>(111)</sup> Nevertheless this hope was entertained by G77 delegates and the media. Consequently, resolution 21 (II) which, inter alia, recognised 'unanimous agreement in favour of the early establishment of a mutually acceptable system of generalized non-reciprocal and non-discriminatory preferences' and which established a Special Committee on Preferences to finalise the arrangements for such a scheme was

held to be a disappointment.

As we have observed the Charter of Algiers did not provide the G77 with an adequate negotiating platform on this issue and therefore the developing countries had to reach agreement on a joint resolution which could be tabled in the Second Committee. This, however, proved very difficult to accomplish and it was not until 11th March at the twenty-sixth (out of thirty-two) meeting of the committee that a G77 draft resolution<sup>(112)</sup> was presented. From 2nd February until 11th March the main G77 text was the unsatisfactory Charter of Algiers. Indeed, it was not until the contact group had been established to consider in greater detail the main elements of a scheme of preferences and to discuss a possible timetable of implementation that the G77 draft resolution entitled 'Basic principles and procedures covering an agreement on the general system of preferences' was produced. The paper agreement of Algiers proved difficult to turn into a draft resolution because of continued disagreements over special preferences and the problems of the least developed. It was in New Delhi that the special interest groups in the G77, the land-locked countries and the lddcs made significant advances concerning special measures in their favour.<sup>(113)</sup>

The least developed developing countries realising that an agreement on preferences was imminent insisted that it should cover products of export interest to their economies otherwise they would not benefit. Following on from their limited success in Algiers they were determined not to retreat and made support for the G77's position conditional on the granting of certain concessions. They, therefore insisted on a G77 position which stressed wider product coverage. The OECD report had suggested that preferences only be granted to products in  
BTN 25-99. The lddcs argued in the intra-G77 negotiations for the

inclusion of categories 1-24 (BTN) and succeeded in having their demand accepted by the other members of the coalition although the more advanced countries such as India were prepared to accept the limited product coverage offer made by the OECD countries. This draft resolution went a very long way towards attempting to meet the needs of the lddcs. Articles 5, 8, 12 and 13 all sought either to exempt the lddcs from the general exceptions clauses or to provide specific commitments which would enable them to benefit.

The conditions relating to special preferences were more extensively spelt out than they had ever been and constituted a definite advance on the Algiers Charter. It is worth reproducing the relevant section of article 14 -

"The body that will be charged with the implementation of the general system of preferences shall, at the end of five years of application of the general system of preferences, examine and review the situation of developing countries now enjoying special preferences with a view to accelerating the process of merging of the less advantageous system without adversely affecting the global export opportunities of any developing countries. If the general system proved detrimental to countries benefitting from special systems, the body given the task of implementing the general system will also have to determine satisfactory compensatory measures to be taken by the developed countries while at the same time the special preferences are progressively eliminated, in order to ensure at least equivalent advantages for the beneficiary countries".<sup>(114)</sup>

This article shows two advances on previous compromises. First, it accepts that a transitory period of at least five years will be necessary before special preferences are abolished. Secondly, the safeguards for those states enjoying special preferences would be

adjudicated by an impartial international body. In addition two new elements appeared in this draft resolution. The initial time period over which preferences were to run was raised from ten to twenty years in an obvious attempt to strengthen the G77's negotiating position. Furthermore, recognising that a framework agreement would not be concluded at New Delhi the G77 proposed that a Special Negotiating Committee on Preferences be established. The G77 included the term negotiating in the title of the proposed body because they wanted to stress that they would be involved in negotiations concerning the precise nature of the GSP; it was not going to be left to the discretion of the developed countries. Negotiation as a concept entailed a vision of equality which the G77 was anxious to promote in relations with the developed market economy countries. This joint negotiating text was an umbrella document which on the one hand crystallised a number of points on which definite advance had been made in terms of reconciling differences and on the other it merely aggregated divergent interests.

It proved impossible at UNCTAD II to reach agreement beyond the need to set up a system and to create appropriate machinery to enable countries to continue consultations regarding the scheme.<sup>(115)</sup> The developed market economy countries refused to go beyond the position worked out in the OECD. The minimal OECD compromise did not cover important elements of any future preference scheme, viz. safeguards, exceptions, the depth of tariff cuts, and reverse preferences. Major differences between Group B and the G77 existed on all significant elements of a preferential scheme - product coverage, exceptions, safeguards, duration and existing preferences. The highest level of disagreement was recorded over product coverage where the developing countries demanded the inclusion of processed and semi-processed

products within the GSP with a bare minimum of exceptions which would be determined on a case-by-case basis. Although the OECD agreement envisaged a case-by-case approach for items in BTN 1-24 some developed countries, including the United States expressed an interest in considering the inclusion of these products on an a priori basis within the scheme. New Delhi thus marked the beginning of another new stage in the process of "negotiating" a GSP. From a maverick concept it had become the centrepiece of international economic diplomacy. After UNCTAD II this was particularly so since it was one of the few positive achievements of a disappointing conference. Not only was the concept now agreed it would soon be operationalised and agreement on principle would become a new instrument of trade policy. The G77 had survived its internal dissension and had managed to preserve its unity. Discussion on lofty questions of principle were now finished. A concrete agreement had to be negotiated in which intra-G77 conflict would prove largely irrelevant. In this new phase the developed countries would present their preference schemes to be scrutinised by the developing countries. This was a process of negotiation<sup>(116)</sup> and consultation fundamentally different from what had taken place to date.

#### 6.3.4. 1968-1970 : Towards Implementation

At the second part of its fourth session 21 September - 12 October 1970, the Special Committee on Preferences adopted "Agreed Conclusion" in respect of a GSP.<sup>(117)</sup> The culmination of the post New Delhi process was greeted as an important event. Mr. Manuel Perez-Guerrero, the UNCTAD Secretary-General, acclaimed "a far-reaching and unprecedented undertaking. Never before to the best of my knowledge, has there been such a concentration of concerted

efforts in favour of the developing countries in the field of trade".<sup>(118)</sup> The time-table envisaged by Resolution 21(II) had been exceeded but that was not altogether surprising, given the complexity of the process involved.

The period between 1968 and 1970 was characterised by activity on two different levels. On the first the developed country preference givers - Austria, Belgium, Canada, Denmark, Finland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Switzerland, Sweden, United Kingdom, United States and West Germany - negotiated within the OECD framework to harmonise the various 'national' offers.<sup>(119)</sup> It was soon obvious that the GSP would never be general in the sense of all the developed countries having identical schemes. The specific circumstances of the individual countries made harmonisation rather than uniformity a more realistic choice although until May 1970 the U.S. administration insisted upon uniformity. U.S. opposition to reverse preferences and special preferences also slowed down the decision-making process. But once broadly comparable schemes were agreed the next stage of the process could be entered into. This was the presentation of the schemes to the G77. The second level was within the UNCTAD Special Committee on Preferences (SCP) where the developing countries responded to offers made by the donor countries. The SCP proved unable to make any progress until the first submissions were received in March 1970. The first part of the fourth session of the SCP (March-April 1970)<sup>(120)</sup> was spent in examining these initial preference offers. Incremental changes were suggested by the spokesmen of the developing countries who adopted a pragmatic approach. Realising that they were not in a position where confrontational tactics

would work they sought to make realistic suggestions in order to improve the benefits they would gain from the proposed schemes.<sup>(121)</sup>

After detailed discussions the donor countries reconsidered their proposals and made revised offers in September of that year.<sup>(122)</sup> The new mood of realism and pragmatism running through the G77 affected those who stood to benefit most from the new scheme and felt that something was better than nothing. It was better to accept a flawed agreement which would be implemented quickly rather than to continue arguing for an ideal scheme which might never materialise. Six years of more or less fruitless discussions in UNCTAD had proved that any minimal gains had to be accepted.

Those states which had been keen to preserve the benefits they gained from existing preferential systems realised that the GSP as envisaged would not hurt their market access. The EEC Associates so worried previously about losing their privileged access to the Community market were assured that the Community's scheme did not seriously threaten their interests. The rearguard action that they had mounted had been successful in preserving their interests. And the qualified schemes which the other OECD countries were implementing gave only limited benefits to the more advanced ldc's. The Associates could therefore agree within the SCP that,

"Developing countries which will be sharing their existing tariff advantages in some developed countries as the result of the introduction of the generalised system of preferences will expect the new access in other developed countries to provide export opportunities to at least compensate them.

As a result of the periodic reviews in UNCTAD and of bilateral or multilateral consultations between the countries concerned, those countries granting tariff advantages will give careful consideration to the

extent to which the developing countries enjoying tariff advantages have benefitted overall from the system when reviewing the operation of the generalized system of preferences". (123)

Partly as a result of their pressure on the EEC, its GSP offer excluded those processed agricultural goods of major interest to the Yaoundé Associates.<sup>(124)</sup> For their part the lddcs realised that the GSP, as it stood, although not helping their export earnings, was the best that could be achieved. It was also unlikely that they would be able to mount a successful campaign to improve the schemes in their favour. The lddc sub-group was now a weaker one in the G77 decisional process because official identification had weakened the cross-regional alliance. The official list of lddcs only included one country from the Latin American group - Haiti. The least developed countries also shifted their pressure during this period from concentration on preferences which only held marginal gains at best and these were all in the future to issues such as aid in which gains were both immediate and substantial. The unity of the G77 was important for the lddcs in terms of wresting further concessions from the industrialised states. Any attempt by the lddcs to try and delay the agreement would therefore be self-defeating. The different nature of the bargaining process, the move away from questions of principle to practical issues of commercial policy, the shift of the discussions from intangibles to tangibles, helped to transform the manner in which conflicting interests in the G77 were expressed and its effect upon the strategies pursued by individual group members.

#### 6.4. Conclusions

Negotiations on the GSP presented the first, concentrated challenge to the maintenance of effective G77 unity. From the outset attitudinal, ascriptive and behavioural cleavages threatened to undermine the coalition. The salience of the GSP negotiations for intra-G77 relations arose from the centrality of these negotiations in the development dialogue between 1964 and 1970. The negotiations were crucial for both the G77 and UNCTAD because they became the most conflictual arena in the North/South debate. Analysis of the origins and development of conflict and conflict management therefore contributes significantly to an understanding of the wider activities of the coalition.

The demand for a GSP originated with the G77 and the UNCTAD secretariat but the implementation of any agreed scheme depended on the industrialised states. The UNCTAD forum therefore although important as a centre for discussion was largely irrelevant as a decision-making body. UNCTAD's main role lay in providing a forum through which pressure could be exerted and as a legitimising instrument through which any agreement needed to be ratified. These constraints arising from the global distribution of power and the organisational context were important conditioning factors on the behaviour of the G77.

The fact that the GSP was a collective good necessitated joint action on the part of the G77. Nevertheless, the group members were forced into a distributive bargaining mode because of the unequal distribution of gains. On the other hand, because an overall increase in trade liberalisation would benefit all members the coalition was also engaged in integrative bargaining. Hence a mixed bargaining

strategy prevailed in which group members oscillated between stressing the distributive and integrative effects. A purely distributive strategy would have caused even greater strains on group unity but the possibility of common gain and the necessity to press Group B members to agree as wide-ranging a scheme as possible provided a degree of solidarity and a cause around which the G77 could coalesce.

Two further elements tended to unite rather than increase the divergent strains in the group. The first stems from the nature of the coalition. The solidarity achieved by the G77 is first and foremost a diplomatic solidarity which exists for the purposes of multilateral commercial diplomacy. Group members agree on common positions for the purposes of multilateral negotiations but possess the freedom to pursue on a bilateral basis policies which may conflict with agreed joint ventures. Members of the coalition were prepared to accept this dualism in national policy during the period of the GSP negotiations. This was justified partly on the grounds of safeguarding vital national interests and partly because the coalition was able to function despite these deviations from the common position. Moreover, the G77's organisational structure developed considerably over this period mainly in response to these fissiparous tendencies. The development of structures and decision-making procedures widened and deepened the levels of interest aggregation and interest articulation. The political process of the group ensured that members could effectively represent their interests. The development of common institutions and the institutionalisation of procedures created a framework in which a stable pattern of expectations could develop. Thus the G77 became not just a constant factor in national politics but also the relevant body for the discussion of the GSP

and other issues. But the level of coordination achieved i.e. diplomatic solidarity in so far as it did not jeopardise vital interests made it easier for governments to accept compromise. The G77 could reconcile divergent viewpoints because effective decision-making lay elsewhere and because growth in organisational competence enmeshed members without threatening autonomy.

Disintegrative tendencies, however, continued to have an effect on the bargaining process. Coalition members were hesitant to sacrifice real or perceived benefits without engaging in strenuous defence of their interests. Hence the lddcs and the preference receiving countries insisted on special treatment. Recognition of these claims by Group B undermined the position of those members of the G77 opposed to differential treatment of GSP beneficiaries. Furthermore, the commitment to special measures for disadvantaged countries although discussed mainly as a matter of principle was in the final analysis a practical question. Preference givers were free to design schemes which contained exceptions from the standard principles. The hard fought battle by the lddcs and preference receivers resulted in some minor concessions but the final agreements reached owed less to G77 interests and pressure than the autonomous action of Group B members.states.

Negotiations on the GSP showed the limited role of UNCTAD as a negotiating forum. Third World pressure politics had succeeded in procuring a new device in the trade field but the design, implementation and execution of the GSP was largely a result of deliberations among the industrialised states. The G77 had campaigned for a reform which would only benefit a few of its members and had managed to maintain a degree of unity despite widely conflicting interests. This pragmatic unity recognised the demands of special interest groups

in the coalition. Common G77 positions of necessity had to accommodate diverse interests. The success of the Group in maintaining a united bargaining front in the context of UNCTAD negotiations was a result of an organisational process which favoured group bargaining. In addition the UNCTAD group system tended to push the developing countries together. The powerlessness of the G77 to effect meaningful change in international trade rules and the international economic system underlines the weakness of individual members of the coalition. Joint action may be a second best solution but it does offer the possibility of limited gain. The GSP negotiations demonstrate the necessity for collective action and the limits to cooperation.

FOOTNOTES

1. The UNCTAD Secretariat has prepared a number of such studies. See UNCTAD, 'Operation and Effects of the Generalized System of Preferences', documents TD/B/C.5/15 and TD/B/C.5/42; selected studies submitted to the Fifth and Sixth Sessions of the Special Committee on Preferences, Geneva 3-13 Apr 1973 and 20-31 May 1974: TD/232 - Review and evaluation of the generalized system of preferences, study submitted to UNCTAD V, Manila, 7 May 1979. Also see Tracy Murray - Trade Preferences for Developing Countries (London & Basingstoke: Macmillan, 1977) pp. 95-113; R.S. Baldwin and T. Murray - "MFN Tariff Reductions and Developing Country Trade Benefits Under the GSP", Economic Journal (March 1977).
2. See for example B. Hindley - "The UNCTAD Agreement on Preferences," Journal of World Trade Law vol.5 no.6 (Nov-Dec 1971); Peter Tulloch - The Politics of Preferences (London: Croom Helm and ODI 1975) pp. 88-100; Z Iqbal, "The GSP Examined", Finance and Development (Sept 1975) pp. 34-39.
3. This does not mean, of course, that limitations in respect of product coverage and depth of tariff 'cut' will not be discussed.
4. Preferences are by definition discriminatory; the concept implies granting preferential access, to the market of the giving countries, to the exporters of the receiver countries. The concept itself was not new. A variety of selective preference schemes had existed between metropolitan states and their colonies as a means of encouraging trade between the centre and periphery, encouraging capitalists from the centre to invest in the colony and to ensure that colonial goods were exported to the metropole.
5. See Tom Kemp, Industrialization in the Non-Western World (London: Longman 1979).
6. "It is not going too far, perhaps, to say that it seemed to be our general impression that most of the major industrial economies of scale could be achieved by a relatively high income-nation of 50 million; that nations of 10-15 million were probably too small to get the technical economies available ....." E.A.G. Robinson quoted in Joseph Spengler - Population Change, Modernization and Welfare, (Englewood Cliffs N.J.:Prentice-Hall Inc. 1974) p.98.
7. The stress on the limited contribution of primary commodity exports to the development effort was put very insistently by Prebisch. See his Towards A New Trade Policy For Development (Geneva 1964).

8. Apart from closing the 'gap', the development of industrial exports would make it possible to increase the advantages of industrialization by correcting its defects". Prebisch ibid. p.15.
9. Peter Tulloch op.cit. p.16.
10. K.S. Sundar Rajan, "Tariff Preferences and Developing Countries", Proceedings of the American Society of International Law (1966) pp.87-88.
11. Bela Balassa, The Structure of Protection TD/B/C 136(1970).
12. i.e.  $ET = \frac{NT}{VA} \times 100$  where ET is effective tariff; NT nominal tariff and VA value added.
13. See TD/B/C.2/36 - "The structure of protection in the industrial countries and its effects on the exports of processed goods from developing nations" and TD/B/C.2/25 and Corr.1 - "Examination of tariffs on products of export interest to the developing countries."
14. Tracy Murray op.cit. p.26.
15. Harry Johnson - Economic Policies Toward Less Developed Countries (London: George Allen & Unwin Ltd. 1967) pp. 174-5 where he calculates that the reduction in effective protection will be in the order of 20% for the United States and the EEC, 12% for Sweden and 30% for Japan.
16. Johnson ibid pp. 178-9 calculates that the average preferential advantage (over a range of goods) would be 46% for the U.S., 37% for the EEC, 26% for Sweden and 53% for Japan.
17. Trade creation refers to the effect of a preferential system which enables resources to be switched from high cost producers to more efficient ones. Trade diversion occurs when the new tariff system favours inefficient producers at the expense of more efficient ones. Welfare is related to the gain or loss related to the resource costs of producing the relevant products. Trade diversion and trade creation is likely to be the greatest and the welfare implications most significant between countries with similar economic structures.
18. Murray op.cit. p.20.
19. Of course it was precisely the fear that this would not occur which lead some domestic producers in the industrialised countries to oppose the GSP. For an account of the activities of such pressure groups in respect of the EEC see Tulloch op.cit. ch. 7.

20. John Pincus - Trade, Aid and Development (New York: McGraw-Hill 1967) p. 198.
21. See Tulloch op.cit. for the extension of this argument. He asserts that "Discriminatory preferential access terms may not have much meaning for some products and some import markets" p.15.
22. Hindley op.cit. p.695.
23. Hindley ibid p.698.
24. Pincus op.cit. p.199.
25. Murray op.cit. p.18
26. Pincus op.cit. p.199.
27. Johnson op.cit. pp. 196-97.
28. TD/12/Supp.1 - A System of Preferences For Exports Of Manufactures And Semi Manufactures From Developing To Developed Countries (31 Oct. 1967).
29. Special preferences also existed between the United States and the Philippines; during the period under study Nigeria and the EEC concluded an agreement with the EEC as did the three members of the East African Community (Kenya, Tanzania and Uganda). The EEC also had special arrangements with the Maghreb countries, Greece and Turkey.
30. Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic), Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Maurétania, Niger, Rwanda, Senegal, Somalia, Togo and Upper Volta. The first Yaoundé Convention of Association came into force on 1 June 1964 (during UNCTAD I!) prior to that association had been under Part IV of the Treaty of Rome.
31. TD/16/Supp.1 - The Problem of Special preferences - some illustrations of special preferential arrangements (11 Jan.1968).
32. The discussion does not always make a distinction between preferences affecting manufactures and semi-manufactures and preferences affecting total trade. The preference systems were not solely confined to manufactures and semi-manufactures; thus it is important to realise that these countries were being asked to give up a wide ranging system in favour of a limited one in which they were by and large unable to compete effectively.

33. See TD/B/S.R.5 (9 April 1965) for Brazilian arguments in favour of the immediate suspension of vertical preferences.
34. See also A.K. Bhattacharya - "The influence of the international secretariat: UNCTAD and generalized tariff preferences", International Organization (Winter 1976). p.78.
35. "Although we are opposed to the creation of spheres of influence, we commend for urgent consideration a policy of transitory, defensive measures to compensate for such preferences. It is inequitable for the products of some of the developing countries to enjoy preferences outside the hemisphere plus non-discriminatory access to the United States market. A policy to compensate Latin America should be worked out pragmatically, on a commodity by commodity basis, with provisions which would facilitate return to non-discriminatory trade as discriminating practices are removed elsewhere" reproduced in TD/16 (12 Jan.1968) - The problem of special preferences - trade policy aspects.
36. This is of course not altogether surprising when the low dependence thresholds discussed above are taken into account.
37. Considering that they were so newly independent, that they saw reverse preferences as a proof of their sovereignty and that Yaoundé I had only recently been negotiated and didn't in fact enter into force until UNCTAD I was convened their position is perhaps more easily understandable.
38. See Tulloch op.cit. pp.65-72 for an analysis of Associates pressure on the EEC.
39. Bhattacharya op.cit. p.85.
40. The Argentine delegate to the first session of the TDB stated that Argentina refused to join any system of vertical preferences. See TD/B/SR.12.(14 April 1965).
41. See for example, statements made at the first session of the TDB - TDB/SR.6 (9 April 1965) and TD/B/SR.10 (13 April 1965) for Ghanaian and Guinean viewpoints respectively.
42. Here a wide range of restraints existed. These can be grouped under four headings (i) Foreign trade policies - licensing requirements, quota restrictions, negotiated export limitations, foreign exchange restrictions, state trading procurement policies favouring domestic products, anti-dumping and similar regulations, subsidies to exports; (ii) Administrative practices - classification of goods for customs purposes; documentary, marking and packaging requirements, incomplete or delayed

publication of customs information; (iii) Internal economic policies affecting imports - internal taxes for revenue purposes, taxes applied to imports to compensate for indirect taxes borne by comparable domestic goods, pricing policies and price control regulations, restrictions on advertising of goods; (iv) Internal health and safety regulations affecting imports - sanitary regulations, technical specification requirements, regulations applied for national security reasons.

43. M.Z. Cutajar & A. Franks op.cit. p.73.
44. In 1962, Edward Heath then President of the Board of Trade had announced that the United Kingdom was prepared to extend Commonwealth preferences to all developing countries providing other developed countries gave preferential treatment to all developing countries. The proposal was dictated by concerns stemming from Britain's application to join the EEC and the preparations for the forthcoming Kennedy Round. See Tulloch, op.cit. p. 37.
45. This was part of the discussions in GATT which led to Part IV of the General Agreement. On developing countries pressure in GATT see Chapter 2.
46. The twenty-nine nation Working Party was chaired by Ambassador Miyazaki of Japan.
47. Press release GATT/750, May 17, 1963.
48. Reprinted in UNCTAD, Proceedings, 1964 vol. VI, pp. 23-25
49. Towards a New Trade Policy for Development, Report of the Secretary-General of the United Nations Conference on Trade and Development; the report of Bureau of General Economic Research and Policies of the U.N. Department of Economic and Social Affairs, "Trade in Manufactures and semi-manufactures, U.N.; Doc.E/CONF. 46/6 reprinted in Proceedings (1964) vol. IV, pp. 3-41.
50. OAU Economic and Social Commission: The Niamey Resolution on the United Nations Conference on Trade and Development. Reprinted in Proceedings (1964) vol.VI. pp. 55-56
51. Economic Commission for Asia and the Far East: Teheran Resolution on the United Nations Conference on Trade and Development. Reprinted in Proceedings (1964) vol.VI, pp. 85-86.

52. OAS Inter-American Economic and Social Council, Special Committee on Latin American Co-ordination: The Charter of Alta Gracia. Reprinted in Proceedings (1964) vol.VI, pp. 57-66.
53. See Proceedings (1964) vol.II, pp. 85-416.
54. For a discussion of U.S. policy on preferences see Sidney Weintraub - Trade Preferences for Less Developed Countries (New York: Praeger, 1967); Gardner Patterson - Discrimination in International Trade: The Policy Issues 1945-1965 (Princeton, N.J: Princeton University Press, 1966) pp. 353-356.
55. Speech made on 25 March, 1964. Proceedings(1964) vol.II p. 396.
56. In a speech on April 9, 1964 before the North Carolina University Symposium, Chapel Hill, North Carolina and reproduced in Weintraub op.cit. p.26. This, however, is an argument against selective rather than general preferences.
57. R.I. Meltzer, "The politics of policy reversal: the U.S. response to granting trade preferences to developing combines and linkages between international organisations and national policy making" International Organization (Autumn 1976) p.654
58. Mr Bernardo Mattarella, the Italian Minister for Foreign Trade rejected the concept as being misplaced, "As far as manufactures and finished goods are concerned, we must first rid ourselves of generalizations and even exaggerations. In our view, it is only in exceptional cases that special measures are required to facilitate the access of existing products to our market. The difficulties which arise are in fact more related to marketing methods and product quality. It is these difficulties which the developing countries must seek to overcome. ...." 26 March, 1964. Proceedings (1964) vol. II, p.240.
59. Maurice Brasseur, Minister of External Trade and Technical Assistance of Belgium, 24 March, 1964. Ibid. p.111
60. Mr Edward Heath, U.K. Secretary of State for Industry, Trade and Regional Development and President of the Board of Trade. 6 April, 1964, Ibid. p.393.
61. 26 March, 1964. Ibid. p.192.
62. R. Prebisch, Towards A New Trade Policy . pp. 35-40.

