Power, Ideology, and Global Development: On the Origins, Evolution and Achievements of the United Nations Conference on Trade and Development

By
Massoud Karshenas,
Department of Economics,
SOAS, University of London

Revised February 2016
(Forthcoming Development and Change, Spring 2016)

Abstract:

UNCTAD was created in 1964 as a forum for strategic thinking about international trade and development issues and for identifying mutually beneficial opportunities for policy coordination and international co-operation with the participation of both developing and industrialized countries. The history of UNCTAD, with its successes and failures, therefore, is closely intertwined with the history of ideas on trade and development and the interplay of political power and ideological manipulation in international trade and development policy making. This paper focuses on the intellectual traditions in economics which underpinned the formation of UNCTAD and examines the way such intellectual traditions have informed – both in method and substance – the subsequent thinking and research output by the institution and helped define its objectives. It compares UNCTAD's methods and research output on a number of international development issues with the positions taken by other international institutions. These findings are used to reflect on the ideological element in development economics thinking.

1. Introduction[1]

This article discusses the role of power and ideology in shaping international finance and trade policies and development cooperation since the second world war viewed through the prism of the history of the United Nations Conference on Trade and Development (UNCTAD). UNCTAD was formed in 1964 as a result of the dissatisfaction of developing countries with the institutions and policies devised in the post war period to regulate international finance and trade. It was felt that the existing framework did not adequately cater for the development needs of the newly independent developing countries and new institutions and policies that took into account the structural specificities of developing countries needed to be designed as the basis for more effective and enduring international cooperation. This was clearly spelled out in the 1964 report by Raul Prebisch, the first Secretary General of UNCTAD in the following words, ''The pressure exerted by the masses for real improvements in their levels of living has never been as strong as it is now, and in the years to come it will become a growing source of internal and world-wide tension if it is not met by a vigorous policy of economic and social development in which international cooperation must play a decisive role'' (UNCTAD 1964, p.6). UNCTAD was meant to be the forum where such policy options could be debated and mutually beneficial opportunities for policy coordination and international co-operation created, with the participation of both developing and industrial countries. The history of UNCTAD, with its successes and failures, therefore, is closely intertwined with the history of ideas on trade and development and the interplay of political power and ideological manipulation in international trade and development policy making.

This paper draws on three books on the history of UNCTAD produced internally or commission by the institution during the past few decades, in addition to the body of material that consists of the various reports and policy papers by UNCTAD,. The latest and most comprehensive of these three books is *UNCTAD at 50* which commemorates the 50th anniversary of the formation of the United Nations Conference on Trade and Development (Toye 2014). UNCTAD's website succinctly summarizes the content of the book as '[providing] an overview of UNCTAD's origins and development over the last 50 years. It focuses particularly on the reasons why some of the organization's proposals gained popularity and some did not. It concludes with a forecast of the future role of UNCTAD as an international governance regime.' The book by John Toye, which was commissioned by UNCTAD, attempts to cover all of the above in a relatively short volume which is only made possible by reliance on the author's earlier voluminous work on the history of economics at the UN (Toye and Toye, 2004) and his own experience of working at the organization. I also rely on two earlier internally-written histories of UNCTAD (see, UNCTAD, 1985 and 2004) which are better documented than *UNCTAD at 50* and have references to various other UNCTAD publications. The second of these internally-written histories (UNCTAD 2004) comes with a CD containing important documents related to the history of UNCTAD which are of value to researchers interested in the organization's history.

The formation of UNCTAD and its activities can be analyzed from a number of interrelated perspectives. One perspective is that of international relations, namely political power and national economic interests, and the way they influence the international economic order and the institutions that animate it. Another perspective is that of international social justice, and the way that wealth and political power define the parameters within which fairness is defined and enforced. A third approach is to focus on the workings of large international bureaucratic organizations and the way their internal structures and functions shift to accommodate changing external environments. Toye's book comes closest to this latter perspective, but

[1] I am grateful to Charles Gore, Ben Fine, Valentine M. Moghadam, and the editorial board of the journal for valuable comments on an earlier draft of the paper. I am also particularly indebted to Charles Gore for sending me various relevant documents which helped improve the earlier draft of the paper.

there are elements of the other two perspectives contained in the book as well. Assessing the successes and failures of a global institution such as UNCTAD, however, is a complicated issue. Such an assessment needs to take into account not only the final outcomes in relation to the goals that the institution sets for itself, but also the nature of the goals and the processes through which such goals are set. Considering that UNCTAD is not an autonomous institution, and it does not have the financial resources nor the political mandate to see its broad policy recommendations to their fruition, these latter processes – namely UNCTAD's role in creating ideas and acting as a forum for the discussion of such ideas and reaching workable compromises – become more central. Viewed from this perspective, the volume edited by Kasahara and Gore on the intellectual history of UNCTAD provides highly useful information in assessing the successes and failures of the institution (see, UNCTAD 2004).