63. Mr Victor Kanga, Minister for Economic Affairs, 26 March 1964. Ibid. pp. 135-136.
64. Mr Victor Miadana, Minister of Finance, Malagasy Republic, 1 April, 1964. Ibid. p. 264.
65. Mr Robert C. Lightbourne, Minister of Trade and Industry, 30 March, 1964. Ibid. p. 245.
66. Mr Enrique Amador Marquez, Minister for Trade and Banking, 30 March, 1964. Ibid. p.184.
67. E/CONF.46/C2/L.5 submitted by Niger; E/CONF. 46/C.2/L.22 submitted by India, Indonesia, Lebanon, Nepal and Saudi Arabia; E/CONF. 46/C.2/L.23 submitted by Argentina, Brazil, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela; E/CONF.46/C.2/L.27 submitted by Ghana, Kenya, Liberia, Nigeria, Tanganyika and Zanzibar, Sierra Leone, Sudan and Trinidad and Tobago.
68. E/CONF. 46/C.2/L.40 and Add. 1-5.
69. See the statement by Mr Maithripala Senanayake, Minister of Commerce and Industries, Ceylon - "we ..... support the idea of preferential access in the markets of developed countries. However, in any such scheme, the particular problem of the small developing countries in relation to larger developing countries should be recognised and suitable provisions should be made to meet their disabilities". 1 April, 1964 - Proceedings op.cit. p.142.
70. E/CONF.46/C.2/L.40 and Add 1-5.
71. Ibid.
72. Belgium, Denmark, Federal Republic of Germany, Finland, France Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Portugal, Spain, Turkey plus Holy See, Monaco and San Marina (and Brazil, Republic of Vietnam, Rivanda, Uganda and Venezuela).
73. Australia, Austria, Canada, Iceland, Norway, South Africa, Sweden, Switzerland, United Kingdom, United States plus Lichtenstein.
74. The OECD became the de facto secretariat of the Group B countries. The GATT Ministerial Meeting in November 1964 which ushered in Part IV of the General Agreement could not get any agreement on preferences.

75. See OECD Document TD/CBC/26(2 April 1966); OECD Document TC(66)25 (11 August 1966) and TD/56 (26 January 1968).
76. See Department of State Bulletin, vol. LVI. No. 1454 (8 May 1967) p. 709.
77. Report by The Special Group on Trade with Developing Countries of the OECD. TD/56.
78. The Lagos Convention signed in July 1966 never came into force because of the Nigerian Civil War.
79. Arusha Convention signed in 1968 and revised in 1969. Argentina, Brazil and Chile led the protests.
80. See Meltzer op.cit. p. 658; Bhattacharya op.cit. pp.82-84.
81. This met with a receptive response among some influential Americans e.g. George Ball, David Rockefeller, Walt Rostow and Thomas Mann, former Under Secretary of State for Economic Affairs. See Weintraub op.cit. p.156 and Bhattacharya op.cit. pp. 84-85.
82. See e.g. TD/B/SR.25.
83. Weintraub op.cit. p. 150; Bhattacharya op.cit. p.82.
84. Bhattacharya op.cit. p. 83.
85. See Meltzer op.cit. 663-668. Meltzer argues that the change in the American stance was the result of bureaucratic politics.
86. See TD/B/C.2/1. Add.1.
87. See TDB Decision 16(II).
88. See TD/12 (1 November 1967) and TD/B/C.2/AC.1/7 for a discussion of the issues raised in this paragraph.
89. Dick Wilson, 'Strategy for the South', Far Eastern Economic Review, Oct. 20 1966 pp. 129-130; and Far Eastern Economic Review November 2 1967 p.215.
90. Successful agreements were the International Tin Agreement negotiated in 1965, the United Nations Conference on Olive Oil, March 1967 which adopted a protocol for the extension of the 1963 Olive Oil Agreement, the International Grains Agreement, August 1967.
91. See Wilson (FEER) op.cit. p.130.

92. See TD/B/Misc.60/Rev 2 (23 Sept 1966).
93. See MM.77/I/Misc.6/Rev. 1(12 October 1967).
94. African Declaration of Algiers. MM.77/I/10 and Corr.1 (15 October 1967).
95. Charter of Tequendama. MM.77/I/Misc. 7.
96. Bangkok Declaration MM.77/I/Misc.3(N.d.).
97. See MM.77/I/7 (13 Oct.1967).
98. Bhattacharya op.cit. p.89.
99. Charter of Algiers. TD/38 (3 November 1967) p.9.
100. See UNCTAD Research Memoranda No.6/1 Preliminary Identification of the Least Developed Among Developing Countries (Typology study) 10 Jan 1967 and No.6/1 Rev.1. The Least Developed Among Developing Countries in the Context of UNCTAD Policies and Measures. Part 1: The Problem of Identifying the Least Developed among the Developing Countries. 5 July 1967, for early efforts in this direction.
101. The least developed Latin American countries had failed at the CECLA meeting in Bogota to get regional support for special measures. See Gosovic, International Conciliation op.cit. p.19.
102. See the summary records of the TDB first to fifth sessions. TD/B/SR.1-157.
103. See First Ministerial Meeting of the Group of 77, Algiers, October 1969 in Sauvart (ed) Collected Documents pp.174-325.
104. See Provisional Summary Records of the Plenary Session (MM.77/I/SR.1-14) Ibid pp. 215-314
105. And yet no conclusive statistical analysis was undertaken by governments or international organisations!
106. See two articles by Edith Rebecca Lenart in the Far Eastern Economic Review, November 2 and November 9, 1967 and Y.Yelutin - "Rehearsal before the Delhi Conference", International Affairs (Moscow) 1968: 1 pp. 38-42, for contrasting perspectives on the Algiers Conference.
107. Paul Jolles (Switzerland). See A/6714. Part One, Chapter 1, para. 31.

108. See David Howell. "Failure AT UNCTAD II: Divided Rich and Embittered Poor", Round Table (July 1968); pp. 249-253; Caroline Miles - "Trade and aid: The Second UNCTAD", The World Today, (July 1967) pp. 297-302; Middle East and African Economist (April 1968).
109. Five main committees - Commodity Problems and Policies; Expansion and Diversification of Exports of Manufactures and Semi-Manufactures of Developing Countries; Growth, Development Finance and Aid (synchronisation of international and national policies; Problems of ldc's in regard to Invisibles and Shipping; Trends and Problems in World Trade and Development - and three Working Groups (WGI - World Food Problem and Transfer of Technology; WGII - Trade expansion; lddcs economic integration among developing countries; WGIII - landlocked countries) were established.
110. Cordovez, op cit p.157.
111. See Michael Lipton "UNCTAD SCHMUNCTAD? Why Not Start Again From Scratch" Round Table (July 1972) pp. 297-308 and J. Ann Zammit, "UNCTAD III: End of an Illusion IDS Bulletin (January 1973) pp. 3-13 for criticisms of the unwieldy nature of UNCTAD conferences.
112. TD/II/C.2/L.5 (11 March 1968).
113. See Resolution 11(II) - Special problems of the land-locked countries and Resolution 24(II) special measures to be taken in favour of the least developed among the developing countries aimed at expanding their trade and improving their economic and social development.
114. TD/II/C.2/L.5 (11 March 1968).
115. Resolution 21 (II) 26 March, 1968 envisaged the special committee meeting twice, first in November 1968 and then in the first half of 1969 with a view to settling the details of the scheme by 1969 for implementation in 1970.
116. Whether the discussions in the Special Committee on Preferences constituted negotiations or not is a moot point. See Tulloch op.cit. who argues p.34 that they were not but p.63 writes "there were still many detailed areas .... which would be settled through negotiation in the UNCTAD Special Committee .....
117. See TD/B/329 (12 Oct. 1970).

118. Cited in R. Krishnamurti - "The Agreement on Preferences. A Generalized System in Favour of Developing Countries," Journal of World Trade Law (Jan:Feb, 1971) pp. 45-46.
119. The European Community countries submitted a joint proposal as did the Nordic countries. Continued conflict over the GSP still existed in Group B. See V. Walker-Leigh, "The GSP: Background to the Recent UNCTAD Agreement" World Today (Jan 1971) pp. 20-24. Also see Gosovic (1972) op.cit. pp. 83-87 and various UNCTAD documents - TD/B/243 (19 May 1969); TD/B/256 (3 July 1969), TD/B/262 (14 July 1969), TD/B/309/Add.1 (16 July 1970), TD/B/AC.5/24 (14 Nov 1969). The final Group B offer is contained in TD/B/AC.5/34 and Add.1-3 (21 Sept 1970).
120. See TD/B/300 and Add.1-2 (27 Apr. 1967).
121. This was part of the new mood of realism discussed by Cordovez in his article "UNCTAD and Development Diplomacy - From Confrontation to Strategy" op.cit. pp.144-165.
122. See TD/B/329; also TD/B/AC.5/L.13 (mimeo).
123. TD/B/330 (14 October 1970).
124. See Tulloch op.cit. p.59 and pp. 65-71.

## CHAPTER 7

### Conflict and Conflict Management : The Negotiations For An Integrated Programme For Commodities 1974-1980

The Integrated Programme For Commodities (IPC) was the next major issue after the GSP to dominate UNCTAD politics. The two sets of negotiations are comparable in respect of the salience of the issue for intra-77 relations; their centrality within the North-South dialogue; and the degree of political commitment expended in the organizational context i.e. UNCTAD. A major difference between the two sets of negotiations resides in the wider environmental setting and this is one of the key variables in explaining the higher degree of politicisation encountered in the later bargaining process. The aim of this chapter is to examine the internal divisions within the G77 in relation to the IPC and the attempts to maintain unity in the face of these differences. Two central questions are posed for the analysis: (1) How, given the existence of various cleavages, did the group manage to maintain unity and what was the exact nature of this unity? (2) What effect did the existence of these divisions have upon the G77's negotiating position and how did they affect the "final agreements" covering the Common Fund and the individual commodity agreements? In order to answer these questions the investigation will explore two distinct but interlinked levels of political activity. First, negotiations in the G77 leading to a common negotiating strategy and, secondly, the range of negotiations covered by the IPC umbrella which took place in UNCTAD. To understand intra-77 bargaining on the IPC it is necessary to examine the economic arguments surrounding international commodity policy, and the cleavages within the G77.

before proceeding to study the negotiating process. But before discussing the IPC proper we will take a brief look at the commodities issue-area within the UNCTAD framework from 1964 until the launching of the Integrated Programme. This will not only illuminate the subsequent analysis, by shedding light on the frustrations felt by the developing countries at the slow progress made in the Committee on Commodities, at the UNCTAD general conferences and in ad hoc commodity conferences but also give an historical dimension to the specific set of negotiations begun in 1974. The Integrated Programme was the centre-piece of the New International Economic Order proposals but many of these demands were far from new<sup>(1)</sup> having been on the international agenda since 1964 and the commodity debate must be understood within this context. Failure to do so leads to mistaken conclusions<sup>(2)</sup> concerning the appropriateness of making this issue-area the centre of the demands for a New International Economic Order.

#### 7.1. UNCTAD and Commodity Trade 1964-1974

Although the major political commitment and drive was expended in the creation of a Generalised System of Preferences between 1964 and 1970 the subject area of the most importance to the majority of the developing countries was commodity trade and it was in fact the failure to make substantive gains in this field which invested the GSP negotiations with added significance. The interest of the developing countries in primary commodities stemmed from the importance of agriculture and mining within their domestic economies<sup>(3)</sup> e.g. in 1960 72.9 per cent of the labour force was employed in agriculture and 34.4 per cent of GDP was accounted for by this sector and although there were declines in both variables by 1970 - 66.6 per cent employment of the labour force and 28.2 per cent

of GDP<sup>(4)</sup> - they nevertheless remained high. Moreover, primary commodity export provided the principal source of their foreign exchange earnings. See Table 7.1. below:

TABLE 7.1.

Value of primary products and manufactures as percentage of total exports of developing countries 1960, 1961, 1964, 1965 and 1967.

<u>Product Category</u>	<u>Year</u>				
	<u>1960</u>	<u>1961</u>	<u>1964</u>	<u>1965</u>	<u>1967</u>
Primary Products	86	85	83	80	79
Manufactures	14	14	16	17	20

Sources : UNCTAD : Review of International Trade and Development, TD/5/Rev.1; J. Clifford & C. Osmond. World Development Handbook, Table 6.3. p.57.

Note : Percentages do not add exactly, because of rounding, and because 'miscellaneous' exports which are neither primary products nor manufactures are included in the totals.

Given this heavy export concentration, reforms in the commodity field offered the major hope for an improvement in ldc development prospects.<sup>(5)</sup> Secondly, many ldcs felt that serious economic problems arose from this over-dependence on primary commodity exports viz. instability of export earnings and declining terms of trade.<sup>(6)</sup> But whatever one's views on problems arising from this type of export concentration the slow growth in the aggregate demand for ldc commodities resulted in increased concern on commodity policy.

The political economy of international commodity trade does not support a crude division of the world into developed and developing countries. Nevertheless, this was one of the issues around which the G77 coalesced and attempted to present a united front within

the UNCTAD context. Despite the existence of specific interests arising from their positions as producers and consumers of particular commodities; interests which often led to conflicts between producers and/or conflicts between producers and consumers the developing countries identified a common interest arising from their dependence on commodity exports, the state of the international market, the prevailing 'rules of the game' and the weak institutionalisation in the raw material field. Their major aim was a complete revision of the principles which governed action in this area. Until the creation of UNCTAD, the principles which guided behaviour in commodity trade were those embodied in the Havana Charter,<sup>(7)</sup> especially chapter VI - Inter-Governmental Commodity Agreements. Firmly grounded in free market principles the Charter provided for control of production only in exceptional circumstances i.e. when "a burdensome surplus has developed" or where there is "widespread unemployment or under-employment" (Article 62). In pursuit of price stability around the long-term trend international commodity agreements could be created but would have to include an equal weighting of producer and consumer governments although the financing would fall solely on the producers. The developing countries through UNCTAD sought to relax the conditions under which international commodity agreements (ICAs) could be set up, to get equal financing by both producer and consumer governments for ICAs and to use ICAs as an aid mechanism i.e. to change the focus from the stabilization of prices to one of raising prices higher than the long-run trend.<sup>(8)</sup> Underlying the planned revision of international norms were considerations based on a) the long-term foreign trade difficulties experienced by the developing countries especially after the commodity boom accompanying the Korean War had been replaced by a

slump which led to a fall in their export earnings; b) the existence of a wide variety of market imperfections many of which arose from discriminatory practices followed by the developed countries; c) the lacunae in the existing institutional framework and the failure of available machinery to meet their needs;<sup>(9)</sup> d) the realisation that major changes in policy were necessary if they were to achieve and sustain the rates of growth set in the First Development Decade. Four different types of measures were proposed to meet the declared objectives. First, and perhaps most important was the revision of existing international law and the creation of new rules and norms.<sup>(10)</sup> This of course has been a constant feature of Third World states' practice at the U.N., and elsewhere since 1960. Apart from those aims mentioned above it was hoped to establish the importance of inter-governmental cooperation on this issue and the necessity for intervention to become an integral part of development planning. Secondly, the proliferation of individual ICAs based on the belief that management of international markets was both possible and necessary. Thirdly, the promotion of studies on individual commodity markets and the problems faced by ldc exporters. Finally, autonomous and collective action by the developed countries to dismantle protectionist devices against ldc commodity exports and to prohibit the erection of any new barriers.<sup>(11)</sup>

It is perhaps a testament to the comprehensiveness of the demands made at UNCTAD I and the recommendations contained in the Final Act<sup>(12)</sup> as much as to the lack of progress between 1964 and 1974 that there were no innovations in the intervening period which had not been foreshadowed in Geneva. We will not discuss the debate on commodities at UNCTAD I since this has already been done in Chapter 3. The recommendations of the Conference concerning

international commodity trade covered all aspects of the Integrated Programme except for the Common Fund. These recommendations called inter alia for i) 'remunerative, equitable and stable prices' for primary commodities, ii) a standstill on trade barriers in the developed countries, the reduction of direct obstacles (e.g. quantitative restrictions, custom duties) and a modification of domestic policies (e.g. subsidies); iii) action to be taken as speedily as possible, iv) the creation of ICAs. Although these recommendations were adopted unanimously the lack of progress in implementation shows the real nature of the consensus achieved.

Between Geneva and New Delhi very little was accomplished either in creating new principles or in the negotiation of specific commodity agreements. Within the Committee on Commodities there was a realisation that the attempt to devise universal solutions for commodity problems was futile and although not abandoned completely it was integrated with a new pragmatic commodity by commodity approach. Two specialist groups were created by the Committee on Commodities - the Sub-Committee on Commodities and the Permanent Group on Synthetics and Substitutes. No new commodity agreements were negotiated. A major attempt was made in cocoa and two conferences were held, the first, May-June 1966 and the second, November-December 1967 but producer conflict and U.S. objections killed any hope of a satisfactory outcome. There was an attempt to renegotiate the 1958 International Sugar Agreement under UNCTAD auspices in September-October 1965 but this, too, failed; but when the New Delhi conference convened hopes were high that the U.N. Sugar Conference to be held later that year would be successful in establishing a new Agreement. These hopes were fulfilled in the 1968 International

Sugar Agreement. Three commodities with existing agreements were successfully renegotiated during this period. The Third International Tin Agreement was negotiated in April 1965; the 1963 Olive Oil Agreement (but this had no provisions for the regulation of price or supplies) was extended by Protocol until September 1969 as a result of the U.N. Conference on Olive Oil, March 1967; and the International Wheat Conference (outside UNCTAD auspices) adopted an International Grains Arrangement (replacing the International Wheat Agreement) in August 1967 comprising a Wheat Trade Convention (WTC) and a Food Aid Convention (FAC). Informal market share agreements were also concluded for sisal and henequen (1967) and abaca (1968).

The New Delhi conference adopted five resolutions on commodity problems and policies (14) The most important resolution 16 (II) detailed specific courses of action to be taken on some 20 commodities and commodity groups. (15) This demand had, of course, originated with the G77 and is contained in the Algiers Charter. The second key issue for these countries concerned the financing and pre-financing of buffer stocks. The Algiers Charter called for the participation of the international financial institutions and the developed countries in the pre-financing of buffer stocks and for an equal sharing of costs between producers and consumers for the financing of buffer stocks. (16) No agreement was reached on the financing issue at the conference. Resolution 16 (II) in collating these individual commodities together at one and the same time recognised both common problems and the need for an integrated approach and the different problems facing each commodity and therefore the necessity for specific remedial measures for particular commodities. This was the first time action had been agreed upon .

at the international level concerning an integrated approach to international commodity policy. Resolution 16 (II) set in motion a series of discussions, negotiations and studies on a wide range of commodities. (17)

Achievements in the field of international commodity policy were mixed between New Delhi and Santiago. On one hand some slight noticeable progress was made in the area of norm creation but on the other, ICAs failed to materialise and those that did had variable degrees of success. In the Committee on Commodities two decisions were reached in 1968 and 1969 which represented significant gains on the New Delhi meeting and raised the level of agreement between Group B and the G77. In November 1968 it was agreed that buffer stocks should be financed by both producers and consumers. (18) The pressure exerted in this forum also paid dividends when the IMF created a buffer stock financing facility in 1969-70. The tortuous nature of commodity negotiations and the lack of symmetry between principles and practice is illustrated by the refusal of the consuming countries to assist in the financing of the buffer stock provisions of the fourth International Tin Agreement concluded in 1970 but the producer countries had recourse to the IMF facility. (19) In May 1969 the Committee on Commodities reached agreement on a text (20) which inter alia called on the developed countries to reduce trade barriers on those natural products which faced competition from synthetics. At the first part of the tenth session of the Trade and Development Board (19 August - 24 September 1970) a comprehensive resolution (21) with the objective of leading to the adoption of an international policy on primary commodities, was passed without objection. It included, among other

things, a set of guidelines for pricing policy and measures to be taken for the liberalisation of trade and improved access to markets.

In this period four international commodity agreements were concluded and one informal arrangement. The four agreements were all renegotiations of existing ICAs. A new International Sugar Agreement was finally agreed in 1968 which included innovative provisions relating to national stocks, supply commitments and special measures for the developing countries. The 1962 International Coffee Agreement was successfully renegotiated in 1968 but was experiencing serious difficulties by the time UNCTAD III was convened because of the operation of two factors. First, the devaluation of the United States dollar in August 1971 and the subsequent floating of major currencies led to an inability to adjust prices under the agreement and, secondly, the disappearance of Brazil's huge coffee surplus removed the persistent market surplus over demand. (22) The fourth International Tin Agreement was concluded in 1970 but the consuming countries refused to contribute to its financing. The 1967 International Grains Arrangement was replaced in 1971 by an International Wheat Agreement which had no price control provisions. Within the FAO informal export quota schemes were agreed by the tea producers in 1969 and subsequently renewed. Efforts to conclude an International Cocoa Agreement in pursuance of Resolution 16 (II) were unsuccessful and immediately prior to Santiago, the first session of the U.N. Cocoa Conference in March 1972 ended in failure not even the incentive of having a positive outcome for the forthcoming UNCTAD conference being sufficient to reconcile the national positions. Nevertheless, in September of that year agreement was reached at the second

session on an International Cocoa Agreement with a three year life span beginning from October 1973.

With the background of slow progress and minimal gain, the G77 in Santiago continued to press for much the same kind of package as they had presented in Geneva. This time there was a greater stress on access to markets and trade liberalisation measures reflecting the concerns of the Latin American group. At the second Ministerial Meeting of the G77 in Lima, Peru (28 October - 7 November, 1971) the Declaration and Principles of the Action Programme of Lima had adopted wide ranging recommendations concerning commodity problems and policies, <sup>(23)</sup> which produced a compromise between the demands of the African group for ICAs and the Latin Americans for improved market access. The commodity debate at UNCTAD III could not rise above the acrimony which pervaded the entire conference. The developed countries were unwilling to go beyond the consensus reached in September, 1970 at the TDB. Although five resolutions <sup>(24)</sup> concerning commodity trade were passed they hardly represented a consensus <sup>(25)</sup> and could not really be taken to indicate that action would follow. Resolutions on access to markets, pricing policy, price stabilization measures, the mechanism and effectiveness of existing ICAs showed how little progress had been achieved since 1964. The UNCTAD Secretary-General felt that,

"The reasons for this general lack of progress may be traced to the inherent complexity of many primary commodity markets, the nature of existing inter-governmental machinery and the lack of political will on the part of interested governments." <sup>(26)</sup>

Whatever the reasons, this sense of failure is important when assessing the proposal to create an Integrated Programme, the developing countries support for such a scheme and the history of the subsequent negotiations. On the other hand during this period many studies and reviews had been implemented increasing knowledge of the workings of individual commodity markets; there had been increased consultation with FAO; UNCTAD had increased its sphere of competence in this field; (27) there was increasing awareness of problems connected with ldc commodity trade; and there had been a minimal revision of international law and the acceptance of new principles. The Havana Charter provisions no longer guided international discussion and it was agreed that ICAs had a role to play in development policies. On a practical level the IMF now provided financial assistance for buffer stock financing.

## 7.2. Economic Analysis and the Commodity Debate

The attitudes of countries and the positions they adopt to the reform of the international political economy is based to a large extent on their economic analysis of the relevant subject matter. Economics, many claim to the contrary, notwithstanding, is not and cannot be a value-free science. The conclusions reached as a result of economic reasoning is based on a number of stated and unstated assumptions. In the field of international political economy, no subject is more subject to controversy, conflicting research findings, inadequate methodologies and a general paucity of research as commodity policy. Subsequently, when the Integrated Programme was launched by the UNCTAD Secretariat, a fierce polemic arose between supporters and defenders of the scheme based in

large part on ignorance and prejudice. By the time an agreement was reached on the Common Fund in June 1980 a voluminous literature had been created in support of various positions in the debate. The existence of these conflicting views and the tentative state of much of the existing knowledge was used by many governments (mainly Group B) as a stalling device in the negotiations. The aim of this section is not to reproduce the argument between defenders and opponents of the IPC but to look closely at the competing theories, methodologies and research results in order to establish the intellectual uncertainty which was an important environmental variable circumscribing the negotiating process. The creation of an IPC was essentially a political problem but economics set the parameters to what could be done since ceteris paribus, no state would consciously establish an institution that would be unworkable, expensive and inefficient. (28) Doubts over the economics of commodity policy and specifically the IPC affected the negotiations throughout their history and at different levels.

The analysis will proceed in two stages. First, the conflicting perspectives on the problems faced by developing countries as exporters of primary commodities and the objectives of stabilisation and other forms of commodity arrangements will be discussed. Secondly, the adversarial positions taken in respect of the IPC proposals and the supporting economic arguments will be examined. For reasons of space it will not be possible to discuss many of the arguments advanced or to look in any depth at the technical issues in this very complex subject. These omissions, it is hoped, will not seriously affect the argument since the object is not to assess the merits and demerits of various theories but

rather to show the effect of these disagreements on the political process.

There is no generally agreed definition of what constitutes a primary commodity. But all definitions whether statistical (e.g. SITC classification) or not stress that they are natural products produced by agriculture or extracted by mining and including some element of processing. (29) The extent of processing varies according to the country and product but for most commodities conventions exist which define the stage at which they cease to be primary products. The classification of commodities, also does not conform to any generally accepted usage. Primary commodities have been classified according to the geographical location of production (wholly or mainly in developed or developing countries); the nature of international competition (whether they face competition from synthetics and/or substitutes); climatic zone (temperate or tropical products); market access (protection in developed countries' markets); whether they are farmed or mined; whether they are renewable or non-renewable; and whether they are foodstuffs or raw materials. (30) This analytical complexity is reinforced by empirical reality where contrary to popular opinion it is not the developing countries which are the main exporters of primary commodities but the developed countries. The developing countries share of primary commodity exports is only some 40 per cent in total and under 30 per cent if fuels are excluded. In the postwar period the developing countries share of total world exports of primary commodities has declined steadily (excluding fuel from 36% in 1960 to 24% in 1975). The identification of developing countries with raw material exports arises from the concentration of their export earnings in this sector. They depend for over three-

quarters of their export earnings on such products, the majority of which are exported to rich country markets, hence creating another form of dependence. Apart from these two types of dependence many developing countries also depend heavily on one or two export crops for the majority of their foreign exchange receipts. The low share of developing countries in primary exports is put into a different perspective, however, when their market share of products of major export interest is taken into account. Table 7.2 shows the market share of 35 primary commodities of major interest to developing countries. As can be seen, the developing countries achieve over 50 per cent concentration in 23 products, and of the twelve most important, their export share is only less than 50 per cent in two cases (iron ore and rice). The products with low market share are mainly from the temperate zone e.g. wheat, wool, beef and maize.

This cursory glance at the starting points for an economic analysis of international commodity policy reveals the analytical and empirical difficulties in a multi-commodity and multi-country world. Generalizations concerning the experience of developing countries as primary commodity exporters and the effects of this dependence on domestic economic activity is unlikely to meet with general agreement and it follows that international policy prescriptions will also be the subject of disagreement.

The IPC proposals were based on the general principle of producer-consumer cooperation thus rejecting any cartel-like action. The broad objectives were the promotion of orderly conditions in commodity trade in respect of prices and volume of trade; the reduction in the export earning fluctuations of ldc's; increased

Table 7.2

Commodity	Primary Commodities of Major Interest to Developing Countries 1967-69 Averages	
	(Percentages)	
	Commodity Share of Developing Country Exports	Developing Country Share of Total World Exports
Petroleum	33.09	76.04
Coffee	5.62	94.37
Copper	5.69	56.44
Sugar	3.65	75.31
Raw Cotton	3.17	57.07
Rubber	2.34	72.28
Iron Ore	1.99	39.41
Cocoa Beans	1.59	100.00
Timber	1.57	87.92
Tin	1.37	80.71
Tea	1.28	82.55
Rice	1.22	43.09
Bananas	1.16	95.35
Maize	0.98	26.39
Beef	0.86	26.09
Tobacco	0.70	21.99
Fishmeal	0.55	60.04
Wool	0.54	13.72
Phosphate Rock	0.54	60.15
Hides and Skins	0.53	30.65
Groundnuts	0.52	81.99
Copra	0.50	99.07
Bauxite	0.45	79.61
Wheat	0.41	4.22
Jute	0.38	93.81
Zinc	0.33	23.38
Silver	0.32	23.56
Lead	0.28	27.02
Coconut Oil	0.28	79.56
Groundnut Oil	0.25	81.99
Manganese Ore	0.24	60.49
Palm Oil	0.23	82.76
Sisal	0.18	96.24
Linseed Oil	0.07	65.84
Abaca	0.04	98.92
Total 35 Commodities	72.80	60.10
Other LDC Exports	27.20	5.93
Total	100.00	100.00

Source:

J.T. Thoburn - Primary Commodity Exports and Economic Development  
(London: John Wiley & Sons 1977) Table 1.3. p.6

market access in developed countries for the primary and processed products exports of ldc's; and adequate growth in the real commodity export returns of individual ldc's. (31) In relation to commodity arrangements seven specific objectives were enumerated - (i) reduction of excessive fluctuations in commodity prices and supplies (ii) establishment and maintenance of prices remunerative to producers and equitable to consumers (iii) improvements of access to supply for importing countries (iv) improved market access (v) expansion of processing of commodities in developing countries (vi) improved competitiveness of natural products vis-a-vis synthetics (vii) improved food aid provisions. The two key objectives can be seen as price stabilization to diminish fluctuations and price increases above the long term trend to improve real income. The UNCTAD scheme aimed at price stabilisation rather than revenue stabilisation and this immediately raised doubts concerning its efficacy. Elementary economic analysis shows that stabilisation of price and stabilisation of revenue are not commensurate and can in fact be opposed objectives. Price stabilisation may destabilise revenue or may lead to revenue stabilisation at the cost of a reduction in revenue. This is not a question that can be settled by theory, it is an essentially empirical issue depending on the shape of the demand and supply curves, risk aversion, elasticities and the causes and nature of the shifts i.e. multiplicative or additive. (32) Price stabilisation would not lead to income stabilisation if competition increased or higher prices led to substitution. The costs and benefits of price stabilisation to consumers and producers can be calculated using different approaches. (33) According to the Waugh-Massell-Oi Theory producers will benefit from

price stabilisation if the origin of the price fluctuations is variations in supply, consumers will lose in this case. Conversely, consumers will gain from price stabilisation in cases where it is demand fluctuations which cause prices to vary and producers will lose. The costs and benefits of price stabilisation can also be calculated by considering the moderation of the rate of inflation, the stabilisation of macro-economic activity, the gains as a result of risk-aversion and greater efficiency of production. (34) Recent analysis (35) which considers multiplicative and additive disturbances in the supply function arrive at varying conclusions depending on the technical assumptions made, thus highlighting the degree of uncertainty surrounding any conclusions concerning the welfare effects of price stabilisation measures.

There is one issue in this jungle of assumptions, methodologies, computer simulations and research findings on which all serious economists are agreed. Attempts to increase prices above the long-term trend are bound to fail because consumers will turn to substitutes. It might be possible to have short-run success in commodities that are demand inelastic but even here the welfare and equity implications argue against adopting such a strategy. As the OPEC example so clearly demonstrates some Third World importers will suffer economic losses. Of course this depends from the global welfare point of view on the importance of the commodity in world trade and on the share of developed and developing countries as import markets. From the perspective of individual developing countries hurt suffered is dependent on their import dependence.

The goals of price stabilisation and price augmentation are based on an analysis of developing countries trade problems arising from their export dependence on primary commodities which identifies instability of export earnings and declining terms of trade as the major defects which need to be remedied. The meaning, nature and economic implications (for development) of these two concepts became the subject of heated theoretical and empirical debates reflecting the tentative state of knowledge in this area. Some of the controversy surrounding the terms of trade debate were raised in Chapter 3 when Prebisch's report to UNCTAD I was examined and a familiarity with these issues will be assumed in the discussion which follows. Stated simply, the terms of trade refer to the exchange of commodities or the 'price' in physical terms of one good for another. There are three conceptions of the terms of trade and seven different measurement indices. The gross barter, net barter and income terms of trade relate to the ratio of exchange between commodities, the single-factoral and double-factoral terms of trade measure the interchange between productive resources and the real cost and utility terms of trade interpret the gains from trade in terms of utility analysis. Results tend to vary depending upon which measurement is used and, in so far as one indice might show a deterioration in terms of trade and another an improvement over the same time period, there is widespread disagreement amongst economists about the usefulness of any data collected. (36) The factual evidence is also open to dispute and at best can be called inconclusive. Rangarajan (37) concluded that the facts do indicate a downward trend in the terms of trade of developing countries and Behrman (38) found that for the UNCTAD core commodities and others of interest to developing countries there was a negative secular

trend in prices between 1950-1975. Paul Bairoch, on the other hand, in an analysis of the period 1948-1970 found that a marked fall in the terms of trade was a phenomenon limited mainly to the period 1952-62 and concluded that the evidence did not support the thesis of a long-run deterioration in ldc terms of trade. (39) A Group of Experts convened by the UNCTAD Secretary-General came to a similar conclusion. (40) The healthy scepticism felt by most economists on this issue is clearly expressed by John Spraos who concluded a survey article with the opinion that,

"... though the relative price of the developing countries' primary products has had its ups and downs since the war, it has on average done quite well by the standard of pre-second-war decades, even when petroleum is excluded as a special case since 1973. So, while the deteriorating tendency cannot be decisively refuted, it is open to doubt when the record up to the 1970s is taken into account." (41)

Traditionally it was thought that primary commodities were significantly more unstable than manufactures and that for countries heavily dependent on primary commodities for their export earnings, such instability hindered long-range planning of investment both in the public and private sectors. By the time the IPC was formulated this pessimism has been challenged by a number of studies and there were, broadly speaking, two schools of thought on the problem of export instability. Three key questions can be identified - does instability exist? i.e. do developing countries experience larger fluctuations in their export earnings than developed countries?; what are the causes of instability?; and does instability matter? i.e. is it detrimental to economic growth? Coppock and MacBean (42) argued that developing countries did not

experience greater instability than developed countries. Using data for the period 1946-58, Coppock's export revenue instability index showed that primary proceeds were not more unstable and the difference in price instability between primary and manufactured goods was insignificant. MacBean rejected the identification of developing countries with primary producers and concluded that the 30 per cent difference in instability experienced by developing countries was not significant. These conclusions have been challenged by a number of later studies which, using a variety of indices, different time periods and assessing a wide range of effects (export prices, quantities and proceeds), have found the export instability of developing countries to be more than twice as high as that of developed countries. (43) Most economists would now agree with Thoburn's statement that, "There is little doubt that primary commodity markets exhibit considerably greater instability than those of manufactures." (44) Even greater confusion surrounds the causal explanation of instability. No single explanatory factor has been found with sufficient power to explain the phenomenon and to some extent this reflects the lack of definitional clarity with regard to the concept i.e. instability of income or export proceeds? Numerous variables have been investigated including commodity concentration, geographic concentration, primary product dependence, food export dependence, raw materials dependence, country size and economic structure. (45)

The variables currently thought to be of most relevance are the size of domestic markets, the openness of the economy and the relationship between aggregate export earnings and earnings derived from particular commodities subject to high levels of instability. Empirical research on the effects of export instability has also

produced inconclusive findings. Proponents of the view that instability matters stress the damaging effects on domestic investment, consumer incomes and government revenue and expenditure inhibiting orderly long-term patterns of investment and reducing real per capita income growth. A variety of inter-country and country studies have been undertaken to test these hypotheses. Support for the pessimistic case has been provided by Glezakos who found that real per capita growth of GDP and the rate of growth of exports were negatively affected by instability. (46) Kenen and Voivodas discovered a strong inverse relationship between levels of investment and export instability. (47) MacBean's study found no significant relationship between export instability and economic growth finding no relationship between fluctuating proceeds and national income, investment, prices or foreign exchange reserves but a positive relationship with imports. (48) Knudsen and Parnes actually found a positive relationship between instability, levels of investment and economic growth. (49) The relationship then between export instability and overall economic activity and/or an important domestic variable is not clear from the available evidence. And, of course, countries can suffer adverse effects even if domestic variables are left untouched e.g. the competitiveness of their exports could suffer in relation to substitutes with more stable prices.

The inconclusiveness and contradictory nature of these findings is due to poor theoretical formulation and inadequate methodologies. Wilson, in his survey of export instability theory, argues that the failure to specify the transmission mechanism envisaged and to link this with testable structural and behavioural

hypotheses sufficiently grounded in economic theory especially the theory of choice under uncertainty, results in serious shortcomings. (5)

In his survey of the empirical work he notes the problems of comparison inherent in using highly aggregative cross-section methodology and suggests greater disaggregation. The casual adoption of instability indexes, failure to link the empirical work strongly enough with economic theory and crude quantitative methods contribute to the ambiguity surrounding the concept. (51) These criticisms, I would contend, have a wider relevance to the entire commodity debate and are not specific to analyses of instability.

Support or opposition to the IPC was based in large part on analysis of the terms of trade and export instability but it was also based on an examination of the specific proposals. Once again the aim is not to discuss these issues in any depth but rather to highlight the different conclusions reached by economic analysis. Doubts about the economic wisdom of a particular course of action affected the degree of support forthcoming. The costs and benefits of instituting the UNCTAD programme were relevant to the negotiating process. As the debate progressed different arguments were discussed at different times. It is not the aim of this section to rehearse the debate but rather to concentrate on what are perceived to have been the most important lines of economic reasoning discussed. For these purposes the Integrated Programme can be thought of as containing four main elements - the integrated approach, the Common Fund, buffer stocking and 'Second Window' measures.

It was argued that a Common Fund was necessary in order to generate financial savings given the negotiation of a series of ICAs. This would be accomplished through offset savings if the stockable commodities moved in variance. Behrman's computation of the correlation coefficients of the ten core commodities supported the idea of a Common Fund (C.F.) since he found that less than a third were significantly positively correlated over the period 1954-72. (52) It was also hoped that the C.F. would be able to attract investors, command better borrowing terms and play a catalytic role in the conclusion of commodity agreements. In respect of the latter point it was held by many that, "the greatest constraint on the operation of buffer stock schemes has been the high cost to the producing countries of financing the stock-funds". (53) Critics argued that the 'offset' savings would be dependent on the number and type of commodities stocked (54) and the provision of a C.F. would generate unnecessary buffer stocks. The UNCTAD Secretariat's estimate of \$6 bn. capital funding was universally dismissed as being inadequate. (55) The Common Fund negotiating conferences were concerned with a variety of technical issues relating specifically to the points raised above. These included the source of finance for the Fund, the capital requirements, capital subscriptions, off-setting operations and profits and the use of the C.F. for activities other than buffer stock financing.

The integrated approach was based on an analysis which stressed the failure of commodity by commodity negotiations, the financial gains to be had from a common source of funds and increased management of the market. Many critics doubted whether the causes of the failures both to conclude and maintain commodity

agreements arose from the lack of an integrated approach and doubted the wisdom of market intervention on this scale. Technical considerations of the costs and benefits of an integrated approach focused on attempts to calculate financial gains for both producers and consumers. Estimates of the effect of price stabilisation measures depends on the macro and micro-economic variables taken into account and the assumptions built into the model. It is not my intention to delve into these technical issues but to show the existence of various estimates. Paul MacAvoy and John Cuddy both assessed the expected annual net benefits accruing to producers and consumers as a result of the stabilisation of the ten core commodities. MacAvoy estimated producer gain at \$250 m., consumer gain at \$75 million but a net global loss \$590 million because of storage and interest costs of \$915 million. Cuddy, on the other hand, estimated that producers would gain \$1022 million, consumers would gain \$1097 million and there would be a net global benefit of \$1204 million. (56) Behrman calculated that imposing  $\pm$  15 per cent bands on prices would reduce inflationary pressure in the U.S. by at least 0.2 - 0.4 per cent for several years in a decade of operation. Such a reduction using domestic policy tools would lead to an increase in unemployment of between 0.03 and 0.3 per cent which translates into a 0.1 - 0.9 per cent reduction of GNP. The gain for the U.S. economy (if the middle of the range is taken) was calculated at \$8 - 9 bn. for 1975 and \$15 bn. for the decade at the most conservative estimate. (57) According to these estimates the major beneficiaries from the IPC would be consumers in developed countries!

In the IPC proposals buffer stocking was frequently mentioned as the most appropriate instrument for market control in that it was more flexible, intervened less with the market, was more easily negotiable and was capable of covering a wider range of commodities than either of the other two types of commodity agreements - multilateral contracts and export restriction agreements. (58)

Critics in looking at the historical experience doubted whether the evidence suggested that buffer stock operations had been successful in the past. The only agreement with any degree of success was the International Tin Agreement and even here the success was a highly qualified one. (59) Doubts were expressed concerning how many commodities were capable of being stocked. The World Bank and OECD thought that only five commodities (coffee, cocoa, copper, tin and rubber) were good candidates with sugar, tea, cotton and tin as possible candidates. The EEC doubted the possibility of buffer stocking jute, hard fibres, tea and rubber. (60)

The technical aspects of buffer stocking - the prediction of price trends, consumer-producer conflict over the determination of ceiling and floor prices, the relationship between the buffer stock and national stocks and the relationship between buffer stocking and instability - raised questions to which there were no conclusive answers.

A wide variety of "other measures" which subsequently became 'integrated' under the Second Window were envisaged. These highlighted diversification, increasing productivity, supply management, promotional measures, transport and marketing improvements and compensatory finance. These activities are distinguished by a low-rate of return and long-term lending requirements. In the light of this it was not these measures per se which were

criticised but the source and size of the financing requirements and given the cost the allocation of priorities among them. (61)

This discussion of economic analysis and the commodity debate has been concerned with outlining the various controversies and differing interpretations of ldc trade problems and international arrangements for commodity trade. No attempt has been made to assess the merits of the various arguments partly because this is widely available in the literature and partly because considerations of space does not permit the detailed technical discussion which would be necessary but such discussion has been excluded mainly because the aim of the section was to establish the existence of competing perspectives, the inconclusiveness of economic research and the wide range and complexity of issues involved. This was done because the contention is that economic analysis did not present a ready-made set of answers to which governments and policy-makers could turn but was itself an integral part of the attempt to create an IPC. How governments and bureaucrats supported their case, the use they made of evidence and skill in refuting economic arguments was an important feature of the debate. We have shown that it was unlikely that any particular proposal would attain widespread support given the state of economic knowledge. Moreover, the political response of concerned pressure groups tended to provide support for analysis hostile to the IPC. (62) The intellectual support for most of the G77 demands came from the UNCTAD Secretariat and their failure to be sufficiently aware of and respond creatively to academic critics of their proposals strongly influenced the course of the negotiations. (63) Certain underlying issues viz. the conflict over the market principle and equity considerations have not been discussed because, although relevant

to a general discussion of this topic, they do not seem germane to the thrust of the analysis.

### 7.3. Cleavages

This section will examine the specific cleavages which existed in the G77 in relation to the IPC. The cohesion of the group was dependent on its ability to suppress the effects of these cleavages. The aim therefore is to provide a clear outline of situational variables of crucial importance to the bargaining process. The significant ascriptive traits relate to the role of a country as a producer or consumer of the commodities included in the Integrated Programme (and any benefits they might gain from Second Window activities). Positions within specific commodity markets, share of world production and efficiency (and cost) of production are key variables. The net costs and benefits of the IPC to a particular developing country and levels of development are important considerations. The important attitudinal traits relate to (a) the perception of whether the IPC as a whole is beneficial to a particular country and, if not, the extent to which political gains outweigh economic losses (b) the perception of the working of specific commodity markets of particular interest to the country concerned and views concerning future market arrangements. The most salient behavioural traits are related to the use made of organisational membership outside the UNCTAD framework e.g. producer associations, commodity agreements on trade 'systems' and to behaviour within the bargaining process. Once again we recognise an element of overlap but reiterate the analytical separation between material conditions (ascriptive),

perceptual process (attitudinal) and actions (behavioural). The large number of countries, multiplicity of commodities and wide range of market conditions (mainly free, protected or distorted, closed, partly open and partly closed and oligopolistic buyer) <sup>(64)</sup> do not determine the degree of fractionalisation or cohesion of the G77 but condition the outcome.

The potential benefit of the Integrated Programme to a developing country can be assessed by examining the country's overall balance of trade in the commodities covered by the scheme. The total effect of the IPC was not the only important consideration to governments, however, since as producers of particular commodities they had specific interests which would dictate attitudes to the scheme whatever the overall calculation suggested. It is obvious that the IPC could not provide positive gains for all developing countries. A significant ascriptive trait from the outset, then related to the expected gains or losses from the operation of the scheme and the size of the gain or loss. The impact of the integrated programme was dependent on the commodity coverage, <sup>(65)</sup> techniques of regulation, other measures and financing. An early UNCTAD analysis (before Nairobi) covering 100 developing countries for the 1970-72 period showed that 20 of these countries were net importers i.e. potential losers. Of these countries 13 had high incomes or enjoyed fast growth in their export earnings; the remaining 7 were small food-deficit countries. Of the countries that stood to gain 60 had a higher than 3:1 ratio of exports to imports in the relevant commodities. <sup>(66)</sup> The category of net importer was not a static one since the calculations are based on moving averages. Nevertheless, despite the difficulties surrounding

such an exercise i.e. the tentative nature of the statistical data, and the lack of comprehensive treatment, we will examine the differential impact of the integrated programme on the G77 by looking at some calculations made by the UNCTAD Secretariat in 1976. See Table 7.3.

This breakdown of the impact of the IPC on G77 member states shows that only 24 out of the 113 for which data was available would suffer a negative impact hence there was a substantial majority which stood to benefit. Certain surprising features emerge and show again the danger of relying solely on trait cleavage (heterogeneity) to predict the behaviour of the G77. Brazil and India were among the main beneficiaries, indeed Brazil stood to gain the most, and yet both countries adopted conservative and lukewarm attitudes to the Integrated Programme. Although this is to some extent explained by the fact that Table 7.3 is very crude and unsophisticated (67) and does not for instance include the effect on economies of a rise in food prices (a likely consequence of the Integrated Programme) an event of great importance to a food importing developing country like India it does provide preliminary evidence on which positions could be formulated. Secondly, it is interesting that Malta and Romania both net importers joined the Group of 77 after the beginning of the IPC dialogue. Thirdly, the division along regional lines expressed particularly in bargaining over the C.F. cannot be predicted from this table. Given the importance of regional groups within the structure and functioning of the G77 the regional group with the largest number of 'losers' would be expected to be the least receptive to the proposals. Of the 24 'disadvantaged' states, 18 were in the Asian group, 4 in the African group and only 2 in the Latin American group.

Table 7.3

Trade in 18 'Nairobi' commodities: exports, imports and net exports by country. (1970-1973 average)

Country	Value of exports of the 18 products (\$ million)	Percentage of exports of the 18 products in the country's total exports	Value of imports of the 18 products (\$ million)	Percentage of imports of the 18 products in the country's total imports	Net exports (\$ million)
	(1)	(2)	(3)	(4)	(5)=(1)-(3)
Brazil	2 601.3	65.72	164.4	3.59	2 436.9
Malaysia	1 517.2	70.94	144.4	7.85	1 372.8
Philippines	995.7	75.25	47.6	3.20	948.1
Zambia	843.6	94.23	18.4	3.43	825.2
Indonesia	795.7	43.40	41.2	2.58	754.5
Chile	843.5	78.81	121.0	12.24	722.5
Cuba	760.2	82.16	70.6	5.21	689.6
India	932.9	39.63	292.8	11.90	640.1
Zaire	633.4	81.62	8.9	1.40	624.5
Columbia	580.0	67.17	24.5	2.65	555.5
Ivory Coast	459.5	78.72	15.5	3.19	444.0
Peru	458.4	46.70	29.4	3.69	429.0
Mexico	460.1	24.93	71.6	2.51	388.5
Nigeria	399.5	19.63	32.4	2.18	367.1
Argentina	568.5	26.08	221.1	11.48	347.4
Egypt	418.7	47.95	110.8	12.62	307.9
Ghana	323.2	74.90	22.0	5.56	301.2
Thailand	308.1	29.67	41.7	2.73	266.4
Bangladesh	341.0	92.98	76.6	11.63	264.4
Uganda	253.1	90.72	4.6	2.47	248.5

Table 7.3 (cont'd)

Trade in 18 'Nairobi' commodities: exports, imports and net exports by country. (1970-1973 average)

Country	Value of exports of the 18 products (₡ million)	Percentage of exports of the 18 products in the country's total exports	Value of imports of the 18 products (₡ million)	Percentage of imports of the 18 products in the country's total imports	Net exports (₡ million)
	(1)	(2)	(3)	(4)	(5)=(1)-(3)
Angola	252.2	47.27	5.6	1.30	246.6
Sri Lanka	280.1	81.84	42.1	11.37	238.0
Sudan	285.3	80.48	52.2	16.25	233.1
Liberia	231.5	92.60	2.0	1.17	229.5
Dominican Republic	217.9	69.90	18.8	5.57	199.1
Guatemala	201.2	58.70	4.5	1.34	196.7
Ecuador	200.2	59.27	9.0	2.46	191.2
Costa Rica	194.0	72.05	9.2	2.51	184.8
Cameroon	177.4	70.40	2.9	1.03	174.5
El Salvador	166.7	58.49	4.6	1.65	162.1
Venezuela	198.7	5.81	42.5	2.09	156.2
Honduras	156.1	78.44	2.0	0.92	154.1
Papua New Guinea	161.2	66.20	7.2	2.46	154.0
Nicaragua	155.2	70.63	2.2	0.92	153.0
Bolivia	132.6	61.60	1.4	0.80	131.2
Tanzania	143.6	46.89	13.0	3.26	130.6
Jamaica	143.8	39.29	21.6	3.64	122.2
Ethiopia	101.9	62.71	3.6	1.89	98.3
Gabon	97.4	49.25	2.4	2.01	95.0
Kenya	128.0	35.19	33.1	6.14	94.9

Table 7.3 (cont'd)

Trade in 18 'Nairobi' commodities: exports, imports and net exports by country. (1970-1973 average)

Country	Value of exports of the 18 products (₡ million)	Percentage of exports of the 18 products in the country's total exports	Value of imports of the 18 products (₡ million)	Percentage of imports of the 18 products in the country's total imports	exports (₡ million)
	(1)	(2)	(3)	(4)	(5)=(1)-(3)
Guyana	93.5	66.31	1.6	1.11	91.9
Mauretania	97.8	88.71	7.0	8.97	91.8
Mozambique	92.1	51.52	5.2	1.43	86.9
Mauritius	87.7	94.05	4.4	3.92	83.3
Senegal	95.3	55.41	20.7	7.88	74.6
Panama	74.0	60.16	5.5	1.30	68.0
Madagascar	69.3	42.06	2.4	1.22	66.9
Uruguay	93.5	38.36	36.1	15.09	57.4
Syria	100.1	38.21	48.4	9.91	51.7
Morocco	178.4	29.19	127.4	16.09	51.0
Togo	49.3	91.72	2.1	2.62	47.2
Burma	48.7	40.08	2.2	1.39	46.5
Paraguay	45.9	53.68	0.3	0.39	45.6
Fiji	46.6	64.95	2.6	1.75	44.0
Surinam	38.8	24.36	2.8	2.07	36.0
Tunisia	82.8	30.32	50.3	11.75	32.5
Benin	33.7	81.20	2.2	2.54	31.5
Haiti	34.7	76.69	3.3	5.30	31.4
Congo	30.0	66.30	0.5	0.64	29.5
Sierra Leone	35.0	31.11	5.8	4.57	29.2
Zimbabwe	35.9	7.58	8.5	2.02	27.4

Table 7.3 (cont'd)

Trade in 18 'Nairobi' commodities: exports, imports and net exports by country. (1970-1973 average)