Has UNCTAD been successful in producing leading ideas on trade, finance and development that addressed the relevant problems of the global economy over time and formed the basis for consensual agreement amongst diverse nations? Using this question as the main criterion, the general perception and also some of the more specialized literature on UNCTAD hold the view that during the first two decades of its existence, sometimes referred to as the golden age of UNCTAD, the institution was very successful. The influence of UNCTAD in this regard however dwindled from the 1980s and by the 1990s it had altogether lost its role as a policy forum for debating major trade and development issues. Toye, however, appears to be less enthusiastic about the achievements of UNCTAD during the first two decades of its existence. He refers to these years as 'the so called 'golden years' of the 1960s and the 1970s that were not in fact particularly golden' (Toye 2014, p. xiii). He takes strong exception to the initiation of the New International Economic Order during the 1970s, which he equates to a lost gamble on UNCTAD's reputation (Toye, 2014, p.61). Even so, he does not explicitly discuss the criteria by which the performance of an institution such as UNCTAD should be evaluated, nor does he pose alternative sets of policies against those advocated by UNCTAD during its first two decades.

One way of accounting for the discrepancy in Toye's assessment from the more positive view may be to argue that a large element of subjectivity always exists in the assessment of the activities of an organization whose main task is to generate new ideas and policy compromises. However, the ideas that underpin the outlook of international organizations such as UNCTAD or the World Bank should not be treated as subjective, but rather based on intellectual traditions with their own objective groundings in history. To elucidate this point and shed more light on the contradictory treatment of the early history of UNCTAD by different authors, in this article I will focus on the intellectual traditions in economics which underpinned the formation of UNCTAD and discuss the way such intellectual traditions have informed – both in method and substance – the subsequent thinking and research output by the institution and helped define its objectives. In doing this I will focus on the analysis of trade and development issues in various UNCTAD conferences and particularly the 1964 report by UNCTAD's first Secretary General, Raul Prebisch, which in a way constituted the institution's mission statement and strongly influenced UNCTAD's subsequent positions. I also make reference to two flagship annual reports by UNCTAD which appeared in later years – namely the *Least Developed Countries Report* and *Trade and Development Report*.[2]

Another reason for focusing on these aspects of UNCTAD's work is that as an economist I am more familiar with the intellectual output by UNCTAD than its internal institutional dynamics or the details of political machinations that shaped its effectiveness. Also, the neglect of intellectual traditions which underscored UNCTAD's modus operandi can easily lead to the production of a disjointed list of things

[2] Disclosure: the present author was a member of the LDC Report team between 2000 and 2006.

the organization set out to achieve and a superficial enumeration of the factors that appeared to help or hinder these aims. The focus on the intellectual history of UNCTAD also allows me to draw on my personal experience having worked as an external collaborator on a few occasions in UNCTAD's research activities. I will compare UNCTAD's methods and output on a number of international development issues with the positions taken by other international institutions such as the World Bank and the IMF. In the final sections of the paper I will use these findings to reflect on what one can refer to as the ideological element in development economics thinking.

The next section starts with an overview of the conditions which led to the formation of UNCTAD. Prebisch's 1964 report to the first UNCTAD conference (UNCTAD I) contains an interesting political economy perspective on the stage of global capitalist development and provides the context for the formation, role, and functions of UNCTAD. I will utilize this perspective in the next section and extend it to the later stages of the development of the global system in discussing the transformation of UNCTAD in subsequent sections of the paper.