Country	Value of exports of the 18 products (\$ million)	Percentage of exports of the 18 products in the country's total exports	Value of imports of the 18 products (\$ million)	Percentage of imports of the 18 products in the country's total imports	Net exports (\$ million)
	(1)	(2)	(3)	(4)	(5)=(1)-(3)
Malawi	27.9	35.77	1.9	1.63	26.0
Equatorial Guinea	25.4	88.35	0.2	0.67	25.2
Pakistan	122.7	15.99	98.2	11.54	24.5
Burundi	23.7	98.75	0.6	2.18	23.1
Central African Republic	20.5	58.99	1.4	3.66	19.1
Niger	21.8	47.14	3.0	4.55	18.8
Trinidad & Tobago	31.6	5.57	13.4	1.95	18.2
Rwanda	18.4	75.88	0.5	1.60	17.9
Chad	22.9	67.85	5.7	8.54	17.2
Gambia	15.8	85.41	1.0	4.21	14.8
Mali	20.1	61.37	8.0	11.51	12.1
Botswana	10.9	26.91	2.3	2.93	8.6
Barbados	15.0	33.71	8.4	6.10	6.6
Sao Tome	7.0	87.50	0.4	4.57	6.6
Swaziland	6.4	7.42	0.4	0.56	6.0
Mongolia	1.3	-	6.7	-	5.4
Somalia	10.8	27.69	5.9	8.22	4.9
Nepal	7.2	20.72	2.5	4.81	4.7
Laos	5.1	97.14	0.8	1.08	4.3
Dominica	4.2	-	0.6	-	3.6

Table 7.3 (cont'd)

Trade in 18 'Nairobi' commodities: exports, imports and net exports by country. (1970-1973 average)

Country	Value of exports of the 18 products (\$ million)	Percentage of exports of the 18 products in the country's total exports	Value of imports of the 18 products (\$ million)	Percentage of imports of the 18 products in the country's total imports	Net exports (\$ million)
	(1)	(2)	(3)	(4)	(5)=(1)-(3)
Upper Volta	7.9	41.04	4.5	7.79	3.4
Samoa	4.4	76.52	1.4	8.00	3.0
Grenada	3.2	-	0.8	-	2.4
St. Vincent	2.7	-	0.5	-	2.2
Afghanistan	15.9	15.40	14.1	8.56	1.8
Tonga	1.9	63.33	0.7	8.48	1.2
Comoros	0.8	14.55	0.2	1.78	0.6
Bhutan	0.3	-	0.1	-	0.2
Maldives	-	-	0.3	9.23	- 0.3
Kampuchea	5.8	26.67	6.2	7.52	- 0.4
Djibouti	-	-	0.8	1.52	- 0.8
Cape Verde	0.3	2.55	1.8	7.66	- 1.3
Cyprus	18.8	13.43	20.0	6.36	- 2.2
Qatar	-	-	2.4	1.90	- 2.4
Bahrain	1.5	0.51	6.5	1.80	- 5.0
Democratic Yemen	6.2	5.24	11.4	6.72	- 5.2
Yemen	2.8	58.95	8.7	12.79	- 5.9
Bahamas	6.5	2.12	13.6	2.60	- 7.1
Jordan	9.4	21.86	19.0	7.59	- 9.6
Malta	0.3	0.48	12.4	6.73	-12.1

Table 7.3 (cont'd)

Trade in 18 'Nairobi' commodities: exports, imports and net exports by country. (1970-1973 average)

Country	Value of exports of the 18 products (\$ million)	Percentage of exports of the 18 products in the country's total exports	Value of imports of the 18 products (\$ million)	Percentage of imports of the 18 products in the country's total imports	Net exports (\$ million)
	(1)	(2)	(3)	(4)	(5)=(1)-(3)
Kuwait	8.2	0.38	26.2	3.37	- 18.1
Singapore	159.0	6.99	179.1	8.26	- 20.1
Romania	239.4	9.34	267.5	10.54	- 28.1
Korea, Dem. People's Rep.	7.5	-	44.1	-	- 36.6
Iran	74.7	2.03	117.9	5.05	- 43.2
Lebanon	5.0	1.44	51.3	5.99	- 46.3
Saudi Arabia	-	-	53.9	4.69	- 53.9
Libya	0.5	0.02	74.8	7.30	- 74.3
Iraq	0.5	0.05	100.4	14.27	- 99.9
Algeria	26.2	2.22	141.2	9.11	-115.0
Yugoslavia	291.5	13.29	409.4	11.55	-117.9
Korea, Republic of	16.9	1.00	362.6	13.05	-345.7

Source: UNCTAD, Impact of Integrated Programme for Commodities (internal memorandum), October 1976, reproduced in Helen O'Neill - A Common Interest in a Common Fund (New York: United Nations, 1977).

Conversely 4 of the 10 top beneficiaries were Latin American countries yet the Latin American Group was not very supportive of the idea. (68) This perverse result shows the limitation of relying solely on aggregative data and the necessity to take perceptions, existing patterns of organisational behaviour and links with extra-UNCTAD groups and organisations into account. The Latin American group adopted a more reserved position to the IPC negotiations than the Asian group an outcome based on the strong reservations held by some leading members of the group e.g. Brazil and Colombia to many features of the proposal and yet as Table 7.3 shows the most disadvantaged members of the group were Romania and the Bahamas, one a tangential member of the group and neither capable of exercising strong influence within group decision-making. On the other hand some leading members of the Asian group e.g. Yugoslavia, Iran, Singapore and Saudi Arabia were potential losers. Algeria and Libya, although influential members of the African group were not likely to affect group policy significantly since they represented a very small constituency. The weak conclusions derived from Table 7.3 points the way to a consideration of other significant traits.

The contribution of the ten core commodities to total export earnings provides another basis on which support for the programme could be built. It has been calculated (69) that for 8 countries the ten core commodities accounted for more than two-thirds of their earnings. In declining magnitude - Zambia, Mauritius, Uganda, Bangladesh, Rwanda, Chile, Zaire and Sri Lanka. And for a further twenty-two countries, more than one-third of their export value - Dominican Republic, Ghana, Cameroon, Sudan, Guatemala,

Bolivia, El Salvador, Haiti, Nicaragua, Togo, Ivory Coast, Egypt, Malaysia, Ethiopia, Peru, Brazil, Samoa, Guyana, Madagascar, Tanzania, Phillippines and Syria. Almost half of these states (14) are members of the African group another factor behind the group's support for the IPC. On the other hand some heavily populated, non-OPEC G77 members had an export concentration in these ten core commodities below one-third - India, Pakistan, Mexico, Vietnam, Burma, Colombia, Argentina and Afghanistan.

The lddcs constitute a cross-regional interest group within the G77 and push for special measures tailored to their needs in all global negotiations. The different levels of development of the G77 is in this sense an institutionalised aspect of the intra-group bargaining process and an explicitly recognised trait cleavage. The lddcs interest was twofold. First, to calculate their interest in the 18 commodities and therefore the overall-impact of the integrated programme on their economies and, secondly, to campaign for special measures designed to meet their needs. (70) One study showed a substantial interest by the 29 lddcs in the 18 Nairobi commodities since they accounted for 56 per cent of their total exports (44 per cent for the 10 'core' commodities) and 8 per cent (6 per cent for the 'core' commodities) of total imports (1970-75). Nine were overall net importers of the ten 'core' commodities but only 4 were net importers of the 18 commodities. Five countries had substantial trade surpluses in the 18 commodities and also had a high dependence on 2 or 3 commodities for the bulk of their export earnings. These countries were Uganda (coffee and cotton fibre), Sudan (cotton fibre and ground-nuts), Bangladesh (jute fibre and manufactures), Tanzania (coffee and cotton fibre) and Ethiopia (coffee and oilseeds). The authors

concluded that, "Given the trade position of the least developed countries in the Integrated Programme for Commodities ..... it would appear that these countries are likely to gain relatively more from the operation of the Integrated Programme than any other group of developing countries in that many of them rely heavily for their export earnings on the commodities currently envisaged for the Programme, while the significance of their imports of these commodities is very minor in aggregate". (71) Table 7.4 below shows the importance of the 18 commodities in the total trade of developing countries, thus giving an indication of the importance for the lddcs in relation to other developing countries.

At the level of commodity by commodity negotiations it is possible to identify two types of conflicts, one between producers and consumers and the second between producers. Both consumers and producers have similar interests in terms of the stability of commodity markets but very little else in common. Producers want to increase revenue (prices) and in the case of non-renewable resources to conserve stocks. Consumers want lower prices and an assured supply. Developing countries as specific producers or consumers were inevitably going to be influenced by their market interests. The integrated programme was launched in the wake of the successful OPEC price 'hike' and although this had been given rhetorical support by the developing countries the serious effects of the quadrupling of oil prices on the economies of the oil importing developing countries was a factor which could not be ignored. Although most developing countries were not significant

Table 7.4

The importance of the 18 'Nairobi' commodities in the total trade of the developing countries by income category. (Average 1970-75)  
(US \$ million)

	Imports				Exports			
	10 core commodities C.1	18 commodities C.2	As % of total imports C.1 C.2		10 core commodities C.3	18 commodities C.4	As % of total imports C.1 C.2	
Major petroleum exporters	655	1022	2.8	4.3	1404	2095	2.7	4.0
Fast-growing exporters of manufactures	565	1246	2.9	6.4	424	662	3.2	5.1
Other countries with p.c. income in 1973 above \$400 p.a.	767	1249	2.5	4.1	9277	13231	37.0	52.8
Countries with p.c. income in 1973 between \$200-400 p.a.	413	608	3.5	5.1	3158	4962	34.3	53.9
Countries with p.c. income in 1973 below \$200 (excl. hard-core lddcs)	328	514	4.1	6.5	2124	2580	34.7	42.2
Hard-core least developed countries	245	308	6.0	7.5	1134	1423	44.3	55.7
Total	2973	4947	3.0	5.1	17521	24953	16.2	23.1

Notes: Excluding centrally planned economies. p.c. - per capita; p.a. - per annum.

Source: Commonwealth Secretariat - The Least Developed Countries and the Common Fund (August 1977).

importers of these commodities and therefore lacked bargaining strength they were nevertheless likely to be affected by higher import prices. For example, countries like Yugoslavia, South Korea and Singapore with their developing manufacturing sector needed access to cheap raw materials. Similarly, Pakistan was a substantial importer of jute and tea. The conflict between producers has a theoretical and historical dimension. (72) In other words, in previous international commodity arrangements there had been conflicts of interest between developing country producers; and the different cost structures, market shares, bargaining strengths and quality of commodity made conflict likely. Of course, elements of cooperation are not wholly absent, no producers cartel or commodity agreement could ever be negotiated unless the competing interests are reconciled. The effect of these cleavages on the individual commodity negotiations will be discussed later but a brief introduction to the divergent interests will be given here. Examples of historical conflicts in various commodities are (i) low cost vs. high cost producers - tin (Bolivia/Malaysia), copper (Papua New Guinea and the Philippines/CIPEC members), (ii) market share i.e. new relatively low cost producers want to increase their share and are resisted by older, more established producers - coffee (Latin Americans/Africans), tea (Asians/Africans), (iii) quality of product - coffee (distinctions exist between unwashed arabica [Brazil and Ethiopia], mild arabica [Colombia, other Latin Americans and Asians], robusta [Africans]); bauxite (a wide variety of type of ore). In the past it had not proved easy to conclude commodity agreements because of producer-consumer conflict and producer-producer disagreement. In the face of the historical evidence the two year deadline for the negotiation of

commodity agreements set by Resolution 93 (IV) seems particularly absurd even as a political move designed to hasten developments.

The inconclusive nature of the economic evidence and the wide diversity of objective interest meant that there would be no simple consensus formation. The negotiating process divided as it was between the C.F. and the individual commodity negotiations gave rise to constantly shifting perceptions and changing attitudes. That is to say there was an element of feedback between the two sets of negotiations and governments could maintain some degree of consistency in policy or choose not to do so depending on the state of the negotiations. For example, a country could be very self-interested within an individual commodity negotiation and yet play a 'positive' role in the C.F. negotiations. This is not just hypocrisy or the failure of communications but arises from the attempt to reconcile two competing objectives. In this instance economic self-interest in the commodity negotiations and diplomatic solidarity with the G77 in the C.F. negotiations. I will argue below that the high degree of politicisation of the C.F. talks was not only an outgrowth of the G77 decision-making structure but necessary to maintain the coalition. Without the solidarist element provided by the C.F. the G77 would have ceased to be a coalition as the diverse interests took precedence in the commodity by commodity negotiations. This is not to deny the existence of conflicting perspectives on the C.F. but to argue that removing the C.F. from its central position (or insisting that it should be negotiated after the conclusion of the commodity negotiations) would have meant removing the collective good or its most potent symbol.

The attitudes of G77 members were shaped not only by the specific organisational context but also by wider environmental considerations. Brazil and India two of the most disaffected G77 members on the IPC issue remained with the coalition because the unity of the G77 was politically important within the North-South dialogue. The IPC negotiations and intra-77 politics cannot be understood unless this important fact is not forgotten. The IPC was the centre-piece of the attempts to establish a NIEO but its failure did not result in the failure of attempts to get incremental/radical change in other areas. The debate begun in UNCTAD in 1964 was finally front page (well almost) news and extended into other international spheres. Defection from the G77 especially when interests in commodities of special concern could be safeguarded just did not make political sense. Most G77 governments took a pragmatic attitude to the IPC. Strategies varied from damage limitation in the case of those who felt their interests threatened to goal maximisation in the case of those who saw the potential for real benefits.

Unlike the negotiations on the GSP there was no clear division between countries that would benefit immediately and countries that would benefit in the long-term. Similarly the intensity of feeling aroused by vertical preferences was absent from this debate. Attitudes were based on perceptions of overall benefit from the operation of the scheme, satisfaction with existing market arrangements in commodities of particular interest and importance attached to the unity of the G77. A further important distinction in attitude was the commitment of the producers of what can be termed 'strong' commodities i.e. those of importance in international trade

and on which the developed countries would be prepared (or had already done so) to accept agreements e.g. coffee (Brazil, Colombia), copper (Chile, Zaire, Zambia, Peru), tin (Bolivia, Malaysia) to include their commodities in a scheme which aided the the producers of 'weak' commodities e.g. tea (India, Sri Lanka), sisal (Tanzania). It is also instructive to remember that governments are not monolithic institutions and that foreign policy is often the result of bureaucratic politics. In India there was a conflict between the economic ministries which argued that since India would not gain very much from the operation of buffer stocks the government should not support the integrated programme and the foreign ministry which aware of the political value of the unity of the G77 and also accepting the log-rolling thesis of the coalition i.e. India had benefitted from the GSP, argued for public support of the IPC. The victory of the foreign ministry's position is indicated by the fact that India was one of the first countries to pledge a financial commitment to the Common Fund. It remained true that both within governments and between governments the integrated programme meant "different things to different people". (B)

The relevance of these different perceptions and the intensity with which attitudes were held will be explored later in this chapter.

The attempt to create an IPC met with difficulty because many producers were already members of inter-governmental agreements which they felt performed an adequate job and they did not want these organisations to be brought under UNCTAD's umbrella. There were also various consultative groups and cartels the existence of which showed conflicting producer government aims and values. In other words governments exhibited a variety of modes of behaviour

within the international political economy of commodities and an integrated programme was in direct conflict with various vested interests. Before the Nairobi resolution ECAs existed for tin, coffee and cocoa. The 1968 sugar agreement had lapsed in 1973 but an International Sugar Organisation existed and negotiations were carried out in this forum. A variety of regional associations exist among coffee producers - the Organisation of Coffee Producers of Africa and Malagasy (OAMCAF) a francophonie grouping; the Inter-African Coffee Organisation (ICAO) covering all African producers; the Central American, Mexican and Caribbean Coffee Federation (FEDECAME) which includes all Latin American producers except Brazil and Colombia, and the Pan-American Coffee Bureau.

Various cartel arrangements exist. The major ones are detailed below. The Intergovernmental Council of Copper Exporting Countries (CIPEC) has a membership of Chile, Peru, Zambia and Zaire but the two lowest cost ldc producers Papua New Guinea and the Philippines are non-members. Similarly the banana exporters' cartel, the Union of Banana Exporting Countries (UPEB) - Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras and Panama was not joined by leading exporters such as Ecuador (the largest exporter), Ivory Coast, Jamaica, Surinam and the Philippines. The International Bauxite Association (IBA) links Australia, Guinea, Guyana, Jamaica, Sierra Leone, Surinam, Yugoslavia, Dominican Republic, Ghana, Haiti and Indonesia. But two major producers Brazil and Camerouns are non-members. The World Institute of Phosphates is composed of Algeria, Senegal, Togo, Tunisia and Morocco. In sugar most of the exporting countries have special long-term contracts e.g. the Lomé

beneficiaries and Cuba with the socialist countries. The Association of Natural Rubber Producing Countries (ANRPC) with a membership of Malaysia, Indonesia, Thailand, Sri Lanka controls 97 per cent of world production. The Association of Iron Ore producers does not include the major exporters once again showing the conflictual nature of market organisation. Apart from these formal organisations governments also consult on a more informal basis e.g. the Asian tea producing countries (India, Indonesia and Sri Lanka) and the African tea-producers (Kenya, Uganda and Tanzania) engage in regional consultations. The existence of these organisations had two consequences for G77 unity and the IPC negotiations. First, producer countries had a history of dialogue and felt 'comfortable' in their various organisations. In so far as they felt in control of their market share under existing arrangements then the UNCTAD programme was an irrelevance. They therefore used their membership of these organisations to preserve autonomy and resist encroachment by UNCTAD. Secondly, the regional organisations and these cartels reflected existing disputes and the IPC did not provide suitable mechanisms to solve them. For example, the Latin American coffee producers had fundamentally opposed interests. International commodity agreements already in existence reflected different bargaining strengths under prevailing rules which indicated that some countries were happy with the rules and the outcome. Participating in the IPC would jeopardise their interests, e.g. Latin American coffee producers. Similarly, countries outside a cartel type arrangement or ICA had taken that decision on perceived self-interest. Why join the integrated programme which might mean loss of market share? This was a consideration behind Brazil's self-exclusion from the IBA.

On the other hand, countries seeking the conclusion of individual commodity agreements were those who felt that they might gain from new market share quotas, e.g. East African tea producers. In so far as existing organisational arrangements were in accord with the interests of some producers the IPC represented a challenge to their control.

Apart from these types of intergovernmental arrangements another form of intergovernmental cooperation also is of interest. Alignments with developed countries particularly close economic cooperation and market arrangements produced another cleavage in the group. The Lomé Convention between the European Community and the ACP states is the most significant agreement in this context. Lomé provided preferential access to the Community market for the ACP and also in the innovative Stabex provision compensatory financing for shortfalls in earnings from selected commodities. Non-members, particularly the Latin American countries complained about this discriminatory treatment and the Lomé members had specific interests to protect. Unlike the GSP, association with the Community was not a crucial issue and the increase in the number of beneficiaries ensured greater support for discrimination. A key development was the geographical extension of association to the Pacific but most importantly the Caribbean. The existence of ACP members within the Latin American group was important in reducing that group's hostility to the European Community's association system. The Commonwealth Caribbean countries vigorously defended the agreement and given the nature of the political process in the G77 were effective in moderating official Latin American hostility.

Behavioural cleavages within the negotiating process is the subject of the next section. The influence of differing objectives; conflicting perceptions; different levels of technical preparedness and reliance on competing economic analyses; the varying impact of the integrated programme both in its overall nature and in respect of individual commodities; and the relationship between IPC proposals and existing market arrangements played important roles in the negotiations.

#### 7.4 The Bargaining Process

##### 7.4. 1. 1974-1976 : From the Origins of the Concept to Nairobi

Resolution 93(IV) Integrated Programme for Commodities adopted without dissent at UNCTAD IV in 1976 set in motion the series of negotiations on the CF and the individual commodities linked to it under the IPC rubric (see Table 7.5). This resolution was an important milestone in an exercise begun at the Sixth Special Session of the UNGA (April 9 - May 2, 1974). The Declaration of the Establishment of a New International Economic Order and the Programme of Action on the Establishment of a New International Economic Order, <sup>(74)</sup> marked a new stage in North-South discussions of the development problem at the level of global organisations by making the concept of a NIEO the most important political symbol of future negotiations. This is not to say that the developed countries accepted the demands made by developing countries or the need for a NIEO but rather that

Table 7.5Chronology of Common Fund and IPC Meetings 1976-19801976

- November 22-26 1st. Ad Hoc Intergovernmental Committee for the Integrated Programme for Commodities (Ad Hoc Cttee)
- November 29-December 4 1st. Preparatory Meeting for the Negotiation of a Common Fund (Prep. Meet; doc. TD/B/IPC/CF/4)

1977

- January 24-28 2nd. Prep. Meet (TD/B/IPC/CF/6)
- February 21-March 1 3rd. Prep. Meet (TD/B/IPC/CF/8)
- March 2-3 2nd. Ad Hoc Cttee (TD/B/IPC/AC/8)
- March 7-April 2 1st. United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities (Neg. Conf. on CF; TD/IPC/CF/CONF/8)
- July 11-15 3rd. Ad Hoc Cttee (TD/B/IPC/AC/11)
- November 7-December 1 2nd. Neg. Conf on CF, suspended on 1st. December (TD/IPC/CF/CONF/14, Part 1)
- December 12-14 4th. Ad Hoc Cttee (TD/B/IPC/AC/15)

1978

- March 13-17 5th. Ad Hoc Cttee (TD/B/IPC/AC/18)
- July 10-15 6th. Ad Hoc Cttee (TD/B/IPC/AC/21)
- November 14-30 resumed 2nd. session of Neg. Conf on CF (TD/IPC/CF/CONF/14, Part II)
- December 11-12 7th. Ad Hoc Cttee (TD/B/IPC/AC/24)

1979

- March 12-19 3rd Neg. Conf on CF (TD/IPC/CF/CONF/19)
- March 22 8th. Ad Hoc Cttee (TD/B/IPC/AC/27)

Table 7.5 (cont'd)Chronology of Common Fund and IPC Meetings 1976-19801979

September 3- 14	1st. Interim Committee of the United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities (Interim Cttee; the report of all 5 sessions of the Interim Cttee is published as TD/IPC/CF/CONF/20)
October 22- November 2	2nd. Interim Cttee
December 3- 14	3rd. Interim Cttee
December 17- 18	9th. Ad Hoc Cttee (TD/B/IPC/AC/32)

1980

February 18- March 5	4th. Interim Cttee
April 8-19	5th. Interim Cttee
June 5-27	4th. Neg. Conf on CF

ad hoc negotiations were now linked to a central concept. Subsequent discussions were conducted under the umbrella of the NIEO. There were many factors responsible for the demands for a radical restructuring of the international economic system, the most important being the failure of UNCTAD to make significant progress during its first decade, the uncertainty surrounding the management of the world economy following the collapse of the Bretton Woods framework and the aspirations and perceptions concerning the need for change and the ability of the developing countries to wrest such change as a result of OPEC's success in quadrupling oil prices in the wake of the 1973 Arab-Israeli War. The Programme of Action called on the UNCTAD Secretary-General to prepare

"an overall integrated programme, setting out guidelines and taking into account the current work in this field, for a comprehensive range of commodities of export interest to developing countries."

In response to this request the UNCTAD Secretariat launched the idea of an Integrated Programme for Commodities at the first part of the fourteenth session of the Trade and Development Board (20th August - 13th September, 1974).<sup>(75)</sup> The Secretariat played a key role in the IPC negotiations from the outset arguing in support of a concept developed from within its ranks. Although the idea of a series of individual commodity agreements linked by a common fund of financing was not new the idea having been expounded in Secretariat papers prepared for both UNCTAD II and UNCTAD III the higher political profile given by UNGA involvement ensured at the least an extended hearing this time around. It is not clear why the UNCTAD Secretariat responded

in this particular manner to the UNGA request but a number of relevant factors can be suggested. Gamani Corea had become the new Secretary-General of the organisation in April, 1974 in the same month as the Sixth Special Session and the launching of the new initiative in North-South relations. He could immediately establish his particular stamp on the situation by investing it with new dynamism. In 1974 UNCTAD reached the end of its first decade with its sobriquet Under No Circumstances Take Any Decisions thought by many to be an apt one. (76) A new programme which would see it once again as the centre of United Nations development activities would be welcome and in its battle to become a legitimate negotiating body the IPC would obviously contribute. GATT its major rival in the trade field had finally thrown off its post Kennedy Round lethargy and launched the Multilateral Trade Negotiations (MTN) the previous September. The influence of personalities and other idiosyncratic variables cannot be weighted precisely but a combination of the ambitions, and career aspirations of secretarial officials combined with the necessity for task expansion and increased legitimisation all combined to provide both the initial impetus behind the proposal of an integrated programme and subsequent support and development of the concept. (77)

The G77 endorsed the IPC with varying degrees of enthusiasm from the outset. (78) They had been seeking reform in the commodity field since 1964 and the integrated programme was the latest in a long line of proposals most of which had failed to be implemented because of the opposition of the developed countries. Action taken

to date on Resolution 83(III) had been very disappointing and a new initiative on international commodity policy was certainly worth a try. It was after all these same countries that had in the context of the UNGA initiated demands for the NIEO. The current turbulence in commodity markets and the misplaced euphoria following the OPEC action and the commodity price boom of 1972-74 convinced many states that the threats of cartelisation and worries over security of supply would lead the developed states to re-appraise their attitudes toward the management of international commodity markets. Commodities were therefore an issue-area in which effort might be expended successfully.

Prior to UNCTAD IV in Nairobi (5 - 31 May, 1976), the initial concept of the integrated programme was expanded and revised and the G77 began its slow process at arriving at a common group position. The close linking of the IPC to the NIEO ensured that the issue would never be treated in a low-key technical manner within the Committee on Commodities. The 'mandate' given by the more overtly political UNGA enabled the more radical members of the G77 to intensify the politicalisation of the integrated programme. Politicisation here refers to the political importance attached to the issue by the participants and the nature of the discussions which took place.

The original note by the UNCTAD Secretary-General on the integrated programme was expanded at the request of the Trade and Development Board <sup>(79)</sup> into a series of studies which were published in December 1974. <sup>(80)</sup> These documents formed the basis on which discussion within the G77 and between the G77 and Groups B and D took place in the Trade and Development Board and the

Committee on Commodities. Before UNCTAD IV, the Trade and Development Board met at its 14th Session (2 parts) - August-September 1974 and April 1975; 15th Session (2parts) - August 1975 and September-October 1975, 6th Special Session - March 1975 and Seventh Special Session March 1976. The Committee on Commodities held its 8th Session in three parts - February 1975, July 1975 and December 1975. Attempts to coordinate the G77's position for these meetings were made in the regional groups in Geneva but from the outset it was recognised that group support would be at the level of broad principle and that in working out the detailed nature of the programme the interests of individual states would have to be protected. (81) This was a realistic assessment based not only on the nature of the IPC but also reflecting a sober reappraisal of the centrifugal tendencies within the group exacerbated by fundamental changes in the global economy.

The effects of higher oil prices were evident in the worsening balance of payments position of the non oil rich developing countries. As the economic disparities within the Third World widened so a plethora of categories reflecting a political attitude to the increasing diversity sprang up. Some of these categories like the Most Seriously Affected countries (MSA) were legitimised by international organisations. Others such as the Newly Industrialising Countries (NICs), resource-rich and resource-poor or Fourth and Fifth Worlds were not but were nevertheless given a political status by governments. Within the UNCTAD context three special groups of developing countries had been recognised - the land-locked countries, the least developed developing countries and since Santiago 1972 the developing island countries.

These three groups all claimed that their special status necessitated positive discrimination in their favour; claims not readily acceptable to all members of the G77. The existence of new groups demanding special treatment added to the strains within the group. This was further exacerbated when it was asserted that the newly prosperous group members i.e. OPEC countries should contribute to the development of the poorer countries. This was resisted by the OPEC countries who refused to accept that their actions had in any sense contributed to the worsening plight of some developing countries and who, on the other hand, continuously pointed to the level of their economic aid commitments which in terms of GNP (percentage) was higher than the OECD countries.<sup>(82)</sup> The Group B countries attempted to exploit these differences by adopting a strategy which stressed the diverse nature of the coalition. Apart from attacking OPEC for causing world inflation, Group B spokesmen attempted to initiate studies concentrating on the problems of the lddcs and MSAs and altered their own aid programmes so that a clear distinction was made between the poorest countries and other developing countries.<sup>(83)</sup>

Countering these centrifugal forces were two centripetal tendencies which helped to maintain the coalition. First, the increased turbulence in the world economy ushered in the concept of Economic Cooperation Among Developing Countries (ECDC).<sup>(84)</sup> ECDC was initially based on the belief that OPEC type producer associations could successfully raise prices and change the terms of trade and on the need to preserve developing countries from the adverse effects of the international economic crisis. The developed countries reacted to the collapse of the Bretton Woods

regime, higher oil prices and global inflation by turning inwards and by increasing protectionism. ECDC was meant as an alternative to reliance on developed countries' markets and financial institutions. At the same time the more developed members of the G77 looked to the MTN talks to provide them with real benefits but felt that without the support of the developing countries as a whole their interests would be marginalised in the GATT in the same manner as in previous GATT tariff cutting rounds. (85)

The original proposal stressed five kinds of international action required under an integrated programme - a) the creation of a series of international stocks, b) the establishment of a common fund to finance the stocks, c) the negotiation of multi-lateral trade commitments, d) the creation of a compensatory finance facility, e) the expansion of processing in developing countries. Within the context of international trade rules this would be a cooperative venture between producers and consumers. Before the programme had been worked out in any detail and in response to the UNCTAD Secretary-General's note in August some developing countries made radical speeches supporting producer associations, indexation and the necessity to realise that a new age had dawned in North-South relations. The Jamaican delegate declared that 'conflict was inevitable' between the two camps and the Peruvian representative argued that the new era would,

"owe its advent not to negotiations in an international forum or even a desire for cooperation but to the capacity for concerted action shown by developing countries and to their having gained the necessary bargaining power to blot out the inequities of the past changing the traditional balance of forces." (86)

On the other hand, some leading members of the G77 gave very luke-

warm support to the proposal. The Argentinian delegate reminded the meeting that,

"Recently consideration had been given to international commodity agreements covering a number of commodities or groups but enormous difficulties arose in standardising the clauses applicable to commodities or groups of commodities which did not have the same characteristics with respect to the production, marketing or distribution and also because of the position of each commodity in the exports of the developing countries and the diversity of the consumers' markets." (87)

The Indian and Venezuelan delegates emphasised the compensatory financing provision, the multilateral commitments and improved access to markets aim. From its first appearance the integrated programme was placed in a highly political context and the developing countries adopted different approaches to it.

The elaboration of the proposals in response to the TDB's request provided the documentation for the deliberations of the Committee on Commodities. The three radical elements of the programme i.e. the comprehensive coverage of problem commodities, the common fund and the multi-dimensional approach were retained throughout the discussions although the emphasis on certain elements was shifted. By the time the integrated programme proposals reached Nairobi two elements had come to dominate the discussions - international stocks and the common fund. Moreover, the IPC dominated the NIEO discussions. There are several reasons why this happened.

Efforts to reform the international economic order were carried out in a number of fora but UNCTAD became the central organ of the U.N. system spearheading the thrust and within UNCTAD the IPC became the focus of attention. This is attributable to the political commitment of the UNCTAD Secretariat, the importance of commodities in the economies of the developing countries and trends in the world economy and the slow pace of reform on other issues. The UNCTAD Secretariat functioned as a quasi de-facto secretariat of the G77 and its continued influence depended on its ability to design programmes favoured by the majority of the Group. It was the G77 which with its numerical majority was capable of generating new programmes within the United Nations and in deciding which agency would be charged with the research and implementation. The UNCTAD Secretariat was therefore ready and willing to tailor its programme to suit its constituency. But the secretariat was also imbued with its own organisational ideology which favoured these goals and therefore the intellectual justification for the integrated programme did not require a departure from its normal role of operation. The rebuttal of the secretariat's economic analysis by western academics was not a new phenomenon and perhaps because the secretariat had from its inception been subject to hostile criticism of its economic competence and the soundness of its ideas it self-protectively retreated into its own cocoon and refused to recognise some pertinent criticisms of its approach. UNCTAD's pre-eminent role in the NIEO was recognised by the General Assembly and the satisfactory conclusion of the IPC proclaimed as an important aim. (88) As a group developing countries had not been performing well in the international economy and after the peak of the commodity boom in March-May 1974, the prices of their commodity

exports (excluding petroleum) fell while the price of manufactured products continued to rise. This decline in developing countries' purchasing power pointed to the need to restructure commodity markets. Furthermore, the developing countries were having no success in their attempts to reform the international monetary system, to negotiate generalised debt relief or on many of the various proposals under the NIEO banner.

Within the UNCTAD the involvement of the entire membership in commodity policy had been in terms of getting broad agreement on questions of principle. Put within this institutional framework the IPC soon became a dispute about principles. Before the individual commodity negotiations could begin agreement had to be reached on the nature and shape of the programme. Of the five measures proposed by the UNCTAD Secretariat buffer stocks and the common fund were more amenable to this type of treatment than the other three. The C.F. would have a catalytic role it was argued by the Secretariat and therefore it became imperative to negotiate the C.F. before the individual commodity agreements. Without the Fund, less ICAs would be successfully negotiated therefore agreement in principle on the Fund had to take precedence. In making a distinction between 'core' and other commodities and insisting that the core commodities would be subject to buffer stocking the Secretariat again ensured that buffer stocking would become an important question of principle. Without the core commodities which according to UNCTAD estimates accounted for 75 per cent of the value of the exports of developing countries of all 17 commodities the programme would be failing in its primary aim. Compensatory financing was not a contentious issue

the IMF and the European Community both had schemes and this approach was widely accepted by developed countries. The expansion of processing in developing countries was more a medium-term than a short-term goal for most states and agreement in principle (not difficult to get) would prove difficult to translate into effective policies. Finally, multilateral contracts suffered in comparison to buffer stocks as an approach to market management first because they were more complicated to negotiate and, secondly, because (from the politics of the programme) they were not applicable to the 'core' commodities.

These technical considerations were re-inforced by the bargaining process within the G77. The expected differential impact of the proposed scheme led to five areas of disagreement. First, countries that felt the costs would outweigh the benefits argued for special consideration of their needs. Instead of jettisoning the programme those countries that stood to gain had little to lose by agreeing to the inclusion of special measures for the developing importing countries. Similarly, the special needs of the 'least developed' and 'most seriously affected' countries were taken into consideration. Secondly, it was obvious that indexation would only benefit certain exporters (metals and minerals) and although at this stage indexation was included in the package it did not have a great deal of support. Thirdly, the benefits to be gained depended on commodity coverage and the programme was increased from the original 10 commodities (coffee, cocoa, cotton, tea, copper, tin, jute, sisal, sugar and rubber) to 17 with the addition of wheat, rice, bananas, meat, wool, iron ore and bauxite. Fourthly, some producers (particularly Colombia and Brazil in respect of coffee) had serious reservations about

including their commodities in the IPC since they were satisfied with existing agreements. At this stage they were willing for the sake of solidarity to allow its inclusion since they knew that in any detailed negotiations they could protect their interests.

Finally, the emphasis given to buffer stocking in the Secretariat's proposal did not meet with the approval of all countries, particularly those like India<sup>(89)</sup> which did not expect to benefit from the operation of stocks. These countries therefore insisted that the other measures in the programme should be given the same weight as the buffer stock proposal. At this stage no concerted attempt had been made to devise a common G77 negotiating position. The task of doing so fell to the Third Ministerial Meeting of the Group of 77 (26 January - 6 February 1976) which met in Manila, Philippines to prepare a joint position for UNCTAD IV. Prior to the Manila conference the three regional groups met to coordinate their positions. All three groups supported the aims and objectives of the IPC and called for the creation of new institutional structures within UNCTAD to negotiate the C.F. and to oversee the individual commodity negotiations. Nevertheless, once again there were subtle differences between the African, Asian and Latin American positions. The African Group's position was the result of the fourth conference of Trade Ministers of OAU member countries held in Algiers, 24-29 November 1975. The agreed text supported indexation and called for special account to be taken of the needs of the least developed. Most importantly, the commodity coverage of the integrated programme was changed. Rice, wheat and wool products of limited or part interest to African countries were excluded and vegetable oils, timber and phosphate, added. Sisal was extended to

cover all hard fibres. (90) The Asian Group also changed the commodity coverage of the integrated programme - extending cotton to cover cotton yarn, jute to cover jute goods and sisal to cover all hard fibres. As we have demonstrated, the Asian Group contained a large number of countries likely to be net importers of the commodities covered in the IPC and they therefore placed special emphasis on the needs of net importers. The Jakarta Declaration declared that,

"The interests of developing importing countries experiencing an adverse net effect from commodity pricing policies within the integrated programme should be protected by means of appropriate differential and remedial measures." (91)

At the insistence of India, the Asian Group placed special emphasis on the necessity to award equal status to all the proposed measures in the integrated programme. This was expressed twice in the Jakarta Declaration. In the Declaration of the Third Ministerial Meeting of the Asian Group of 77, the ministers' reaffirmed and stressed that,

"Such a programme should include the establishment of a common fund for the financing of a series of international stocks covering a number of commodities; improvements in the compensatory financing facility, as well as other complementary measures, each one of which constitutes an important and integral element of the Program" (emphasis mine)

and in the section of the Programme of Action on Commodities this was repeated

"To achieve the objectives of the integrated programme, all the following international measures, each one of which constitutes an important and integral element of the programme should be taken". (92) (emphasis mine)

The Latin American Group did not make any references to the commodity coverage but supported indexation. The rather lukewarm support given to the programme by leading members of the Latin American group was expressed in the defense made of existing institutions. The Declaration and Action Guidelines adopted by SELA's Latin American Council reaffirmed its support of the integrated programme but stressed that it

"..... Should be conceived as a complementary global action and not as a substitute for other trade and financial measures and machinery designed to improve and establish new standards in international trade in commodities of special interest to the developing countries." (93)

When the G77 met in Manila there were still some important issues to be resolved. The Asians and Africans wanted to change commodity coverage of the programme to increase the benefits for their members; the Africans wanted positive support for the measures other than buffer stocks and the Latin Americans were determined to protect the existing commodity arrangements. The Manila Programme of Action found the necessary form of commodity coverage. The conference itself was a critical time in the history of the G77. Two important issues since the Second Ministerial Meeting of the G77 in November 1971 posed problems for its future. First the G77 had mushroomed in other areas. The tentative start made in UNIDO in

January 1971 had now become institutionalised, the G24 in the context of the IMF had expanded its work and the G19 at the Conference on International Economic Cooperation (CIEC) in Paris was supposedly part of the G77 although there was no clear line of authority. Moreover, the importance of the UNGA in launching the NIEO and the discussions at the Sixth and Seventh special sessions of the General Assembly had given an impetus to the G77 in New York which was once again challenging the dominance of the Geneva G77 on economic matters. <sup>(94)</sup> There was thus a concerted attempt by some states to improve the working of the Group by establishing an independent secretariat. Other organisational issues also caused controversy notably the membership question and the possibility of non-regional membership. Secondly, the G77 had ceased to be the sole global developing country organisation attempting to harmonise and formulate policy on international economic relations. The NAM had increasingly stepped up its activities in this area and this was resented by some G77 members (non-members of the NAM) especially in Geneva where they felt that extraneous political considerations were being introduced into development diplomacy. <sup>(95)</sup>

In the face of these challenges the reaffirmation of unity and solidarity was more than rhetorical in that the coalition could be thrown into crisis if there was a failure to agree a common position for the forthcoming UNCTAD conference. The salience of the commodities issue on the UNCTAD agenda helped to bring a spirit of compromise to the deliberations. The final agreed text on the IPC differed in important respects from the Report of the Preparatory Committee (22 December 1975). <sup>(96)</sup> The developing countries' proposal was very similar to that of the UNCTAD

secretariat with the suggestion of a common fund and buffer stocks for a range of commodities supported by other measures. But in respect of commodity coverage the Manila Declaration expressed the wishes of the African and Asian producers and also included one new commodity - manganese. Indian insistence on the importance of measures other than buffer stocking was included and this was a success for Indian diplomacy since the Preparatory Committee's Report had made no reference to this subject. Similarly, those countries wishing to limit the role played by the IPC in respect of commodities of interest to them were successful in inserting the following sentence into the Declaration:

"The application of any of the measures which may concern existing international arrangements on commodities covered by the integrated programme would be decided by governments within the commodity organizations concerned." (97)

In these instances agreement had been reached by including the demands of the dissatisfied states in the final compromise. This of course did not resolve the conflict, but it contained the potential divisiveness. This form of dispute settlement did not prevail over the question of special measures for the lddcs. Many Latin American countries, traditionally fierce opponents of the privileges granted African countries because of their special relationship with the European Community, were particularly upset by the latest aid and trade agreement signed between Africa and the EEC, the Lome Convention (28 February 1975) which not only extended the beneficiaries to Caribbean and Pacific countries but also in the Stabex scheme provided a form of compensatory financing for 12 commodities exported by the ACP states. The Latin American

states therefore refused to agree special measures for the Africans since they argued special treatment was being provided under Lomé. The UNCTAD secretariat had suggested that special measures for the lddcs might include 'exemption from the obligation to share the financial costs and risks of stocks, and specially favourable treatment in the allocation of export quotas.' (98) The furthest that the Latin Americans were prepared to go was the mention of the special needs of the lddcs and even here they insisted on placing them not in a separate category but including them among the developing importing countries. The vague wording of the Manila Declaration on this subject - 'appropriate differential and remedial measures within the programme' meant that no specific commitments would be entered into at Nairobi. Here we can see two different methods of conflict resolution, one involves upgrading the common interest and the second splitting the difference. The G77 arrived at Nairobi with a unity which masked important disagreements but of crucial importance, an agreement which meant that they would present a united front. Unity also ensured that they would press for the creation of an institutional structure within UNCTAD to (i) negotiate a common fund (ii) set in motion negotiations on individual commodities and (iii) investigate measures other than buffer stocking.

#### 7.4. 1.a. Nairobi (1976)

When UNCTAD IV opened in Nairobi in May 1976 the Integrated Programme had been on the international agenda for more than 18 months and it was widely believed that the success or failure of the

conference would be an important landmark in the NIEO discussions. The conference had been carefully prepared with a short agenda covering nine substantive areas and a timetable of three and a half weeks designed to facilitate serious negotiation rather than mere talk. However, on the debit side the conference was being held just six months prior to the American presidential election and thus there was not likely to be any significant change by the American administration in its hostile attitude to the NIEO. The difficulties of concluding economic agreements with an American government in the run-up to U.S. elections had been recognised in the GATT where the MTN talks had been suspended. The three most important topics at Nairobi were commodities, aid and debt re-scheduling and the transfer of technology. High oil prices, the collapse of the commodity boom, western worries about investment in commodities, concern about the relationship between commodity price instability and domestic inflation, the still present threat of producer associations and the Third World's insistence on structural transformation of the world economy made commodities the single most important topic at the conference.

The developing countries arrived with the Manila Declaration around which they coalesced. The major demands were the creation of a common fund, the setting up of international commodity stocking arrangements, improvement and enlargement of compensatory financing facilities, the promotion of processing and diversification activities in developing countries, improved market areas, multi-lateral commitments and the indexation of raw material prices to manufactures. The ldc's argued that UNCTAD should be empowered to create an ad hoc intergovernmental co-ordinating committee to

supervise both the common fund and individual commodity negotiations and convene various intergovernmental preparatory meetings and negotiating conferences for individual commodities. These demands were unlikely to be met in full by Group B and this was known in advance by the G77. UNCTAD arrived at decisions for the most part by consensus and the G77 knew that although it could use its numerical superiority to vote for these measures the victory would be meaningless.

Group B, like the G77, had prior to the conference attempted to adopt a common position. But the divisions within the group were so significant that individual countries whilst agreeing to the group text nevertheless entered reservations on some points. The main division was between the 'hard liners' the United States, West Germany, Britain and Japan who did not accept the common fund or integrated approach and supported the free market against dirigiste attempts and the 'accommodationist' states led by Canada, the Netherlands and the Nordic countries. Group B submitted a Discussion Paper on Commodities (TD/215) to the conference and this built on the Position Paper on Commodities submitted to the Seventh Special Session of the Trade and Development Board. (99)

The fragile consensus reached by Group B contained many ideas similar to the G77 text but there were striking differences, Group B supported improved market access, diversification and multilateral commitments. Indexation was flatly rejected and stocking was included as one of a possible range of appropriate measures. The common fund idea was entertained but not as an autonomous catalytic agency; it could be a residual link between individual buffer

stocks. Group D also submitted a position paper - 'ways and means of normalizing the development of world commodity markets' (TD (IV)/GC/1) which gave general support to the UNCTAD secretariat plans and the G77's demands but which pointedly made no reference to the common fund thus indicating Group D's opposition to the idea.

Discussion on commodities at Nairobi was based on UNCTAD secretariat reports, (100) and the papers of the groups mentioned above. A Third Group B paper prepared by the European Community was submitted which gave a more positive welcome to the common fund.

"Given the existence of several buffer stock funds, held within individual agreements, there could probably be advantage in linking their financial resources by means of a central financing facility, in order to achieve the most effective pattern of financing and to mobilize additional funds.

In the light, therefore, of the operation of existing buffer stocks and of the negotiation of further agreements involving such stocks, an early examination should be undertaken of the role and functioning of this possible central financing facility or common fund, with a view to starting negotiations on such a facility within the period of time envisaged for the overall commodity programme." (101)

Negotiations took place within the formal committee structure and informal contact groups. The formal structure comprised the General Committee, Negotiating Group 1 and the President's Contact Group. The various differences within the groups and the reservations by Group B hardliners about the wisdom of the UNCTAD's secretariat approach were responsible for the slow and arduous negotiations which in typical UNCTAD fashion were concluded on the penultimate day of the conference. The main stumbling block to agreement was the common fund which the G77 saw as the main element of the programme. Delegates repeatedly stressed the lack of success

enjoyed historically by ICAs and the failure of commodity by commodity negotiations and emphasised the importance of the common fund in establishing a sincere commitment to make progress in individual commodity negotiations. Some Group B states notably Finland, Sweden, Norway, Denmark and the Netherlands and Canada were sympathetic to the idea of a common fund but the United States rejected it and offered the International Resources Bank (IRB) as an alternative proposal. A superficially attractive scheme the IRB sought to encourage investment in raw materials thus helping both producers and consumers. However, it had not been fully thought out and it was presented as an alternative to the common fund thus incurring the ire of many developing countries who saw it as a political attempt to kill the integrated programme and a scheme designed more to ensure supplies for the West than to assist the development efforts of the Third World. The IRB proposal severely tested the fragile unity of the G77 and was only narrowly defeated by 33 votes to 31 with 44 abstentions. Seven Latin American countries voted in favour of the proposal viz. Argentina, Bolivia, Chile, Colombia, El Salvador, Nicaragua and Uruguay.

Divergent interests among G77 members resurfaced during the conference despite the compromise reached at Manila. Within the G77 there was strong support for indexation from Afghanistan, the Central African Republic, Ecuador, Fiji, Gabon, Iraq, Kenya, Madagascar, Morocco, Niger and Uganda. On the other hand some countries e.g. Brazil, Papua New Guinea and India were distinctly cautious about the programme as a whole and therefore unwilling to stress one of its most contentious features. Although the Manila

Declaration had given a list of 18 products suitable for integration in the integrated programme those countries with interests in products included in the UNCTAD proposal but not the G77 one pressed their claims e.g. Burma (rice and wool), Lesotho (wheat, rice and wool) and Uruguay (wheat, rice and wool). Another division within the G77 concerned the responsibility of OPEC for world inflation and its proposed contribution to any common fund financing. Some developing countries e.g. Chile, India and Pakistan stressed the harmful effects of the oil price rise and the necessity for remedial action by the oil exporting developing countries. Any attempt to attach special responsibility to the oil exporters was resisted by OPEC at the conference although OPEC ministers meeting in Bali attempted to link cooperation with the West on oil prices to the success of UNCTAD in agreeing a common fund <sup>(102)</sup> and OPEC finance ministers meeting in Paris reputedly established a \$300 million fund to support the common fund. <sup>(103)</sup> Those countries satisfied with existing commodity arrangements continued to try to keep their commodities from being included in the integrated programme and Colombia entered a forceful reservation after the adoption of Resolution 93(IV). The Columbian delegate maintained that,

".... any integrated programme for commodities should specifically and unambiguously exclude commodities that were already governed by an existing agreement or one that was in the process of being ratified." <sup>(104)</sup>

He reserved Colombia's right to argue the case for the exclusion of coffee from the Integrated Programme when the relevant inter-governmental committee was convened.

Within the G77 this conflict of objectives was contained and group unity preserved because of the operation of a number of factors. First, the Group's negotiating document was the Manila Declaration which had been the result of a long process and most countries insisted that the compromises agreed there were not subject to renegotiation within the Group e.g. commodity coverage. It was also unlikely that Group B would support the inclusion of items which would widen the category of developing importing countries. Secondly, despite some criticism of OPEC, the OPEC countries had a number of supporters mainly Arab and African states that had received substantial assistance from oil rich countries and also because one of the most effective threats that the Group could use was exercised on its behalf by OPEC ie. the threat to raise oil prices by 10 to 20 cents a barrel and to use the proceeds to support the C.F. (105) Thirdly, the prospect of compromise with Group B needed G77 solidarity and the agreement in principle would be to begin negotiations giving ample opportunity for the re-presentation of grievances. In Group B the large number of states which accepted the need for an overall approach to commodity problems and which were prepared to reach an agreement in principle on the C.F. left the United States, United Kingdom, West Germany and Japan relatively isolated. No agreement would be possible without these countries especially the United States and therefore isolation was not particularly worrying. The pressure brought to bear by OPEC and the threat by the 19 developing countries represented in Paris to boycott the CIEC talks upon which the West held high hopes helped to transform outright rejection into limited agreement. Britain was subject to

to pressure by the developing Commonwealth countries and Japan by the five ASEAN countries to change their tack and support the IPC.

The final agreement enshrined in Resolution 93(IV) was not much more than an agreement to go on talking and the wording left the objectives and follow-up action open to differing interpretations. The timetables set in the resolution for the convening of preparatory meetings and negotiations on individual commodities was not a triumph for the G77 since the EEC proposal and various developed countries had mentioned the necessity for a strict timetable. Resolution 93(IV) represented the maximum that the United States, Britain and West Germany were prepared to accept. It was unclear for example whether the negotiating conference on the C.F. to be convened by the UNCTAD Secretary-General would be concerned with negotiating a C.F. or discussing the possibility of negotiating a C.F. The controversial issue of indexation was dropped and although given the prime position among the various measures contemplated buffer stocking was definitely to be thought of as one among a variety of measures.

Some countries demonstrated their support for the Integrated Programme prior to the final agreement on 93(IV) by making pledges of financial contributions to the C.F. Twenty-five countries made financial pledges. The Philippines was the first to do so when its government pledged \$50 million during the Third Ministerial Meeting of the G77 at Manila and this offer was repeated in Nairobi. <sup>(106)</sup> Five countries pledged specific amounts <sup>at</sup> to Nairobi - India \$25 million, Indonesia \$25 m., Norway \$25m. and Yugoslavia \$30m. Fifteen countries did not make specific commitments but

indicated their willingness to participate in accordance with the formula for contributions determined by the participating countries - Algeria, Ghana, Iran, Iraq, Kenya, Kuwait, Mexico, Pakistan, Peru, Romania, Saudi Arabia, Sri Lanka, the United Arab Emirates, Venezuela and Zambia. Five countries indicated their readiness to contribute to the proposed fund during the general debate - Finland, Malaysia, the Netherlands, Nigeria and Sweden.