2. The Background to the Formation of UNCTAD

The formation of UNCTAD, the demands and aspirations that it embodied, and the limits to its ability to fulfill its promises can be understood in the context of the international political and economic realities of the post second world war period. After the Second World War the United States emerged as the dominant global economic and political power intent on reconstructing and opening up the economies of the old European and Japanese imperial powers and their colonies. The newly created institutions governing global exchange and trade, namely the Bretton Woods institutions and the General Agreement on Trade and Tariffs (GATT) played an important role in this process. The enormous economic disruptions in the interwar period which had led to growing protectionist policies and beggar-thy-neighbor devaluations amongst industrialized countries can be viewed as the precursors to the birth of the new era of 'Pax Americana'. The 'free trade' ideology as a universal principal which was championed by Great Britain during the 19th century – the era of its hegemonic economic and political power – was no longer effective as a universal principle given the enormous natural resource endowments of the US and its relatively closed economy.[3] During the 19th century, Great Britain as the main hegemonic industrial power could uphold the principles of universal free trade as it was the dominant exporter of manufactures and heavily depended on import of raw materials and food products from its colonies. The differences in the two eras were not solely due to the natural resource endowments of the two hegemonic powers, but also the rapid advances in agricultural technologies which considerably increased land yields as well as the development of synthetic fibers and other synthetic raw material technologies meant that strong lobbies in all industrialized countries emerged in support of selective protectionism.

The Bretton Woods institutions and the new gold exchange standard were innovative institutions designed by Keynes and Dexter White to deal with dollar shortages and competitive exchange rate devaluations of the inter-war period. The successive rounds of tariff reductions in manufacturing trade under the GATT, however, emerged as a process of hard-headed negotiations amongst industrial countries rather than as a

[3] While in the late 1900s the import-GDP ratio in Great Britain was over 35 per cent, in the US during the interwar period the import ratio was no more than 5 per cent and followed a declining trend. This data and some of the interpretations in this section are based on UNCTAD (1964) discussion of the background to the formation of the institution.

result of prior design based on existing trade theories or any universal principles of free trade. In fact it took three decades for economists to catch up with the underlying facts of the new post-war manufacturing trade patterns amongst industrialized countries – namely intra-industry trade largely driven by technological change – and it took even longer for economists to start formulating their ‘new international trade theories’ by introducing technological change in conventional trade models. Greater openness to manufacturing trade of this type amongst mature industrial countries was clearly beneficial to all the participants as it enhanced product and process innovations and supported a process of self-sustaining growth and trade expansion. This ushered in the so called ‘golden age of capitalism’ which stretched from the end of the war up to the early 1970s when the Bretton Woods gold exchange standard also collapsed.

Throughout this period, however, the United States, the European Economic Community (EEC) and other industrial countries maintained strong protective measures against agricultural exports from developing countries – which continue to this day. In addition, through the introduction of hierarchical tariff structures, known in the international trade jargon as tariff escalation – that is, increasing tariff rates by the degree of processing of goods exported from developing countries – the industrialized countries positively discouraged manufacturing processing in the newly independent post-colonial states. Protective tariffs were also in force against labour intensive manufactures from developing countries such as textiles, shoes, bicycles, and electronics, and in cases where such protection was not sufficient to prevent fast growth of market share by developing countries, agreements to curtail developing country exports were enforced under the threat of the anti dumping proceedings – e.g. voluntary export restraints in cotton textiles (Toye, 2014, ch.1). Increasing tariff reductions in manufacturing trade under GATT rules mainly concerned manufacturing trade between the industrialized countries with little direct benefits to the developing countries.

If the mantra of the colonial trading system during the era of pax-Brittanica in the 19th century was ‘universal free trade’, the international trading system in the era of the American dominance can be described as a system of post-colonial domination by selective protection and limiting market access. This was one of the main reasons for the failure of the attempts in the post-second World War period in setting up the International Trade Organization (ITO) under the auspices of the United Nations. The Havana Charter which was negotiated between November 1947 and March 1948 amongst 56 of the UN member countries envisaged the establishment of ITO based on the universal and multilateral principles of free trade, with a chapter dealing with the specific problems of developing countries. The developing countries chapter stipulated giving technical assistance to those countries to establish new industries, and also included provisions for setting up international commodity agreements under certain strict conditions. The Havana Charter (1948), however, was never ratified by the US government and other industrial country governments. Already in 1947 the industrialized countries had started GATT negotiations to reduce manufacturing tariffs amongst themselves, thus bypassing the UN and its developing member countries.

John Toye’s discussion of the Havana Charter and the aborted International Trade Organization conveys the impression that the failure of the UN initiative was mainly due to the lack of support in the US congress for the type of interventionist measures contained in the chapter on developing countries. However, Prebisch’s first report to UNCTAD’s Board puts the difficulties with the underlying principles of the Havana Charter in a much wider context. It attributed the failure of the Havana charter to the fact that it was framed within the old 19th century British conceptions of universal free trade and did not take into account the new realities of the global political economy, not only with respect to the developing countries’ requirements, but more importantly with the new realities of the political economy of industrialized countries as a whole. Strong lobbies for selective protectionism in industrial countries ruled out commitment to universal blueprints as envisaged in the Havana Charter. I would add that the Havana Charter (1948) also included demand management measures for full employment, and even labour standard measures, which could not have appealed to the United States lobbies.