With the adoption of 93(IV) the negotiations entered a different phase and we now turn to an examination of the C.F. negotiations and those on individual commodity agreements. Resolution 93(IV) a product of the organisational framework could only reflect the lowest common denominator of international consensus. But it is also clearly reflected the cleavages within the G77 in its various provisions. First, the commodity coverage suggested by the UNCTAD secretariat had been changed to reflect those commodities which the members of the G77 felt would benefit a larger group of countries and lessen the number of countries on which the proposed measures would have a damaging effect. As has already been pointed out the calculation of gain or loss in this instance is not non-problematical but what is important is that the 'Nairobi 18 commodities' reflected the widest measure of consensus in the G77. These commodities were bananas, bauxite, cocoa, coffee, copper, cotton and cotton yarns, hard fibres and products, iron ore, jute and products, manganese, meat, phosphates, rubber, sugar, tea, tropical timber, tin and vegetable oils including olive oil and oilseeds. Importantly, the coverage was

left open-ended with the provision for the inclusion of other products at a later stage. Measures were included in the programme which would benefit those countries which would not gain under the operation of international stocks; reference was made to the special needs of the lddcs, MSAs and developing importing countries. These wide-ranging measures arose from the necessity to protect the varying and diverse interests of members of the coalition. Furthermore, specific reference was made to the preservation of the status of existing international arrangements. Part IV, para 7 of the resolution noted,

"It is agreed that international negotiations or renegotiations on individual commodities covered by existing agreements shall be in accordance with appropriate established procedures for the purpose of concluding international arrangements." (107)

The end of UNCTAD IV produced few firm commitments and plenty of room for backsliding. Progress on the individual commodity negotiations unless deviating remarkably from historical experience was bound to be slow and offered a ground for substantial intra-77 conflict. The Common Fund negotiations presented the only hope for a common G77 position within the forthcoming IPC dialogue.

#### 7.4. 2. The Common Fund Negotiations

As its fourth session the United Nations Negotiating Conference on a Common Fund convened by the UNCTAD Secretary-General in respect of the provision resolution 93(IV) adopted the Articles of Agreement of the Common Fund on 27 June 1980. (108) It had taken

more than four years from the conclusion of the Nairobi conference to reach this decision and discussion within and outside the UNCTAD forum had been long and intense. My intention is not to focus in any detail on these negotiations and discussions but to assess the extent to which the G77's position is understandable in the light of the cleavages mentioned above and the effect that this had on the Group's strategy and tactics. Throughout this process the G77 retained a remarkable degree of unity and although there were internal disputes the public face of the Group very rarely reflected these tensions. On the other hand, Group B displayed a remarkable degree of incoherence and disunity<sup>(109)</sup> and the slow pace of progress was mainly attributable to the reluctance of major developed states especially the United States and the Federal Republic of Germany to accept first, the principle of a Common Fund and, secondly, the type of fund suggested by the G77.

The UNCTAD environmental context imposed two crucial constraints on the negotiating process. First, the group system of negotiation made intra-group compromise as important if not more important than inter-group agreement. Before proposals could be discussed they had to pass through the relevant groups because if the groups were by-passed there would be minimal support for the preferred position. Secondly, the consensual method of decision-making meant that an exhaustive process of deliberations had to be undertaken in the attempt to reach an agreement acceptable to all parties. The end result of this process would be a form of words which did not signal complete agreement but was broadly acceptable to all the parties. States with specific interests to protect could then enter reservations on relevant sections of the

resolution. The first constraint was clearly visible at the first negotiating conference where, despite the 'benefit' of three preparatory meetings, most of the four week meeting. was spent in intra-group consultation. <sup>(110)</sup> The second constraint precluded the establishment of the C.F. between the G77, the like-minded European countries and China. Of course, any fund without the United States given America's power in world commodity markets would be at a serious disadvantage but this need not be an insuperable obstacle as the conclusion of the Law of the Sea negotiations demonstrated. <sup>(111)</sup> Apart from Group B and the G77, China and Group D were the parties involved in the bargaining process.

China gave full support to the G77 throughout the negotiating process and used every opportunity to criticise the negative attitudes of the two super-powers. Group D led by the Soviet Union only gave token support to the principle of a common fund, arguing that problems in commodity trade in the capitalist economy resulted from the uncontrolled nature of that market and was not the concern of the socialist countries who conducted their trade according to different principles. Worried about the financial implications of the fund and an inferior position in the allocation of roles Group D consistently argued for a pool type of finance, against the financing of other measures and opposed the innovative voting proposals of the G77. Because of Group D's marginal nature in terms of financing the G77 did not put much pressure on these countries anticipating (correctly) that once the major capitalist states gave positive support to the fund the socialist states would be obliged to follow the consensus.

It is not the intention to discuss the differences within Group B or to account for the evolution of Group B's position from rejection to acceptance. <sup>(112)</sup> Continuously 'B' policy was based on the lowest common denominator and in this case it meant what the United States and West Germany were prepared to accept, with the United Kingdom and Japan playing a supporting role. However, we can note the influence of the inconclusive nature of economic analysis on these deliberations. The arguments hostile to or sceptical of the UNCTAD secretariat's analysis were used to support the hard line position and the tentative nature of many findings were used as an excuse to ask for more research to be carried out. I am not saying that this was a mere intellectual justification or that economic arguments were used to mask a political decision. No doubt there was an element of this involved, more fundamentally the disputed and uncertain nature of the economic arguments made such behaviour inevitable. The position of the hardline countries shifted for a variety of reasons chief among these were continued fear of the intentions of the oil producers (once again this was a very ambiguous threat); the political realisation that some concessions had to be made on the NIEO; the need for a 'success' at the public relations exercise called CIEC; <sup>(113)</sup> the advent of the Carter administration in the United States; the production of economic analyses which argued that stable raw material prices would help keep Western inflation down (the ratchet-effect); third world pressure; and the desire to avoid acrimonious confrontation at UNCTAD V. <sup>(114)</sup>

The negotiations for a Common Fund centred around five main issues - (i) objectives and purposes (ii) financing needs and structure (iii) source of finance (iv) modes of operations (v) decision-making and fund management. Three preparatory meetings were held prior to the first negotiating conference, the first from 29 November - 4 December 1976, the second from 24 - 28 January 1977 and the third from 21 February - 1 March 1977 and yet when the first negotiating conference convened it proved impossible to reach agreement even on the principle of establishing a C.F. At this stage the G77 had been unable to reconcile the conflicting views within the group and did not present any outline text <sup>(115)</sup> of the proposed C.F. on which serious negotiations could take place. The G77 therefore sought a commitment in principle from the other groups before detailed negotiations could begin. <sup>(116)</sup> Group B countered by arguing that it was impossible to agree in principle to a C.F. before the precise details of its operations and financing were known. The ensuing stalemate cannot however be attributed to the G77's negotiating strategy <sup>(117)</sup> and the demand for a political response before technical details were worked out. This is because implicit in the demand for the acceptance of the fund in principle there was a commitment to a particular type of organisation i.e. financially independent and interventionist and the hardliners in Group B were unwilling to concede this point. Secondly, the studies prepared by the UNCTAD secretariat for the preparatory meetings <sup>(118)</sup> were sufficiently technical in nature for a serious debate to be started. The close cooperation between the G77 and the UNCTAD secretariat meant that the G77 gave strong support to secretariat arguments. On the other hand the G77 was

ill-equipped to bargain as a group on the position paper submitted by Group B because no group consensus existed. (119) The group system, the desire to maintain unity and the limitation of consensus to the principle of the Common Fund dictated that the G77's tactics of the first negotiating conference would be to seek a commitment in principle before details could be worked out.

When the second session of the negotiating conference convened on 8 November 1977 the G77 had an agreed negotiating text. (120) The result of months of intensive discussions in Geneva between the various missions and in the Working Group of 33 on the Common Fund/IPC negotiations (with eleven members from each regional group) the thirteen page text contained no ideas which had not been previously discussed and replicated many of the ideas produced by the UNCTAD secretariat. The text contained the following proposals. The Fund apart from international commodity stocks was to finance other measures e.g. diversification, productivity improvement, market promotion, research and development and improvements in transport, marketing and distribution. It was also to be empowered to intervene in markets for which there were no existing international arrangements. Two separate accounts would be opened within the Fund, the first to finance buffer stocking and the second (the so-called Second Window) other measures. It was estimated that the Fund would need \$6bn., \$3bn. at the outset consisting of subscribed capital equivalent to \$1bn. with the authority to borrow up to \$2bn. with a further \$3bn. to be raised in similar proportions held as stand-by reserves. The resources of the Fund would come from four sources

i) direct government contributions, ii) voluntary contributions, iii) borrowings and iv) net earnings derived from its operations. The structure of the Fund would consist of a Board of Governors, an Executive Council (consisting of Executive Directors), a Managing Director and other staff. Decisions in both the Board of Governors and Executive Council would be by simple majority vote. Subsequently the G77 specified that the allocation of votes should be weighted to give them a built-in majority.

Most of these proposals were unpalatable to Group B and their counter-proposals <sup>(121)</sup> suggested instead i) a pool fund with finance coming from the individual ICAs and not governments; ii) activities should be confined to the first window and buffer stock; iii) other measures should be undertaken by existing financial institutions; iv) Fund management would be undertaken by a small professional secretariat and an executive board; v) voting procedure should reflect the interests of producers and consumers and the relevant financial and economic interests i.e. no built-in majority. The ensuing negotiations and search for compromise continued until March 1979. <sup>(122)</sup> The November conference was suspended when the G77 walked out and resumed in November 1978. <sup>(123)</sup> The major issues of contention concerned first, the Second Window with the G77 adamant that this was non-negotiable and Group B finally accepted in November 1978 that the Common Fund should have a role in this area. Secondly, the source of financing for both the first and second windows - i.e. direct government contribution, borrowing or deposits from ICAs and the relationship between these methods. Thirdly, the size of the

capital requirements for the Fund as a whole and individual government contributions. Fourthly, voting and decision-making provisions. The technical arguments mentioned above were important in trying to resolve the economic disputes.

It was evident that on one hand the G77's proposals represented the reconciliation of competing interests and on the other that for agreement to be reached with the other groups some degree of compromise was necessary. The organisational and political processes of the G77 creates a structure of influence in which the regional groups play the key role and therefore the support by a regional group for a particular issue will usually triumph over the opposition of a single state or groups of states. The non-regional sub-groups within the coalition are an exception to this and another source of influence but to have much impact the sub-groups must either command substantial economic resources like OPEC or be regionally based like the lddcs. On specific disputes it was the regional groups or regionally based coalitions that exercised effective power within the Group. The influence of sectional interest can be delineated as follows:

a) The Second Window and Other Measures. A Common Fund that did not include provisions other than buffer stocking of the ten core commodities would not benefit the African countries (on the whole poorer than their counterparts in Latin America and Asia). The African Group as a whole had an interest in a wider Common Fund and it was in their interest to insist that these measures be an integral part of the C.F. with a guaranteed financial provisions. (124)

The inclusion of this demand in the G77's November negotiating text was not a surprise and indeed followed from the logic of resolution 93(IV), the consensus reflected in the Manila Declaration and the submission of the UNCTAD secretariat to the Preparatory Meetings on the Common Fund. <sup>(125)</sup> The objectives enshrined in resolution 93(IV) and its product coverage both supported the concept of other measures. It was agreed that i) a specific programme of action should be undertaken to sustain development and income in developing countries extensively dependent upon the production for export of primary commodities; and ii) the Common Fund would be established as a key element in this programme. Diversification, research and development, improved marketing, distribution and transport systems were explicitly mentioned as objectives. The coverage of jute, hard fibres, bananas, tropical timber, cotton and vegetable oils surely meant that the C.F. could not be restricted to stocking activities since some of these products are not stockable. The C.F. would therefore finance other promotional measures, improvement of competitiveness with synthetics, supply management, and research and development. The Manila Declaration had contained similar objectives and the UNCTAD secretariat had noted that

"the common fund could play an important role in assisting the producing countries in their diversification efforts. The fund would be in a position to facilitate the coordination of the diversification activities of the commodity organizations; it would be able to approach problems of commodity diversification on a global basis, rather than on an ad hoc individual country/commodity basis.

"The common fund could be a major source of finance for diversification projects within commodity arrangements and would help in the harmonization of the diversification activities of the several commodity organizations." (126)

Support for the Second Window is often presented as an exclusively African affair but this is incorrect. Producers of the non-stockable commodities e.g. Central American banana exporters (127) and other beneficiaries within the G77 also supported a wider C.F. Consideration of the distributional impact of the C.F. was always an important element in a strategy of mixed bargaining. As the Deputy Minister of Finance of the Gambia noted,

"What good is a Fund which excludes most of the Third World countries? We simply can't compromise on that principle." (128)

b) Disadvantaged Countries

This category includes recognised sub-groups within the G77 i.e. the lddcs, land-locked states and the developing island countries, newer categories such as the MSAs and the category created by the proposed measures the developing importing countries. As we have already shown these groups influenced the development of a G77 position for Nairobi and they had a fairly well-developed constituency. Interestingly, the divide and rule tactics of Group B favoured this sectional interest by stressing a) the diversity of the developing countries and b) the necessity to safeguard their interest. (129) The inconclusiveness of economic research aided this group in two ways. First, by enlarging the ranks of countries which claimed to be disadvantaged and, secondly, by providing (the supportive arguments) concrete

evidence of impairment which could be used to buttress claims for specific compensation. On the other hand it allowed other states to use different evidence to refute some of these claims.<sup>(130)</sup> The crucial political wrangle developed not over whether special provisions should be made for these states but the extent to which other members of the G77 specifically OPEC would provide financial compensation. In an attempt to deflect criticism, the OPEC states agreed as early as the first negotiating conference to provide financial assistance to the lddcs. The important question was not whether rhetorical support would be given to the disadvantaged countries but the extent to which specific measures would be taken to protect their interests in any agreement. Not all disadvantaged states (i.e. states claiming to be in this category) took a negative attitude to the C.F. The OPEC states would have no difficulty in meeting the increased import costs and although they resisted any attempt to give them a special role did not actively oppose the C.F. Yugoslavia, a potential loser and influential member of the group, gave positive support to the IPC and was one of the first countries to pledge a specific contribution to the Common Fund.

c) Relations with existing international commodity arrangements

This concern is more closely connected with the individual commodity negotiations but did affect negotiations on the Common Fund to the extent that countries wary of the Fund interfering with ICAs of interest to them supported the idea of a weak fund, favoured B's pool proposal and generally did not give much support to the G77. Brazil, India, Pakistan, Mexico and Colombia were important

'conservative' states in this respect. Brazil's lack of enthusiasm for the entire IPC was well known, indeed, some members of the G77 began to question Brazil's membership of the group and some even suggested that although Brazil was physically a member of the G77 psychologically it was a member of Group B. <sup>(131)</sup> Most of these dissatisfied countries tried private persuasion but Colombia repeatedly stated its opposition publicly to coffee being included in the IPC. The extent to which important members of the coalition were lukewarm in their support of the group position and willing to accept a conception of the Fund nearer that of Group B undermined the bargaining strength of the G77.

In the negotiations in Geneva the ability of various delegates and interest groups to support a particular point of view depended on the technical competence of their officials and their political astuteness. The three leading G77 spokesmen during the negotiations were ambassadors Herbert Walker (Jamaica), Ali Alatas (Indonesia) and Georges Alvares Maciel (Brazil). <sup>(132)</sup> Both Jamaica and Indonesia were supporters of the IPC and Walker and Alatas worked tirelessly to reach compromises within the group and their high personal standings helped to keep the coalition together. The institutional framework of the G77 and regional groups, contact groups, meeting of the G77 as a whole and the Group of 33 provided forums where disagreements could be thrashed out and helped in maintaining unity. Because the individual commodity negotiations

were seen as not being subject to group discipline the exhortations to solidarity on the Common Fund assumed a special importance in the IPC package. Furthermore, the rationale for the existence of the G77 is dependent not on one set of negotiations but on a vulnerability which is experienced over many issues. The overlapping MTN talks, also taking place in Geneva, provided another issue around which the G77 produced a joint strategy and some leading 'moderates' on the IPC needed the support of other members of the G77 in the MTNs which were of greater significance to them e.g. India and Brazil. The effort put into opposing various aspects of the C.F. proposals was consequently relaxed not out of any conscious trade-off strategy but because time and expertise is limited and in the ordering of priorities the GATT talks took first place.

It is not necessary to look in any detail at the final agreement reached on the Common Fund. The compromise reached

- a) protected the autonomy of existing ICAs
- b) provided special arrangements for the lddcs,
- c) included a second window but one which would be financed almost entirely by voluntary contributions.

Directly contributable capital would be \$70m. for the second window and a further \$280m. in voluntary contributions was earmarked for the second window. The G77 agreed to this truncated C.F. because (as in most of these compromises) they realised that it was either this or nothing and so they chose to have something however limited. Like the GSP, years had been spent negotiating for a concession of questionable benefit and the final result dependent as it was on the magnanimity of the developed world could not conceivably satisfy

the initial expectations.

#### 7.4. 3. The Individual Commodity Negotiations. 1976-1979

It would be superfluous to detail the preparatory meetings and individual negotiations that took place in respect of the Nairobi commodities. Conflict was managed and group cohesion maintained through the absence of any serious attempt apart from the rhetorical <sup>(133)</sup> to impose a group consensus. This was both a necessary and a sensible approach because states are not going to give up perceived vital interests for the sake of rhetorical solidarity. The successful conclusion of international commodity negotiations is dependent on the reconciliation of diverse and often conflicting interests. <sup>(134)</sup> There is no magic formula and the invocation of political will on the part of the interested governments is as futile as it is puerile. <sup>(135)</sup> Governments are not autonomous actors and the influence of pressure groups representing traders, fabricators, producer associations and consumer interests is an important determinant of governmental behaviour. Moreover, attempts at market regulation take place in the context of developments in the market and changing market conditions and perceptions of short-term and long-term trends significantly affect behaviour. Producers are reluctant to agree on stabilisation measures when prices are buoyant and consumers hesitate when prices are low. Calculations about security of supply, market share and market access, changing international productivities, differential cost production schedules and the importance of transnational corporations

significantly condition the politics of commodity negotiations.<sup>(136)</sup> Other important variables relate to the complexity of the commodity, the history of intergovernmental consultation on the commodity and the prevailing level of knowledge on the commodity and possible international measures.

Before looking at the history of negotiations under the IPC it is necessary to discuss the effect of some environmental factors on the progress of the talks. The political atmosphere which permeated UNCTAD was not considered favourable by many producers and consumers. The reluctance of the developed capitalist states to grant UNCTAD any legitimacy as a negotiating forum has already been discussed. In addition, major developing country producers of some commodities felt that UNCTAD's usefulness was in norm creation e.g. consumers accepting a responsibility to contribute to buffer stock financing, rather than in the technical negotiations which would be undertaken by the commodity organisations explicitly created for the purpose. Until the inception of the integrated programme cocoa was the only new commodity for which an international agreement had been negotiated under UNCTAD auspices. Some commodity organisations used UNCTAD resources but did not develop any ties with the organisation e.g. sugar and tin and others continued to conduct their negotiations away from Geneva e.g. the 1976 International Coffee Agreement was negotiated in London. The mantle of the Integrated Programme meant that meetings were open to all states members of UNCTAD and not confined to the major importer and exporter nations as had been the case in the past with a resulting charged ideological and

political atmosphere. Secondly, the link between the individual commodity negotiations and the C.F. created an air of uncertainty which was generally felt to be inhibiting to the creation of agreements. In a clear sense the two sets of negotiations were linked politically and their respective fates intertwined. It was in the interest of those countries that took the minimalist approach (i.e. the size of the C.F. must be related to the number of commodity agreements created and which also favoured a small C.F.) to conclude as few agreements as possible at the same time as they were stalling in the C.F. talks. On the other hand, countries in favour of both the C.F. and ICAs had to take the financial implications into account. The early completion of the C.F. talks was of crucial importance in that these states needed to know what resources would (or would not) be available from the central source and the nature of any provisions made for measures other than buffer stocking. Another link between ICAs and the IPC existed at the level at which governments assessed costs and benefits. The UNCTAD secretariat correctly diagnosed that,

"Attitudes of many governments are still dominated by the traditional case-by-case approach. There is thus a tendency on their part to adopt too narrow an approach based on an assessment of their interests in individual commodities, without taking into account the overall benefit .... which would accrue from the implementation of the Integrated Programme as a whole. The consequent attempt to resolve conflicting national interests solely within the negotiations on each individual commodity, rather than in the overall context of the Integrated Programme, is bound to hamper progress." (137)

The interviews I conducted in Geneva (1976, 1978 and 1979) not only confirm this but suggest that for members of the G77 these negotiations would not be approached in the 'integrated' manner

suggested by the secretariat since self-interest dictated that you kept what you had rather than bargaining it away for some potential benefit that might not materialise. Thirdly, the attempt to create international development policy in this area could not succeed without the acquiescence of the major importing countries. On the whole, apart from France, none of the major developed states accepted a dirigiste approach; every commodity would be looked at carefully and if the balance of political and economic forces favoured the conclusion of an agreement then they would play a positive role. The much vaunted U.S. opposition to commodity agreements on doctrinal grounds did not prevent the Americans in this period from joining for the first time the International Sugar Agreement (1977).

The conflict and cooperation among the developing countries over the IPC took place at a time when developments in the world economy had a dialectical impact on the underlying bases of their solidarity. High oil prices, global inflation and recession in the West combined with fluctuating commodity prices and mounting debt problems underlined the vulnerability of most Third World countries to the vagaries of the world economy. These developments helped to promote the concept of economic cooperation among developing countries. and intensified efforts to maintain unity in the G77 in order to effect structural change in the world economy and to increase the impact of the developing countries on international decision-making. On the other hand, the economic differentiation within the Third World increased with the oil exporters now constituting a distinct grouping. The class of poor nations increased as a result of changes in the global economy leading to the MSA classification and some countries embarked on successful policies of

industrialisation e.g. the newly industrialised countries. These changes in objective conditions created competing interests and strains within the coalition.<sup>(138)</sup> In concentrating on problems involved in the IPC negotiations no suggestion is being made that trends in the world economy had removed the rationale for the coalition. The evidence is contradictory and not supportive of any one line of argument. In respect of the individual commodity negotiations the ascriptive, attitudinal and behavioural traits mentioned above operated to hinder the development of a common position among producing countries. In order to retain the sharpness of the focus on the existence of cleavages, conflicts with developed importing and developed exporting countries of the Nairobi 18 commodities will be omitted.<sup>(139)</sup>

When the Integrated Programme was launched commodity agreements were in existence for cocoa, coffee, olive oil and tin. The analysis will therefore concentrate on those commodities for which such agreements did not exist. In the time-frame covered by this study negotiating conferences were only held for cocoa, natural rubber and sugar and only two agreements concluded the International Sugar Agreement (October 1977) and the International Natural Rubber Agreement (October 1979). A new International Cocoa Agreement was concluded in November 1980. The natural rubber agreement was the only new market arrangement to emerge under the programme. We will examine these three commodities first, and then examine progress in the remaining ones.

### Natural Rubber

Natural Rubber was an example of close producer cooperation combining with favourable market characteristics. Natural rubber is produced exclusively in the developing world and the four largest producers Malaysia, Indonesia, Thailand and Sri Lanka accounted for 85% of world production. In 1971 they had established the Association of Natural Rubber Producing Countries (ANRPC) to attempt to coordinate policies in order to combat price instability. In 1976 the ANRPC members and Singapore signed the the Jakarta Natural Rubber Agreement to stabilise prices at an equitable and remunerative level, achieve a balanced growth of supply and demand and to ensure security of supply to consumers.<sup>(140)</sup> Large price fluctuations, short-term instability, declining price trends and competition from synthetics and a high dependence on rubber for a large share of export earnings<sup>(141)</sup> provided a good base for producer cooperation. Producer solidarity was advanced enough for the ANRPC members to convene a consumer/producer meeting in Kuala Lumpur in May 1978 despite the objections of the UNCTAD secretariat.<sup>(142)</sup> Agreement was facilitated with the importing countries because of changed market conditions. The increase in the price of oil led to first, increases in the price of synthetic rubber and secondly an increase in the demand for natural rubber. When asked why the rubber negotiations had been successfully concluded, Peter Lai the chairman of the negotiating conference stressed the cohesion among the producers.<sup>(143)</sup>

### Sugar

Although negotiated under the auspices of the Integrated Programme sugar is really an exception because of the history of control and discussions were conducted between the traditional members of the

International Sugar Organisation. Traditional conflict between exporters over the size of their respective export quotas was a noticeable feature of the negotiations and the successful result of hinged on a compromise agreed by the largest exporters Australia, Brazil and Cuba (the ABC states).<sup>(144)</sup>

### Cocoa

Producer--consumer conflicts dominate the political economy of international cocoa negotiations.<sup>(145)</sup> The two international Cocoa Agreements of 1972 and 1975 did not affect the market because in both cases the market price remained above the ceiling and therefore the economic provisions remained inoperative. The 1975 ICCA expired in September 1979 but was extended for six months until March 1980. It was finally replaced by the Third International Cocoa Agreement in November 1980. Within the ICCAs producers have a long record of cooperation based partly on the association of the leading producers in the Cocoa Producers Alliance created by Ghana, Nigeria, the Ivory Coast, Camerons and Brazil in 1962 and partly on high cocoa prices. Shifting market shares in the 1960s and 1970s which saw increases in Brazilian and Ivory Coast production at the expense of Ghana and Nigeria was accommodated by Ghanaian and Nigerian policy which cut back production. Conflicts over price dominated the negotiations leading to the conclusion of the ICCAs with the Ivory Coast constantly demanding higher prices than other producers. At the time of the 1975 ICCA negotiations Ivory Coast, Togo and the Camerons pressed for higher prices but Nigeria, Ghana and Brazil were prepared to compromise on a lower price level. By the time the renegotiation of the agreement had come around Brazil was now a militant supporter of high prices. The Ivory Coast refused to .

ratify the 1980 agreement because the price level was too low.<sup>(146)</sup>

The period between the breakdown of the second ICCA and the agreement on the third is interesting because it shows an attempt at producer unity and the attitude of some important producers to the Common Fund. When the November 1979 talks on re-negotiating the ICCA broke down, the leading producers attempted to control the market through concerted action on price. In December 1979 meeting in Abidjan, Ivory Coast an Abidjan Group comprising Brazil, Cameroon, Ghana, Ecuador, Togo, Nigeria and the Ivory Coast (i.e. the African Alliance plus the leading Latin American producers) agreed not to sell below \$1.50 per head although current December prices had been \$1.44 - \$1.45.<sup>(147)</sup> Steadily declining prices however doomed this attempt to failure and a new agreed support minimum of \$1.20 in January 1980 was not respected by the Abidjan Group members and after prices fell to their lowest level for four years in May<sup>(148)</sup> all pretence of unity was abandoned the following month.<sup>(149)</sup> The Ivory Coast had stockpiled cocoa in an effort to keep the price up but Brazil continued selling and in the end no agreement was reached on setting up a price defence fund which would be backed by the \$220 million that ICCA producers could claim from the abandoned ICCA.

The ICCA's buffer stock had been financed by levies on the export of cocoa. When the agreement broke down in 1980 there was a surplus of approximately \$220 million. The buffer stock had never been used because of prevailing high prices. Some observers speculated that the cocoa producers allowed the agreement to lapse in which event the money would be redistributed among the producers rather than being absorbed into the C.F. when the ICCA came under

its auspices.<sup>(150)</sup> Pressure by the UNCTAD secretariat resulted in the producers refraining from seizing the \$220m. and it was transferred to the third ICCA when it entered into force in October 1981.

### Copper

Developing countries only accounted for 55% of world copper exports and therefore no agreement could be reached without cooperation of the major developed producing countries. Within the context of the Integrated Programme ldc unity was difficult to attain and historical strife among developing country producers spilled over into the negotiating process. The history of CIPEC was one of disunity and dissension with political squabbles exacerbating the economic conflicts.<sup>(151)</sup> The failure in 1976 of the voluntary export quota agreed within CIPEC the previous year did not augur well for future collaboration. The interest of the more established producers in raising prices was countered by that of some newer producers who wanted increased market shares. The very political nature of the preparatory meeting prevented any working compromise.

### Tea

Discussions on tea failed to progress because of serious conflicts among the producers. The agreement reached at the first preparatory meeting in January 1978 to work toward an agreement as soon as possible did not express a realistic view of the intentions of the participants. A fundamental conflict existed on the one hand between the African ( and Latin American ) producers and the Asian producers on the other. The African and Latin American producers were interested in increasing their market share and were willing to contemplate a buffer stock but not an export quota or joint

scheme. The established Asian producers were only interested in an export quota scheme. An inherent difficulty in the negotiation of the an export quota scheme lay in method used for the calculation of the various quotas. India and Sri Lanka were prepared to accept a dynamic export quota ( i.e. one taking into account future increases in production ) thus giving the African producers a larger share of the market for the period of the agreement because both India and Sri Lanka had reached a plateau in production. But, although willing to let the African and Latin American acreage devoted to tea growing increase both main Asian producers were concerned to set a limit to this expansion. Within the African Group Kenya as the largest producer agreed with the Asians on acreage and before the death of President Kenyatta had withdrawn support for buffer stocks in favour of export quotas.<sup>(152)</sup> An important cleavage also developed along producer-consumer lines because some developing countries were significant importers of tea e.g. Pakistan, Iran, Iraq and the North African countries. The Pakistanis proposed that in any tea agreement the developing tea importing countries should either not contribute to the financing of the agreement or pay a reduced fee.<sup>(153)</sup>

### Cotton

The United States and the Soviet Union accounting for some 45 per cent of the cotton trade were opposed to buffer stocking<sup>(154)</sup> and therefore there was no possibility of an agreement. Attention turned toward other measures e.g. improvements in marketing, transport and distribution. Among the developing countries there was no unanimity concerning buffer stocking. Support for secretariat proposals were given by African and Arab producers including Egypt and the Sudan and Mexico, Peru and Bolivia. Opposition to stocking

came mainly from the Central American producers Nicaragua, Guatemala, and El Salvador. The dominance of American interests in their industries largely determined these states' policies.

Other Commodities.

Phosphates reoesent a classic case where developing country producers effectively sabotaged the Integrated Programme. No progress could be made because of the negative attitude toward control by the leading phosphate exporters. The first preparatory meeting (December 1977) was boycotted by Morocco, the world's leading producer and the second preparatory meeting (June 1978) was not attended by Morocco, Egypt, Jordan, Syria and Mauretania.

In hard fibres attention shifted away from stabilisation to research and development and market improvement. The developing countries had diverse interests arising from their market positions. Mexico with a secure market in the United States and exports consisting of mainly hard fibre products e.g. twine, was not interested in an agreement. Brazil was interested in increasing its market share (in 1977 it had been accused of dumping) and rejected any agreement that differentiated between the price of twine and the price of fibre. Tanzania the largest African producer was a supporter of stabilisation measures but kept wavering in its commitment because of the financial considerations. (155)

On the other commodities very little progress was made. There were no discussions on bananas or bauxite in the period covered by this study mainly because the producers were not interested.

Similarly, manganese producers showed a distinct lack of interest in the IPC. The GATT negotiations effectively barred any discussion on meats. The preliminary meetings on both jute and iron ore failed to lead to negotiating conferences. The complexity of the vegetable oils market led to investigation by experts rather than political discussions. In these various products specific countries attempted to protect their particular interests. Thus, for example India was interested in concluding an agreement on iron ore but Brazil was not. The manganese producers enjoyed favourable market conditions, namely, protected markets and high prices and were therefore averse to concluding a commodity agreement. The suitability of existing market conditions also determined the lacklustre response given to the integrated programme by the timber producers. The African timber producers were organised under the African Timber Association (AOB), the south-east Asian private producers under the South-east Asian Lumber Producers Association (SEALPA), the former with privileged access to the European Community market and the latter with secure access to the Japanese market. Both groups wanted to retain their privileged market access and were worried that the IPC might disrupt existing arrangements.<sup>(156)</sup>

This rather cursory survey of the other commodities is designed to show the lack of interest exhibited by developing countries when specific products were involved. And the gap existing between general support for the IPC and the negative attitude on individual commodities. Membership of existing commodity arrangements and existing market share and control were the main factors influencing governmental behaviour.

### 7.5 Conclusions

The heterogeneity of the G77 and specific cleavages affected the level and nature of Group support for the Integrated Programme and the Common Fund. From the first proposals in 1974 to Resolution 93(IV) a process of accommodation between conflicting interests in the coalition was entered into in order to present a unified bargaining front. The compromise reached in Manila at the Third Ministerial Meeting was maintained in the ensuing negotiations and all recognised interests were included in the G77's proposals. This is therefore not an organic solidarity but a unity based on the recognition of both similarity and diversity. A conjoining of similar and opposed interests for the purpose of multilateral diplomacy. In pursuit of individual gain different interests were aggregated. The existence of differing interests does not make the coalition irrational. In the IPC negotiations the G77's behaviour can be understood as based on a realistic assessment of possibilities. Group discipline was exerted on the Common Fund but not on the individual commodity negotiations.

The G77 maintained unity over these negotiations through a rational assessment of the nature of the bargaining process. No attempt was made to present a united front in the individual commodity negotiations. Bargaining on individual commodities not only presented a distributive bargaining process it also confronted G77 members as producers and consumers. A common group position could be sought on the C.F. First, because a clearer line between ldc's and developed states could be drawn and secondly, this was a process of mixed bargaining. An intensive consultation process on the C.F. was therefore embarked upon with the object of securing concessions from the developed world. Collective decision was arrived at most

frequently through the use of persuasion and the effect of institutionalisation.

The existence of shared values and the importance of the IPC within the context of the NIEO resulted in the use of persuasion as a favoured method of reaching group decisions. But the most important reason for the ability of the G77 to maintain unity arose from the institutionalisation of group activity. The existence of regularised contact at regional level, the mushrooming of working groups and committees, the central role of the Working Group of 33 and the importance of the ministerial meetings provided the stable patterns of behaviour and procedures through which interests could be represented. Member countries could thus safeguard their interests when they deviated from the majority view. Furthermore, the NAM provided both a spur and a challenge to the G77. UNCTAD and the G77 were anxious that results be produced which confirmed their pre-eminence in the arena of North/South negotiations.

This case-study documents the limits to G77 cooperation. The G77 is an instrument for negotiating change in North/South relations. It is a coalition of the Third World which presents a united front to the industrialised states. In cases where the simple dichotomy between North and South is replaced by producers and consumers the G77 ceases to have a defined role. The G77 as an institutional mechanism is adept at reconciling divergent interests among its member states. But it cannot perform such a role if the distinctions between group members and non-members are eroded.

FOOTNOTES

1. I would say that, at a conservative estimate, ninety-per cent of the books and articles written on the NIEO show a startling myopia on the origins of these demands. Of the remaining ten percent at least five percent whilst aware of an historical dimension attach no analytical significance to events prior to 1973.
2. Robert Rothstein - Global Bargaining: UNCTAD and the Quest for a New International Economic Order (Princeton, New Jersey: Princeton University Press 1979) persistently, and in my view mistakenly, criticises the UNCTAD secretariat for pushing the IPC to the centre of the stage. I am not referring to his criticisms of the IPC as a negotiating strategy but to the assumption that commodity trade, per se, was the wrong area in which to apply pressure.
3. i.e. the sectoral allocation of the labour force and the structural composition of output.
4. The figures are from R.M. Sundrum - Development Economics: A Framework for Analysis and Policy (Chichester: John Wiley & Sons 1983) pp. 44 and 46.
5. H.G. Johnson - Economic Policies Towards Less Developed Countries, p.136; J. Pincus - Trade, Aid and Development p. 233. A.K. Koul - The Legal Framework of UNCTAD in World Trade p. 77.
6. These issues will be discussed below. See section 7.3.
7. C.P. Brown - The Political and Social Economy of Commodity Control (London & Basingstoke: Macmillan 1980) pp. 288-289 argues that several aspects of the Havana Charter were altered in spirit during the 1950s within the U.N. system.
8. The attempt within the IPC to do just this, particularly the demand for indexation has attracted a great deal of criticism. The point that I am making is that this feature of the IPC was neither new nor smuggled in through the back door. See Rothstein op.cit. p. 75 where he says that the suspicion that the real objective was higher prices was probably the most important factor in generating hostility to the Common Fund. For an earlier statement of this objective see TD/B/C.1/26 (1966) - "The Development of an International Commodity Policy", also a recognition of this by S.D. Metzger - "Developments in the Law and Institutions of International Economic Relations", American Journal of International Law, vol. 61 (1967) p. 762.

9. See chapter 2 above for a discussion of the institutional vacuum and its role in bringing the developing countries together.
10. "By codifying general guidelines they expected that it would be easier to relate new principles to practical action, that consistency and uniformity of methods would result, and that clashes on questions of principle would be reduced".  
B. Gosovic - UNCTAD: Conflict and Compromise p.95.
11. For a comprehensive account of control schemes prior to UNCTAD see J.W.F. Rowe - Primary Commodities in International Trade (Cambridge: C.U.P. 1965) Part IV.
12. There was also a prodigious amount of documentation prepared for the Conference. See Proceedings 1964 vol. III. Commodity Trade. Of particular interest are the organization of international markets for primary commodities (Mrs. M.J. 't Hooft-Welvaars) pp. 458-521; the case for an international commodity reserve company (Professors A.G. Hart, N. Kalder & J. Tinbergen) pp. 522-541; International Commodity Arrangements and Policies (FAO) pp. 140-167.
13. Recommendations AII.1 to AII.9. Proceedings 1964 vol. I. pp. 26-34.
14. Resolutions 16(II) to 20(II). Proceedings 1968 vol. I pp.34-35.
15. L.N. Rangarajan - Commodity Conflict (London: Croom Helm, 1978) p.23 comments that, "This plethora of draft resolutions created the impression that, by 1968, the international community had succeeded in (i) identifying the specific commodities for which international agreement were possible and (ii) devising an appropriate mix of techniques for regulating each one".
16. Charter of Algiers, TD/38
17. The commodities covered by resolution 16(II) were cocoa, sugar, oilseeds, oils and fats, natural rubber, hard fibres, jute (the core commodities) and bananas, citrus fruits, cotton, tungsten, tea, wine, iron-ore, tobacco, manganese - ore, mica, peper, shellac and phosphates.
18. See TD/B/202 - Annex 1 (14 November 1968).
19. See Kerstin Barkman, "Costs and Finance of the Tin Buffer Stock", Journal of World Trade Law, vol.10 no.6 (Nov-Dec 1976) p. 589 where she calculated that Indonesia and Bolivia had financed up to 85 per cent of their contributions by IMF drawings, Nigeria 54 per cent and Malaysia 40 per cent.

20. TD/B/248 - Annex 1 (16 June 1969).
21. Resolution 73(X), 23 September 1970. TD/B/327. Annex 1.
22. Cheryl Payer, "Coffee" in C.Payer (ed), Commodity Trade of the Third World (London: Macmillan 1975) p.165.
23. See The Declaration and Principles of the Action Programme of Lima, Part Three, Programme of Action. B. Commodity Problems and Policies in Proceedings 1972, vol.1. Report and Annexes.
24. Resolutions 49 (III) International Cocoa Agreement (the objective being to conclude an international cocoa agreement); 50 (III) Competitiveness of natural products, synthetics and substitutes (to improve the competitiveness of natural products facing competition from synthetics and substitutes); 54 (III) The stabilization of commodity prices and, in particular, the role of the International Bank for Reconstruction and Development (the IBRD to make contributions to the stabilization of commodity prices); 78 (III) Marketing and distribution systems (to make comprehensive studies on marketing and distribution systems for commodities of export interest to ldc's); 83 (III) Intergovernmental consultations on commodities in connexion with access to markets and pricing policy (to intensify intergovernmental consultations including a special session of the Committee on Commodities so as to attain concrete and significant results in trade liberalization and pricing policy).
25. The only resolution on which there were no opposing votes, abstentions, dissent expressed or reservations entered by the developed countries was 50 (III).
26. Report of the Secretary-General - 'The Development of International Commodity Policy', Proceedings 1972 vol.II. Commodity Trade p.3.
27. See TD/B/C.1/18/Rev.1 and TDB decision 7(1) (29 April 1965) which established the terms of reference and rules of procedure of the Committee on Commodities. Its functions were to promote general and integrated policies in the commodity field; to coordinate the activities of all bodies involved in the commodity field including FAO and GATT; to study research and review commodity problems; assume the functions previously undertaken by the CICT; and follow and facilitate inter-governmental consultations and actions on specific or groups of commodities promoting and encouraging the conclusion of international stabilisation agreements.

28. This is not to suggest that states do not sometimes agree to create organisations that contain all three features mentioned. The ceteris paribus assumptions are important in this context since it is of course dependant on an estimation of the political and economic costs involved. The 1962 International Coffee Agreement is an example where the United States put political considerations above the economic. See B. Fisher - The International Coffee Agreement : A Study in Coffee Diplomacy (New York : Praeger 1972), T. Geer - An Oligopoly : The World Coffee Economy and Stabilization Schemes (New York : Dunellan 1971).
29. For other discussions of the definition of primary commodities see Rowe op. cit. pp. 1-2 and Rangarajan op. cit. pp. 54-56.
30. For different classificatory schemes see UNCTAD - "Commodity Problems and Policies"; TD/97; Rangarajan op. cit. pp. 56-61 and K. Morton and P. Tulloch - Trade and Developing Countries (London : Croom Helm 1977) p. 92.
31. The objectives of the IPC were stressed in a number of UNCTAD documents. The original source is to be found in "An Overall Integrated Programme for Commodities", TD/B/498 (8 August 1974).
32. Jere R. Behrman - Development, the International Economic Order and Commodity Agreements (Reading, Massachusetts : Addison-Wesley 1978) p. 34. See also Marian Radetzki - International Commodity Market Agreements (London : L. Hurst & Co. 1970) pp. 5-9.
33. We will look at this issue specifically in the context of the IPC proposals below. Here we are concerned with the general theoretical proposition.
34. For a more detailed consideration of these issues see Commodities Research Unit Ltd - 'A Common Fund - Financial Organisation, Operations and Management' in Commonwealth Secretariat - The Common Fund. Papers prepared for Commonwealth Technical Group. Vol. 1 (Sept 1977). Commonwealth Economic Papers, No. 8.
35. See Brown op. cit. pp. 152-154 for a summary of the results.
36. The most widely used concept is that of the net barter (commodity) terms of trade.
37. Rangarajan op. cit. p. 101.
38. Behrman op. cit. p. 58.
39. Paul Bairoch - The Economic Development of the Third World ch.6
40. "... the statistics presented to the Group of Experts did not provide any clear evidence of a long-term deterioration in the net barter terms of trade of developing countries, although they did suggest that these terms of trade were subject to substantial short-term fluctuations". Commodity Trade Indexation, TD/B/563 Annex II. p.1 (July 1975).

41. J. Spraos - "The statistical debate on the net barter terms of trade between primary commodities and manufactures", Economic Journal, vol. 90 (1980) p.216.
42. See J.D. Coppock - International Economic Instability (New York: McGraw-Hill 1962) and A.I. MacBean - Export Instability and Economic Development (London: Allen & Unwin 1966)
43. See among other studies G.F. Erb & S. Schiavo-Campo - "Export Instability, Level of Development and Economic Size of Less Developed Countries", Bulletin of the Oxford University Institute of Economics and Statistics (November 1969) pp. 263-283; C. Glezacos - "Export Instability and Economic Growth : A Statistical Verification", Economic Development and Cultural Change (July 1973) pp. 670-78; S. Naya - "Fluctuations in Export Earnings and Economic Pattern of Asian Countries", Economic Development and Cultural Change (July 1973) pp. 629-641; O.Knudsen & A. Parnes - Trade, Instability and Economic Development (Lexington: D.C. Heath & Co. 1975).
44. Thoburn op. cit. p. 21.
45. Apart from the studies previously quoted see B. Massell - "Export Concentration and Fluctuations in Export Earnings: A Cross-Section Analysis," American Economic Review (March 1964) pp. 47-63; B.Massell - "Export Instability and Economic Structure", American Economic Review (Sept. 1970) pp. 618-30; N. Khalaf - "Country Size and Economic Instability", Journal of Development Studies (July 1976) pp. 423-428
46. Glezacos op. cit.
47. P. Kenen & C. Voivodas - "Export Instability and Economic Growth", Kyklos vol.4 (1972) pp. 791-804.
48. MacBean's work enjoys wide popularity despite very severe criticism of its statistical techniques and data base. See A. Maizels - "Review of MacBean Export Instability and Economic Development", American Economic Review vol.58 (1968) pp.75-80; Peter Wilson - Export Instability and Economic Development - A Survey, Part 1: The Theory, Part 2: The Empirical Work, Warwick Economic Research Papers Nos. 107 & 111 is particularly trenchant.
49. Knudsen & Parnes op.cit.
50. Wilson - Warwick Economic Research Paper No. 107 pp. 34-36.
51. Wilson - Warwick Economic Research Paper No. 111 pp. 28-29.
52. Behrman op. cit. pp. 102-105. Also TD/B/IPC/CF/2 (10 Nov 1976) p.6.
53. Helen O'Neill - A Common Interest in a Common Fund (New York: United Nations 1977) p. 13.

54. See W.C. Labys - "Optimal Portfolio Analysis of Multicommodity Stocking Agreements", Oxford Bulletin of Economics and Statistics vol. 29 no. 3. pp. 219-228; Brown op. cit. pp.112-115.
55. For a comprehensive discussion of various estimates see Commonwealth Secretariat - 'Comparative Study of the Estimates of Capital Requirements for Buffer Stock Financing in the Common Fund'. Papers Prepared for Commonwealth Technical Group, vol. 2 (Sept. 1977). Commonwealth Economic Papers: No. 8.
56. See Rothstein op. cit. pp.66-68 for a replication of their tables and the original sources.
57. Behrman op. cit. pp.94-95. For a critical look at the assumption of his model see G.K. Sarkar - "The UNCTAD Integrated Programme and Macro-Economic Considerations", pp. 63-65 in Commonwealth Economic Papers: No. 8. vol. 1.
58. See Gerda Blau - "International Commodity Arrangements", pp. 140-150 in Proceedings (1964) vol. III for an excellent discussion of the objectives, types and roles of international commodity agreements.
59. See W. Fox - Tin: The Working of a Commodity Agreement (London: Mining Journal Books 1974); B. Engel - "International Tin Agreements" in G.L. Goodwin and James Mayall (eds.) - A New International Commodity Regime (London: Croom Helm 1979) pp. 86-94; G.W. Smith & G.R. Schink - "The International Tin Agreement: A Reassessment", The Economic Journal (December 1976) pp.715-728, for assessments of the success and failure of tin agreements and the role of the buffer stock.
60. See Rothstein op. cit. pp.88-89 for these and other estimates.
61. For a more extended (independent and critical) discussion see Commonwealth Secretariat - 'The Second Window for Other Measures' pp. 15-27 in Commonwealth Economic Papers No. 8 vol. 2.
62. Ansari op. cit. pp. 221-229.
63. The contention is that the UNCTAD Secretariat were naive and negligent. Powerful criticisms of the UNCTAD Secretariat which sees it as variously manipulative, power seeking, incompetent, economically illiterate and intellectually dishonest for example are made by Rothstein op. cit. passim and Brown op. cit. passim. Brown was a member of the UNCTAD staff from 1976-1979.
64. See Rangarajan op. cit. pp.92-96 for a consideration of different types of market structure.
65. When the programme was first announced the suggested coverage was cocoa, coffee, tea, sugar, copper, tin, rubber, jute, cotton and sisal (core commodities) and bananas, bauxite, iron ore, meats, rice, wheat and wool. Resolution 93(IV) which defined the integrated programme set a list of 18 commodities which became the basis of the negotiations. These were coffee, cocoa, tea,

- sugar, copper, tin, rubber, cotton, jute and hard fibres (core commodities) and bananas, bauxite, iron ore, meats, manganese, phosphates, tropical timber, vegetable oils and oil seeds. The major part of the presentation will concentrate on the Nairobi 18 commodities.
66. An Integrated Programme For Commodities: The Impact On Imports Particularly Of Developing Countries. (TD/B/C.1/189) June 1975.
  67. It was also a very early analysis. In interviews conducted in 1978 both Pakistan and Venezuela shown here as net exporters claimed to be net importers.
  68. See F.G. Adams, J.R. Behrman & M. Lasaga - "Commodity Exports and NIEO Proposals for Buffer Stocks and Compensatory Finance: Implications for Latin America" in W.A. Baer & M. Gillis (eds.), Export Diversification and the New Protectionism: The Experiences of Latin America (National Bureau of Economic and Business Research : University of Illinois 1981) pp. 48-76 for an analysis which also agrees that Latin American countries stood to gain from the UNCTAD scheme.
  69. Behrman op. cit. p.110. Again this does not in itself mean that the programme would be beneficial. As the previous section showed economists differ in their judgements. Thus it was calculated that only 9 members of the G77 were particularly vulnerable to the fluctuations of international commodity trade - Barbados, Fiji, Ivory Coast, Jamaica, Malaysia, Mauritius, Sierra Leone, Zambia and Zimbabwe. House of Lords Select Committee on Commodity Prices (HMSO, May 1977) vol. 1 p. xxx.
  70. Recognised in UNCTAD resolution 93(IV) section III, paras 3 and 4. Here we are concerned with the impact of the integrated programme on the lddcs and not bargaining over special measures.
  71. Commonwealth Secretariat - 'The Least Developed Countries and the Common Fund', p.83 in Commonwealth Economic Papers No. 8. vol.2.
  72. See Rangarajan op. cit. pp. 112-129 for a discussion of conflict and cooperation among exporters.
  73. Jamaican diplomat. Interview 24 March 1976.
  74. U.N.G.A. Resolutions 3201(S-VI) and 3202(S-VI) of 1 May 1974.
  75. See An Overall Integrated Programme For Commodities (TD/B/498) 8 August 1974.
  76. UNCTAD III was a major failure and there was consequently the need for new organisational dynamism.
  77. See Ludovic Cerrens, An Analysis of the UNCTAD Common Fund (M.A. Thesis, University of Sussex 1981) pp.24-29; C.P. Brown, The Political.... op. cit. pp.78-82 for more extensive treatments of the secretariat and the IPC.
  78. Divergencies caused by the cleavages discussed above. See also Rangarajan op. cit. pp. 292-297.