It took more than one and a half decades from the Havana Conference and the abortive UN-based International Trade Organzation until the formation of the first UNCTAD conference in 1964. In this period the developed countries had been forging ahead with greater integration in manufacturing trade under the GATT. But the growing number of post-independence developing countries felt that the rules of the game were against them and their trade interests were not just ignored but suffered from positive discrimination. Under these conditions the formation of UNCTAD was perceived as a highly significant event by developing countries – the so called group of 77 which constituted the initial developing country block within the new institution. The formation of a UN institution dealing with trade issues was made possible largely due to the intensification of the Cold War and growing competition between the West and the Communist bloc in trying to gain influence with developing countries. Looking back at this event with the hindsight of history there is the temptation of hastily characterizing the formation of UNCTAD as the creation of just another United Nations economic commission duplicating functions which could have been done by one or the other existing economic commissions. At the time, however, the formation of UNCTAD was seen as a momentous event which, for the first time, posed the issues of international trade policy in the context of developing countries special circumstances and needs.

3. The United Nations, the emergence of development economics and UNCTAD's first mission statement.

The emergence of development economics as a distinct sub-discipline in economics during the post second world war period was closely associated with research undertaken within the UN or by independent academics with the aid of the new data and information made available by the UN in trying to understand the policy problems facing developing countries. The main pioneers of this literature came from different academic backgrounds and specialized in different thematic and/or regional issues of economic development. Economists such as Gunnar Myrdal, Michal Kalecki, Simon Kuznets, Hans Singer, Nicholas Kaldor, Arthur Lewis, Raul Prebisch, and Paul Rosenstein-Rodan, to name a few, had diverse backgrounds and contributed in different ways to the new discipline. But what unified their approach was their common interest in applying appropriate analytical tools to the specific economic problems of developing countries at various stages of development. Context specificity defined by the structural characteristics of developing countries also characterized the approach of this new discipline in addressing the issues of international trade policy. The issue of international trade thus became an integral part of the problems of development in this literature.

This contrasted with the fragmentary approach of the GATT negotiations which by and large excluded the trade problems of developing countries. It was also in sharp contrast to the highly abstract and general models of international trade which preoccupied the academic literature at the time, where abstractions were made for the sake of mathematical tractability rather than policy relevance. The differences between the emergent development economics and what was taking shape at the time, mainly in the US universities, as the academic orthodoxy in international trade theory were not solely confined to methodological issues. Once the issue of trade was theorized in a development context concepts such as technological progress, economies of scale, learning by doing, endogenous and cumulative growth – anathema to orthodox trade theory – took centre stage. It was more than three decades later that the orthodox trade theories began to incorporate such dynamic notions into their theories. As pointed out by

Paul Krugman, one of the founders of the new trade theory: ‘‘It is noteworthy that the Handbook of International Economics (Jones and Kenen 1984) does not contain a chapter on technological change, nor is the subject given more than passing mention in the chapters that are included. Even the rise (after 1980) of the so-called ‘new trade theory’, with its emphasis on increasing returns and imperfect competition, was initially based on static models in which countries were usually assumed to have identical production functions’’(Krugman 1995, p.342).

The Report by Raul Prebisch to the first UNCTAD conference in 1964 was the distillation of this body of knowledge, based on research during the previous one and a half decades, making the case for trade policies which were inclusive of the interests of the developing countries and in the long run benefited the industrial countries as well. The Report was titled ‘Towards a New Trade Policy for Development’ and discussed trade policies under three broad and inter-related titles, namely, (i) Primary commodity issues, (ii) Industrial exports from developing countries, and (iii) Financing issues.

Primary commodity issues: The problems facing primary commodity exporting countries were not difficult to analyze, but solutions were less apparent and turned out to be some of the more vexing issues which still remain with us. One aspect of the problems facing primary commodity exporting countries was the wild pro-cyclical fluctuation of commodity prices over the economic cycle. The transmission of the economic cycles emanating in industrial countries exerted a double loss on the primary commodity exporters during the downturn of the cycle, in terms of both quantity demanded and sharp price declines. This would in turn lead to a contraction in demand for industrial country exports from the developing countries which further exacerbated the initial downturn.