79. TDB Resolution 124(XIV). 'New Approaches to International Commodity Problems and Policies'. (13Sept 1974).
80. See An Integrated Programme for Commodities (TD/B/C.1/166); An Integrated Programme for Commodities: The Role of International Commodity Stocks (TD/B/C.1/166/Supp.1); An Integrated Programme for Commodities: A Common Fund for the Financing of Commodity Stocks (TD/B/C.1/166/Supp.2); An Integrated Programme for Commodities: The Role of Multilateral Commitments in Commodity Trade (TD/B/C.1/166/Supp. 3); An Integrated Programme for Commodities: Compensatory Financing of Export Fluctuations in Commodity Trade (TD/B/C.1/166/Supp. 4); An Integrated Programme for Commodities: Trade Measures to Expand Processing of Primary Commodities in Developing Countries (TD/B/C.1/166/Supp.5).
81. Interviews (September 1978)
82. For a comprehensive analysis and compilation of Arab aid statistics see R.A. & P.M. Mertz, Arab Aid to Sub-Saharan Africa (Munich: Kaiser Verlag, 1983); also see S. Hunter, OPEC and the Third World (London: Croom Helm, 1984).
83. See OECD, Development Cooperation Review Annual (Paris: OECD 1977-1984).
84. See M.T. Adebajo, "Economic Cooperation Among Developing Countries: A Component of International Development Strategy" in M. Zammit Cutajar (ed.), op. cit. pp.175-202 for a review of ECDC developments.
85. Ambassador Jaramillo (Colombia), Interview (1 November 1979); Ambassador Maciel (Brazil), Interview (12 September 1978).
86. TD/B/SR.390. (26 August 1974). Rangarajan mistakenly accuses Algeria of introducing a political approach to these discussions in February 1975. Rangarajan op. cit. pp. 294-295. Other states adopting a radical position in August were Ghana, Iraq and Uganda.
87. TD/B/SR.391. (26 August 1974).
88. See for example U.N.G.A. Resolution 3362(S-VII) 19 Sept 1975.
89. India was not afraid of voicing public disquiet about the IPC. The Indian delegate to the session of the TDB immediately prior to UNCTAD IV argued that "The impact of the integrated programme on the imports of the developing countries would have to be carefully studied and appropriate measures for neutralising any adverse effects would have to be incorporated as an essential element of the programme". TD/B/SR.432 (7 August 1975)
90. Fourth Conference of Trade Ministers of OAU Member Countries, 'The African Position on Issues Before the Fourth Session of the United Nations Conference on Trade and Development' Section I. para 6. See 77/MM(III)/5 (24 January 1976).
91. Jakarta Declaration, Part II, para 4. See 77/MM(III)/6. 24 January 1976.
92. Ibid. Part I section (i) and Part II para 3.

93. Declaration and Action Guidelines Adopted by the Latin American Council of the Latin American Economic System (SELA). Part B, para (i). See 77/MM(III)/49. 7 February 1976.
94. Sauvart, The Group of 77 op. cit. pp.74-85.
95. Interviews (September 1978 and October - November 1979). See also K.P. Sauvart, "Organizational Infrastructure for Self-Reliance: The Non-Aligned Countries and the Group of 77" in H. Kochler (ed.), The Principles of Non-Alignment (Vienna & London: International Progress Organisation and Third World Centre 1982) pp. 186-218 for a discussion of increased NAM input.
96. See Progress Report, as at 22 December 1975, on the Work of the Preparatory Committee and Annexes. 77/MM/III/I/Rev.1 in Collected Documents vol. II. pp.337-378.
97. Manila Declaration and Programme of Action. Section 1.B. para 9. See 77/MM(III)/49.7 February 1976.
98. An Integrated Programme for Commodities. Specific Proposals for Decision and Action by Governments. (TD/B/C.1/193.) 28 Oct 1975.
99. See Official Records of the General Assembly, Thirty-first Session, Supplement No. 15 (A/31/15) Part one, annex V. Reproduced from annex V of the TDB at its Seventh Special Session.
100. Action on commodities, including decisions on an integrated programme, in the light of the need for change in the world commodity economy (TD/184 and Corr.1); The world commodity situation and outlook (TD/184/Supp.1); Preservation of the purchasing power of developing countries exports (TD/184/Supp.2 and Corr.1); Proportion between export prices and consumer prices of selected commodities exported by developing countries (TD/184/Supp.3 and Corr.1); Marketing and distribution systems for commodities of export interest to developing countries (TD/184/Supp.4 and Corr.1)..
101. TD/214 paras 6 and 7.
102. Sunday Times 14 May 1976.
103. Sunday Times 16 May 1976 p. 53. Rangarajan op.cit. p.313 is incorrect when he claims that the G77 draft included a reference to importers of commodities and raw materials 'lacking in natural resources'.
104. Proceedings 1976 vol. I p. 50.
105. See Sunday Times 23 May 1976 p.53 where this was outlined as a possibility at the forthcoming OPEC oil ministers conference in Bali.
106. The Philippines had a special interest in the C.F. outcome since it had offered Manila as the headquarters for the new organisation.

107. Proceedings 1976 vol. I p.9.
108. Draft Agreement Establishing The Common Fund For Commodities. TD/IPC/CF/CONF/L.15. The Final Text is contained in Agreement Establishing The Common Fund For Commodities. TD/IPC/CF/CONF/24 (29 July 1980).
109. See particularly the widely divergent viewpoints expressed at the first negotiating conference (7 March - 2 April 1977). Norway, Sweden and Finland endorsed the Common Fund but the official Group B position seemed to backtrack on resolution 93(IV) with the Common Fund being seen as one of several approaches. See the Report of the United Nations Negotiating Conference On A Common Fund Under The Integrated Programme For Commodities. TD/IPC/CF/CONF/8. (26 April 1977). Also see Ursula Wassermann, "The Common Fund", Journal of World Trade Law (July-August 1977) pp.377-379.
110. Brown op.cit. p.119 calculates that actual negotiations between the groups only lasted for a total of sixteen hours.
111. See Roderick Ogley, Internationalizing the Seabed (1984)
112. See Geoffrey Goodwin, "The OECD Industrialised Countries' Response" in Goodwin & Mayall op. cit. pp. 111-142 for a discussion of individual countries' viewpoints.
113. It was deliberate rather than coincidental that CIEC rather than UNCTAD was the chosen forum for the industrialised countries to declare their willingness to negotiate a Common Fund. The Final Report of June 2, 1977 stated that 'The participating countries ... agreed that a Common Fund should be established as a new entity to serve as a key instrument in attaining the agreed objectives of the Integrated Programme for Commodities....'
114. The real breakthrough in the Common Fund negotiations came at the Third Negotiating Conference (12-19 March 1979) when agreement was reached on the Fundamental Elements of the Common Fund. See TD/IPC/CF/CONF/18 (21 March 1979). Robert Mortimer argues that mounting third world pressure prior to UNCTAD V caused the Carter administration to take a more positive attitude in autumn 1978. See R.A. Mortimer, The Third World Coalition in International Politics (New York: Praeger 1980) p.119. An internal European Community memorandum (January 19, 1979) argued that "it would be a grave error on the part of the industrialised countries if before Manila, they fail to pursue the negotiations in progress to successful conclusions" and specifically mentioned the March Common Fund meeting in this context. The return to an era of confrontation and the loss of control over the dialogue were cited as the main reasons for positive action.

115. The Philippines submitted an individual working paper to the final planning meeting on 2 April. For details see Draft Agreement on the Common Fund: Working Paper Submitted by the Philippines. TD/IPC/CONF/L.2 (30 March 1977).
116. Brazil in its capacity of Chairman of the G77 submitted two short draft decisions on behalf of the G77. The first TD/IPC/CF/CONF/CW/L.1 stated,  
 'The United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities decides to establish a common fund which shall serve as the main instrument for attaining the objectives of the Integrated Programme for Commodities as embodied in Conference resolution 93(IV) and function as the central source of finance for specific objectives and purposes as outlined in a preliminary manner in annex I to document TD/B/IPC/CF/8. These objectives and purposes, together with all the other constituent elements of the common fund referred to in section IV paragraph 2, of resolution 93(IV), shall be further elaborated and negotiated not later than November 1977'.
117. For an opposed view see Rothstein op. cit. pp. 137-138.
118. Consideration of issues relating to the establishment and operation of a common fund: report by the Secretary-General of UNCTAD. (TD/B/IPC/CF.2); Common fund: financial requirements (TD/B/IPC/CF/L.2); Common fund: financing of operations other than stocking (TD/B/IPC/CF/L.3); Common fund: capital subscriptions (TD/B/IPC/CF/L.4); Common fund: mode of operations (TD/B/IPC/CF/L.5); Common fund: decision-making and management (TD/B/IPC/CF/L.6); and Common fund: borrowing by international organization (TD/B/IPC/CF/L.9).
119. Public deviations from group policy were made by Malta to stress the needs of net importing countries; Colombia in respect of commodities characterised by structural over-production not being suitable for stocking; and Argentina to argue for a link between the Fund and international financial institutions allowing a special contribution to be made by the OPEC states. Privately a number of divisions surfaced including Brazil's opposition to 'other measures'; the ACP states' interest in second window activities, particularly since they were under the impression that the European Community would trade-off concessions made under the IPC with those under Lomé; the African countries' insistence on a commodity agreement; and the producers of some commodities especially the Latin American producers who were unwilling to have their products associated with the IPC. See Brown op. cit. pp.121-124 for a recounting of these conflicts. Brown was a secretariat official at the time.
120. Elements of an international agreement on the Common Fund. Position paper submitted by Yugoslavia on behalf of the G77. TD/IPC/CF/CONF/L.4 (7 November 1977).

121. Contained in Elements for the basis of a Common Fund, Proposal submitted by countries members of Group B (TD/IPC/CF/CONF/L.5 and Add.1) 7 and 17 November 1977 and 'Other Measures', Paper submitted by Group B (TD/IPC/CF/CONF/L.6) 14 November 1977.
122. These negotiations were mainly informal and as such outside the formal negotiating structure. No record, therefore, exists of these discussions. See Cerrens op. cit. pp. 34-58 for an analysis of the negotiations.
123. For an inside view of these negotiations see Alister McIntyre, "The Current State of International Commodity Negotiations" in Goodwin & Mayall op. cit. pp.63-68.
124. The African Group was united in its demands and as the largest group in the G77 it exercised significant influence in the decision-making process. The rigidity of the African Group exasperated some Asian and Latin American states. (Source - Interviews). The continued search for compromise in the G77 was partly responsible for the suspension of the November 1977 Negotiating Conference.
125. The impression given by James Mayall, "The Pressures for a New International Commodity Regime" in Goodwin & Mayall op. cit. p.24 and Rothstein op. cit. pp.145-146 is that this was a new demand brought forward in November.
126. TD/B/IPC/CF/L.3 paras 11 and 14(a).
127. See, for example, the reservations expressed by the representative of Ecuador at the conclusion of the March 1979 meeting, in Report of the United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities on its third session. TD/IPC/CF/CONF/19 (28 March 1979) para 18.
128. ICDA Conference News, 28 November 1977 quoted in Brown op. cit. p.134.
129. After the failure of the second Negotiating Conference in December 1977, Group B moved from a passive to a more active role in the C.F. negotiations.
130. Apart from those studies already mentioned on this subject see Dragislav Avramovic, "Common Fund:Why and What Kind?" Journal of World Trade Law (Sept-Oct 1978) pp.375-408 for detailed arguments supporting the case that most developing countries would benefit.
131. Interviews.
132. Interviews. Also important were Hill (Jamaica) and Brilliantes (Philippines). Similar conclusions were arrived at by Cerrens op.cit. p.43.
133. See, for example, the Arusha Programme for Collective Self-Reliance and Framework for Negotiations (77/MM/(IV)/21) where members are urged to "promote joint action in negotiating ..... individual commodities".

134. See Kabir Ur-Rahman Khan, The Law and Organization of International Commodity Agreements (The Hague:Martinus Nijhoff 1982).
135. The UNCTAD secretariat (and by extension the G77) seemed to believe that something called political will would magically transform the negotiating process from an exercise in failure to a shining example of success. The secretariat argued that '.... in the ultimate analysis success in dealing with the issues depends largely on political decisions and their resolution would call for determined efforts to translate the political commitments already undertaken into specific forms of international action'. TD/228 para 12. As an analytical tool political will is singularly inappropriate being at best a tautology and at worst meaningless.
136. It is not possible here to develop the myriad problems faced in negotiating commodity agreements. The best work is L.N. Rangarajan, Commodity Conflict. See also J.W.F. Rowe, Primary Commodities in International Trade and C.P. Brown, Primary Commodity Control.
137. Comprehensive Report on Progress under Conference Resolution 93(IV). Report by the Secretary-General of UNCTAD. TD/B/IPC/AC/20 (15 June 1978) para 12.
138. It is not possible to give these changing trends the detailed statistical treatment they require. See the IBRD's World Development Reports and Annual Reports 1976-1982 and UNCTAD's World Economic Outlook 1978-1979; 1979-1980 and the Trade and Development Report 1981.
139. Considerations of the overall state of the negotiations are to be found in - Comprehensive Report On Progress Under Conference Resolution 93(IV). Report by the Secretary-General of UNCTAD. TD/B/IPC/AC/20 (15 June 1978); Review of implementation and follow-up action, including the on-going preparatory work and negotiations. Report by the UNCTAD secretariat. TD/228 (12 March 1979) and TD/222/Add.1 (13 March 1979). C.P. Brown, The Political and Social Economy of Commodity Control pp.166-212; Alister McIntyre, "The Current State of International Commodity Negotiations" op. cit. pp.68-69.
140. Ursula Wassermann, "Jakarta Natural Rubber Agreement 1976", Journal of World Trade Law (May-June 1977) p.289.
141. According to UNCTAD estimates, Malaysia depended for between 23-35 per cent of total export income on natural rubber in the period 1970-75; for Indonesia the figures were 5-19 per cent, Thailand 8-15 per cent and Sri Lanka 13-23 per cent. 'Elements of an international agreement on rubber', TD/B/IPC/Rubber/L.2. (17 December 1976).
142. Brown, The Political and Social ... p. 195 but he gets both the date and place wrong!
143. Ursula Wassermann, "UNCTAD:International Natural Rubber Agreement, 1979" Journal of World Trade Law (May-June 1980) p.248.

144. See Ursula Wassermann, "International Sugar Agreement, 1977" Journal of World Trade Law (January-February 1978) pp. 83-85 for an outline of the agreement and Brown op. cit. pp.178-192 for the political economy arguments.
145. See J.A. Finlayson & M. W. Zacher, "The Politics of International Commodity Regulation:the negotiation and operation of the International Cocoa Agreements", Third World Quarterly (April 1983) pp.386-417 for an analysis of the history of control attempts.
146. The Guardian, 24 November 1980. p. 14.
147. Finlayson & Zacher op. cit. and Ursula Wassermann, "Breakdown of International Cocoa Agreement", Journal of World Trade Law (July-August 1980) p.360.
148. The Guardian, 6 May 1980 p.19 and 27 May 1980 p.20.
149. The Guardian, 23 June 1980 p.14.
150. Wassermann, "Breakdown of International Cocoa Agreement" op. cit. p.361 and The Guardian, 28 July 1979 p.18.
151. C. Fortin, "Third World Institutional Politics And Collective Self-Reliance:The Intergovernmental Council of Copper Exporting Countries"(mimeo, 1980).
152. Interviews (September 1978).
153. Interviews (September 1978)
154. The Soviet Union gave support in principle to buffer stocking but argued that finance should be voluntary thus effectively killing any proposed scheme.
155. Interviews (September 1978).
156. Based on Interviews (September 1978 and November 1979).

CHAPTER 8CONCLUSION

In the preceding pages I have attempted to describe and assess the structure and functioning of the G77 in UNCTAD. The research design had three central elements. First, an historical account of the origins and development of group behaviour. Secondly, a study of the effect of organisational characteristics on group cohesion. Thirdly, an assessment of the development and management of conflict in the two most important sets of negotiations in the period 1964-1980. The evidence presented above suggest certain answers to the central questions posed at the outset of the enquiry.

The G77 arose from the convergence of economic circumstances, international decision-making structures and ideological factors. The material conditions faced by the developing countries deteriorated during the 1950's. A shared powerlessness in the face of adverse economic conditions provided a basis for cooperation. Allied to this was the absence of effective structures through which the developing countries could attempt to redress their grievances. The institutional lacunae in world trade and payments presented the developing countries with a concrete issue around which they could coalesce. Moreover, the political process within existing institutions with its emphasis on group politics contributed to the emergence of a grouping of developing countries. The growth of the NAM introduced a political impetus into Third World politics and helped to pave the way for the construction of cross-regional alliances.

These developments were reinforced by the importance given to economic development at the beginning of the 1960s. The creation of the United Nations Development Decade ushered in a set of attitudes and expectations favourable to reform of the international political economy. In this climate it was hence a reasonable expectation that an alliance of developing countries would be able to exert sufficient pressure on the Northern states in order to secure meaningful changes. Furthermore, the opposition of the developed countries to the demands of the Third World helped to cement the initial shaky coalition.

The theorisation of international resource allocation in terms of developed and developing countries contributed to a perception of the world which stressed the commonality of interests among the so-called Third World. The Prebisch-Singer thesis furnished statesmen with an explanation for the poverty of their countries and a set of remedies which placed the onus on external agencies. The generalised nature of the diagnosis pulled together countries at different stages of economic development. Theory then provided the rationale for action where economic and institutional factors had provided the necessary conditions. UNCTAD I in 1964 proved a catalytic event. The confrontational aspect of the conference, the desire to create a new institutional mechanism and the possession of a common ideology produced the conditions which were the immediate factors in the creation of the G77.

These general features have remained relevant in the ensuing twenty-two years. Pressure for global economic reform has emanated from the G77. In the face of the negativism of the

industrialised countries the developing countries discovered that only joint action was able to exert sufficient pressure in order to wrest a few concessions. The essential weaknesses which forced these countries to unite in the first place has been a constant factor in the intervening period. Divisions do exist in the G77 but certain threads of commonality have persisted over time.

The initial causes of coalition formation and the persistence of common traits provide only partial answers to questions concerning coalition maintenance. The importance of the UNCTAD framework for an understanding of group behaviour was thus assessed. The evidence suggests that UNCTAD as an organisational framework exerted a number of influences on the functioning of the G77. These can be categorised under two broad headings - institutional cooperation and issue saliency.

Several distinct but interrelated patterns of institutional cooperation affected the growth and functioning of the G77. First, UNCTAD's division along regional lines accentuated the differences between the G77 and Groups B and D. Moreover, it reinforced the regional basis of G77 politics. Secondly, the extension of UNCTAD's sphere of activity created both opportunities for increased South/South diplomatic cooperation and North/South discord. Furthermore, the dispute over UNCTAD's competence provided an issue around which the G77 could coalesce. Thirdly, the development of consensual patterns of decision-making in UNCTAD increased the importance of individual states in their respective regional groups with the result that it became relatively easy to mask disagreement in some acceptable form of words rather than accentuate confrontation through the resort to voting. Fourthly, the UNCTAD

secretariat was an important actor in the G77's decision-making process. The secretariat tended to stress cooperative strategies for the G77.

The saliency of issues discussed in UNCTAD had a two-fold effect on G77 politics. UNCTAD has been an important international organisation generating new ideas and concepts and providing a negotiating framework for international development policy. UNCTAD has been in the forefront of reform efforts in a variety of issue-areas e.g. commodity trade, finance, invisibles, and Economic Co-operation among Developing Countries. These are subjects of utmost concern to most ldc governments and the centrality of these issues tended to make governments more receptive to accepting compromise. Failure to reach intra-group agreement on a key issue would most likely weaken the G77's bargaining position on other issues. On the other hand, compromise was inhibited when rejection or acceptance of a particular principle was seemingly tied to quantifiable costs and benefits e.g. the individual commodity negotiations under the IPC.

We also assessed the impact of its own organisational characteristics and decision-making mechanism on the modalities of coalition behaviour. The G77 can be termed an informal, formal organisation. The evidence presented above shows that it has developed a high level of institutionalisation. The group has developed a number of procedures over time which respond creatively to the stresses and strains experienced by the membership. G77 sub-groups and decision-making procedures preserves the continued existence of the group. Indeed, a stable pattern of behaviour has developed historically which deepens the commitment of member states to the organisation and its goals. The regional group was discovered

to be the basic organisational unit of the G77. And the reproduction of this unit at all levels of G77 structure and decision-making provides first an element of continuity and secondly a base upon which innovations can be launched. The absence of a secretariat has not in any significant way hindered the growth of cooperation. Its main effect has possibly been a lack of preparedness and lack of focus to G77 negotiating positions. My conclusion is that a secretariat would introduce an element of rigidity into G77 politics and would therefore be detrimental to the stability of the coalition. The consensus method of decision-making in preserving the autonomy of member states provides the sole basis upon which continued support to the organisation's goals can be maintained. Any form of majoritarianism would most likely lead disaffected minorities to withdraw from the coalition.

The case-studies present important evidence and conclusions with respect to the nature and functioning of the G77 in UNCTAD. First, both the GSP and IPC emerged from the immediate context of North/South relations and seemed the most feasible issue on which to press for change. Promotion of the GSP came on the heels of a GATT discussion of the manufactured exports of lds and in the face of stern opposition by the rich countries to changes in commodity markets. The IPC emerged in the wake of producer power and high hopes for serious negotiations on international commodity policy. Both sets of negotiations developed so that it became impossible to retreat once it had become clear that the hoped for gains would not materialise. To a large extent this is a result of the G77's decision-making process. The cumbersome nature of G77 decision-making invests the 'final' agreements with almost sacrosanct

status. No party is willing to unravel the agreement in the hope of finding a better one. And no sectional interest having fought for so long to reach agreement is prepared to admit that the objective is now of limited appeal. Both case-studies also reveal the interdependence between the UNCTAD secretariat and the G77 in the development and shaping of G77 demands. There is a mutuality of interest between some members of the G77 and the secretariat but of equal significance are divergencies between the secretariat and other members. It should also be noted that in both cases the original conception had originated in the UNCTAD secretariat.

It is difficult to assess to what extent the negotiations constituted a learning process for the G77. Undoubtedly the early disagreements over the GSP led to the beginnings of the present organisational structure. On the other hand, it seems that developments have been unplanned and arise to meet specific needs. The CF negotiations were less divisive for group unity than the GSP mainly because the plethora of sub-groups provided avenues through which conflict resolution could be sought. The decision not to attempt to seek group unity with respect to the individual commodity negotiations represented not only a sensible policy in the circumstances but also can be seen as part of a learning process. The G77 negotiators, however, seemingly pay very little attention to the political pressures attendant on the governments of industrialised countries. G77 negotiators make only minimal reference to the constraints affecting Group B decision-makers. A more sophisticated awareness of the formation of foreign economic policy in the West would improve the G77's negotiating strategy.

The wider economic and political environment also affects global negotiations and the G77. During the period covered by this study a four-fold periodisation is discernible in the international political economy viz. 1964-1968; 1968-1974; 1974-1976; 1976-1980. It was only during the first of these periods that the international climate was at all propitious for the negotiation of regime change. Although the long wave of capitalist expansion after World War Two did not end until about 1972, the series of monetary crises from 1968 onwards made the industrialised states turn inward. The outward looking policy which had ushered in the first Development Decade in 1961 was buried by 1968. During the 1974-1976 period the power of the oil weapon gave the Third World its best chance of increasing its power in global negotiations. The waning of the oil weapon led to a resumption of old patterns. This study concluded in 1980 for three main reasons. First, after the high political profile of 1974-1980, NIEO discussions entered a lull from which they have not recovered. The conclusion of the C.F. negotiations seem to have exhausted all the participants. Secondly, with the advent of the Reagan administration the United States assumed a hardline approach which was even less conducive to the North/South dialogue than any of its predecessors. The importance of the U.S. in negotiating and implementing change creates a situation where other leading states are unlikely to push ahead with reform efforts when the U.S. is opposed. Thirdly, the onset of global recession focused attention on the industrialised economies and despite attempts e.g. the Brandt Commission reports, to stimulate discussion North/South issues have been side-stepped.

The evidence suggests that the G77 is likely to survive

this period of prolonged neglect by the West. Attempts at international regime change by the Third World are likely to become important issues again in the future. In so far as UNCTAD retains its centrality in the U.N. system the G77 is likely once again to play a vital role. In other words the coalition will be maintained as long as the G77 has a role to play in international regime change. The demise of UNCTAD (its central organisational focus) would probably lead to the demise of the G77.

In many respects this is a study in international political cooperation. The analysis shows that the G77 represents a diplomatic unity of the developing countries with clearly defined limits. The global political process creates the conditions whereby such an organisation can exist. The G77 as a pressure group is an outgrowth of global institutional politics and fulfils a role within the prevailing structural distribution of power. Access to the sources of power are denied to poor states and global reform initiatives can only be initiated by weak states in so far as they seek strength in numbers. The power of the coalition arises from its ability to set (or at least contribute to the setting of) the agenda rather than any ability to determine outcomes. Majoritarianism in the U.N. system gives the collective Third World the opportunity to present demands for change. Given the diversity within the coalition these demands are likely to be all-encompassing ones. Is it surprising that among the plethora of demands, few if any will benefit all states? The key to the coalition lies in its ability to satisfy the demands of a large number of its members, in stressing commonality but accepting diversity.

Our research has shown that an important reason for the continued existence of the coalition resides in the relative costs of remaining a member. First, it has yet to be demonstrated successfully that member states would benefit materially from leaving the G77. Rhetoric on this issue is not the same as convincing argument. Secondly, in respect of both the GSP and IPC we have shown that member governments have not been constrained by coalition membership from pursuing individualistic policies which conflict with the commonly agreed goals and strategy. The effective policing of members is therefore very low. This coupled with the low level of sanctions available for use against deviants means that membership of the G77 need not deter states from pursuing national policies in contexts where these conflict with agreed G77 policy objectives. The resulting lack of importance attached to G77 decisions in a curious way, then, contributes to its continued existence. The G77 is a political coalition, it is the result of compromise among a variety of interests, a political necessity in the circumstances, perhaps, but still a definite human creation.

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