It was clear that a solution which could smooth commodity price fluctuations over the cycle would benefit both the consumers and producers. The Report recommended exploring the setting up of international commodity agreements and the use of internationally financed buffer stocks as possible solutions. This recommendation was based on a considerable amount of research done both within the UN and outside during the previous two decades. In preparation for the 1964 UNCTAD meeting Nicholas Kaldor reviewed this literature at the request of Raul Prebisch and highlighted the difficulties that needed to be overcome for the success of such agreements (see, Kaldor 1964, Chapters 16 and 17). The success of such commodity agreements critically depends on very close cooperation between the consuming and producing countries, which is normally difficult to arrange, but it was hoped that such arrangements could be facilitated by a common negotiating body such as UNCTAD. Furthermore, rapid technological changes in the production of primary commodities or their substitutes, and the possibility of the economic cycle itself being due to such technological shocks, introduces further difficulties in commodity price stabilization even when the political and institutional grounds are favorable. Commodity agreements were, nevertheless, suggested in the Report as possible solutions to be examined on a case by case basis rather than rigid principles. It was believed that, like other economic policies, trial and error and a willingness to pursue the set objectives by all parties could lead to some workable solutions.

Another aspect of the problems of commodity exporting countries addressed in the Report was the slow growth of export revenues of commodity exporting countries relative to manufacturing exports in the long run. This was discussed in its two dimensions: the slow growth of real demand and the adverse terms of trade movement against primary commodity exporters. The terms of trade aspect, related to the so-called Singer-Prebisch hypothesis, was controversial as it recommended applying, if possible, the same policy tools which could be devised to smooth cyclical price fluctuations in order to achieve a ‘fair’ price for primary commodities in the long run as well. The slow growth of export volumes of primary commodities relative to manufacturing products, on the other hand, was an uncontroversial fact of economic development. In order to catch up with more industrialized economies the primary commodity exporters, therefore, needed to deepen the processing of their primary commodity exports and industrialize. Trade policy recommendations were similarly more straight forward – namely, in addition to the removal of import barriers on primary commodities, tariff escalation and restrictions on imports of labor-intensive manufacturers by industrialized countries needed to be removed. The Report recognized the obstacles posed by the short-term interests of special lobbies in the industrialized countries, but argued that the effect was not different from that of labour-saving technological progress in these economies which in the long run would be beneficial to all parties.

Tariff preferences: The second set of policies, also related to the last point above, were the more general issues of tariff preferences for the manufacturing exports of developing countries. UNCTAD's position on the question of industrialization in developing countries was that this process could not progress very far unless the new import substituting industries in time became export oriented. The experience of import substitution industrialization during the interwar period had shown that to reap the benefits of economies of scale and equally importantly to prevent a widening trade gap the developing countries needed to become manufacturing exporters. Given that the initial cost of the infant industries in the developing countries prevented them from being competitive in world markets, the policy of non-reciprocal general tariff preferences for the exports of developing countries by industrial countries was advocated. This was proposed to continue for a specific period from the inception of exports of a particular manufacturing product from a country until a certain manufacturing export share purported to be sufficient for reaping economies of scale was achieved. A maximum ten-year period of preferential treatment was suggested. This was against the reciprocity rules of multilateral trade according to GATT's regulations. The reality on the ground, however, was that at the time the industrial countries in fact discriminated against manufacturing exports from developing countries, contrary to GATT's principles.

Compensatory financing: The third inter-related element in UNCTAD's position was compensatory financing which was deemed imperative in situations where it would not be possible to prevent income loss to developing countries due to terms of trade deteriorations through commodity agreements. This issue was also previously studied and debated within the UN and other international institutions over the previous two decades (See, e.g., Kaldor 1964, Ch.14 for a survey and references to previous studies). Compensatory financing was not viewed as a subsidy to producers, but rather as a balance-of-payment support that could help alleviate the effect of terms of trade deterioration and prevent the resulting economic slump. In the absence of supplementary financing, commodity exporting countries facing adverse demand or price shocks could be tempted to restrict their imports through higher tariffs in order to maintain their domestic investment levels, as had been experienced in the interwar period for many commodity exporting countries. Devaluation would not be an option in this case, as for small commodity exporters the dollar prices of primary commodities are set in the international markets and supply constraints were not the issue, and in the case of large producers this could lead to further deterioration of terms of trade. The funds were envisaged to be held and disbursed by the international credit institutions such as the World Bank or the IMF, under the supervision of an international independent team of experts.

4. Ideals and Achievements

The main concrete achievement of the first UNCTAD conference in 1964 was essentially the creation of UNCTAD as a permanent UN organ dealing with trade and development issues. In the aftermath of the first conference Nicholas Kaldor wrote, "Though in terms of concrete results its achievements were meager, this conference seems to have succeeded in promoting a new consciousness among the underdeveloped nations of their community of interest, and in creating a forum through which their needs and requirements will receive more continuous and systematic attention in the future. Sooner or later this is bound to lead to a new set of rules and of institutional arrangements that gives more adequate recognition to the differing requirements of countries in different stages of development.''

Subsequent UNCTAD conferences during the 1960s and the 1970s followed the three core demands formulated at the UNCTAD I conference with a few additional extensions or amendments. UNCTAD II in 1968 introduced the demand for 1 per cent GDP of developed countries to be earmarked for foreign aid in view of the growing trade gap in developing countries and insufficiency of development finance. UNCTAD IV in 1976 introduced the idea of a common fund for commodities.

Though the optimism that Kaldor had expressed did not materialize, UNCTAD scored a number of achievements in terms of its three main objectives. Despite opposition from the industrialized countries, a number of international commodity agreements were implemented during the 1960s and the 1970s, but none of them lasted long. On the supplementary financing for commodities, no special funds were set up, but the IMF created a balance of payments support program for countries facing serious balance of payments problems as a result of sharp negative export shocks. From a practical point of view it could be said that the most important amongst UNCTAD's three main objectives was perhaps that of tariff preferences. The principle of tariff preferences for developing countries was ultimately agreed upon by industrialized countries during UNCTAD II conference in 1968, which can be regarded as a substantial achievement for UNCTAD. However, in practice agricultural products were excluded and developed country tariffs on labour-intensive manufacturing exports from the developing countries were to be negotiated on a case by case basis by individual countries. There were other achievements of UNCTAD such as the success in breaking the shipping monopoly which imposed heavy cost for developing country trade as detailed in Toye (2014) and UNCTAD (1985, 2004).

Another major initiative by UNCTAD during the 1970s was the New International Economic Order (NIEO) and the Charter of Economic Rights and Duties of States, which were ratified by the General Assembly of the United Nations in 1974. The NIEO covered issues such as: sovereignty of nations in economic policy making; equality of all countries in addressing world economic problems; special measures to advance the development of the least developed, land-locked and small island economies; supervision of the activities of transnational corporations; reform of the international monetary system with a view to promoting economic development of developing countries; provision of aid to developing countries free from any political or military ties; a more comprehensive role for the UN as a universal organization in international economic governance; protection of environment and putting an end to the destruction of natural resources (see, UN, 1974 and 1974a). Issues at the forefront of UNCTAD's activities since the 1964 Prebisch Report, namely preferential treatment of developing countries in market access and compensatory finance, and measures to achieve stable and 'fair' commodity prices were also included in the NIEO. Many of the issues raised in the NIEO remain relevant to the governance of the international economy to this day. To establish such norms and to have them ratified by the UN General Assembly should be counted as a major achievement by UNCTAD – judged by criteria appropriate to the mandate of the organization as discussed in the introductory section of this paper.

In discussing the NIEO, Toye (2014, ch.4) almost entirely focuses on the issue of a common fund for commodities and the failed attempt at an integrated approach to commodity price stabilization by UNCTAD. Many of the comments made by Toye on the integrated approach are pertinent, but this overshadows the overall significance of the NIEO, as illustrated in the following excerpt ending his discussion of the failure of the integrated approach to commodities: 'Gamani Corea had gambled UNCTAD's reputation on success in bringing about a New International Economic Order. A reasonable verdict is that he lost his gamble.' Toye also closely links the NIEO to the oil price boom of the 1970s following the Arab oil embargo of 1973-74 that according to him led to 'high expectations' by other commodity exporting countries and emboldened UNCTAD in pushing the NIEO agenda. He writes, 'Between them, Perez Guerrero, Echeverria, Boumedienne and the Shah of Iran were responsible for drafting the key texts of the new international economic order, and UNCTAD provided the venue for the work'. The first paragraph of the Charter of Economic Rights, however, makes it clear that the work on the NIEO was started at UNCTAD in 1972 well before the Arab oil embargo. The second paragraph of the Charter mentions that the working group to draw up the text of NIEO was to be set up following the General Assembly's 1972 stipulation that the working group should be composed of forty member states (UN, 1974a). It may be the case that the Shah of Iran and others 'were responsible for drafting the key texts', but the lack of references in Toye's book makes it difficult to reconcile this anomaly with the text of the UN Charter. Given the wealth of information in Toye's book, it may not be a bad idea for UNCTAD to appoint a research assistant to help provide references for future editions of the book.

What in my opinion can be counted as a major failure of UNCTAD during the 1970s is that it failed to support the NIEO with more substantive analysis of the general principles contained in the Declaration on the Establishment of NIEO (UN, 1974), taking Prebisch's 1964 expansive Report as a model. This was particularly critical in the 1970s, as global capitalism was entering a new phase and the political economy framework applied in the 1964 report needed to be extended to this emerging phase to delineate the new challenges faced by the international economy.

5. The Neo-liberal era and the transformation of global capitalism

The rise of neo-liberal politics in industrialized countries from the late 1970s heralds a new era in global capitalist development transforming the position of developing countries in the international division of labour and, along the way, the role of UNCTAD. Neo-liberal politics in the West was instrumental in bringing about substantial restructuring in the industrialized countries. The lobbies that hitherto were successful in protecting home markets from cheaper manufactured exports of the developing countries now became powerless in the face the requirements for capital restructuring at home. There is a vast literature on the politics of industrial restructuring in the western countries in this era. Examples of some of the early literature on this topic are Bluestone and Harrison (1982) discussing this process with respect to the American industrial restructuring when the old 'sunset' industries which had spearheaded the industrial dominance of the US since the 1950s faced intense competition from abroad and were either relocated to other parts of the world or replaced by new 'sunrise' industries. Another example is Jessop (1991) discussing the politics of industrial restructuring in Germany, Great Britain and the Scandinavian countries.

The old international division of labour based on arms-length trade in this new era was replaced by growing mobility of productive capital and sourcing different elements of the production process from the most cost-effective region rather than relocating the whole production process. This new era of global capitalism, driven by new technologies and new organizational forms of production and spearheaded by multinational companies, involved new modes of integration of the developing countries in the international division of labour (see, e.g., Frobel, Heindrichs, and Kreye, 1981 for an early work on this). New considerations such as protection of investment and profits as well as trade in services, protection of intellectual property rights, and trade-related investment issues were added to the old trade and development issues.

From the late 1970s one can also observe a clear bifurcation in the development path of developing countries into two broad groups. One consisted of countries that had a sufficiently long experience of industrialization so that by the early 1980s a major part of their exports was constituted by manufactures. The second group was composed of newly independent countries whose industrialization experience was not more than one or two decades and they were predominantly primary commodity exporting countries. During the oil price boom of the 1970s all the non-oil exporting countries witnessed a dramatic decline in their terms of trade and a rapid build-up of external debt. This applied to both the industrial exporters, largely consisting of Asian and some Latin American countries, and the non-oil commodity exporting groups, largely African economies. However, the main difference between the two groups was that, while the manufacturing exporters gradually grew out of their balance-of-payments difficulties taking appropriate measures such as devaluations of their exchange rates, the commodity exporting group fell deeper into indebtedness during the 1980s primary commodity price slump.

All the predictions of Prebisch's Report to the first UNCTAD conference regarding the vulnerabilities of primary commodity exporting countries were now materializing, if not in the manner that he had anticipated. Neither the commodity price stabilization schemes nor the compensatory finance safeguards proposed by UNCTAD I were in place to protect against the calamity that befell the commodity exporting countries during the 1980s. Balance of payment support did materialize during the 1980s, but under totally different conditions than compensatory financing advocated by the first UNCTAD conference. The extension of neo-liberal politics to the realm of international development from the early 1980s saw the development of program financing from the World Bank that provided balance of payments relief to primary commodity exporters conditional on a host of deep structural adjustment policies, one element of which was the liberalization of foreign trade. The wave of liberalization and competitive devaluations amongst the commodity exporters further exacerbated the terms of trade effect and pushed these countries into deep indebtedness. Between 1980 and 1992 the terms-of-trade losses for primary commodity exporting countries in Africa was on average above 100 percent of their export values, losses which ranged between 50 to over 300 percent of the value of exports in different countries and, by the early 1990s, they carried heavy unsustainable external debts (see, Table 1).

John Toye writes extensively about the impact of the oil crisis of the 1970s on indebtedness of developing countries and the Mexican debt crisis of the early 1980s. However, as shown in Table 1, the more serious debt crisis of primary commodity exporters in Africa was a more drawn out process which took place over time during the 1980s under the stabilization and adjustment programs of the World Bank and the IMF. In 1970 the indebtedness of the African primary commodity producers was similar to the other regions at around 22 per cent of debt to GDP ratio. Even by the end of the second oil price shock of the late 1970s the average debt ratio in African countries was not appreciably above Latin America and Asia. However by 1992 under the adjustment programs the external debt GNP ratio in commodity exporting countries had attained astronomical proportions and the debt service (mainly to official bilateral and multilateral lenders) had itself turned into a burden. For example, by the mid-1990s debt service was more than 112 per cent of total social sector spending in Mali, 184 per cent in Mauritania and 228 per cent in Tanzania (UNCTAD, 2000). This process also carved up a group of countries from within the group of 77 that became totally dependent on the bilateral aid donors and the Washington institutions. A cynical interpretation can be that the crisis of the 1980s for the primary commodity producers was created in order to force the poorer ranks of developing world into submission to the neo-liberal transformation. More powerful countries with a longer background in industrialization such as China, India, Brazil and others in the meantime managed to maintain their development and even benefited from the new opportunities offered by the emerging international division of labour in this new era of global capitalism.

{Table 1 here}

The 1980s also witnessed the beginning of a process of change in the role of UNCTAD. The ascendancy of neo-liberal politics in the industrialized countries posed a serious challenge to UNCTAD and at one stage even the need for such an organization came under question by the USA and other rich countries, but the support of the Group of 77 was still strong enough to avert the danger of closing the institution. However, UNCTAD was transformed from being a forum for multilateral negotiations on trade and development issues to one of provision of technical assistance, policy research and information provision. The final communiqué of UNCTAD VIII in 1992 announced the future role of the institution to be limited to 'Policy analysis; intergovernmental deliberations, consensus building and negotiation; monitoring, implementation and follow up; and technical cooperation' (Toye, 2014, p. 82). With the creation of the World Trade Organization (WTO) and the membership of a large number of the developing countries in WTO, UNCTAD carved up new areas of competence in conformity with the requirements of the new phase of global capitalism and in a complementary manner to the mandate of the WTO which incorporated the previous GATT agreements together with a much larger mandate including issues, old and new, related to trade and development. The new functions of UNCTAD range from technical advice to developing countries in preparation to joining the WTO, helping indebted countries with the management and negotiation of their external debt, research and information provision in international investment, research in commodities, and other valuable technical co-operations with developing countries (see, UNCTAD, 2004, and Toye, 2014).

6. The Washington Consensus and UNCTAD's research

The end of UNCTAD's role as a forum for debate and generation of new strategic ideas in the field of international development coincided with a counter-revolution in development thinking which was spearheaded by the World Bank and the IMF – the so called Washington Consensus of the 1990s. It is however remarkable that from the early 1980s, when what later came to be known as Washington Consensus policies were taking shape, UNCTAD was at the forefront of the critique of such policies through its various research publications and annual reports. Gore (2004) provides a detailed analysis of such critique in relation to various thematic issues and in the context of different country groupings in various UNCTAD reports from the early 1980s to the early 2000s. As Gore points out, this critique was developed in the same context-specific traditions of the founding fathers of development economics that formed an important part of the intellectual history of UNCTAD, rather than counterpoising another set of ready-made policies against the general Washington Consensus prescriptions. By the late 1990s when the Washington Consensus had lost all credibility and the floodgates of critical appraisals had opened, UNCTAD had already been questioning these policies for almost two decades.

The research work by UNCTAD is also commended by Toye (2014), with reference to two flagship annual Reports, namely the *Trade and Development Report (TDR)*, and certain issues of the *Least Developed Countries Report (LDC Report)* which appeared under the editorial lead of Charles Gore during 2000-2008. In particular he contrasts the critical analysis of TDR on trade, finance and development as interdependent issues with the fragmented analysis of the World Bank, the IMF, and WTO which leads to ''lack of policy coherence evident in the work of these international institutions''(page 70). As an example Toye quotes from the IMF 2006 Annual Report, just before the 2007-08 financial crisis, maintaining that ''the dispersion of credit risk by banks to a broader and more diverse set of investors … makes the banking and overall financial system more resilient''. He goes on to ask, “How could any official institution become so completely captured by the group think of the private banking industry ...after the TDR of 2004 had already warned of the coming increased instability in the currency and financial markets?’’(p. 111). Toye contrasts the analysis of TDR in relation to various financial crises with those of the Bretton Woods institutions and concludes ‘‘[Its [TDR’s] policy proposals have been astute and ahead of their time. It has built a proud record of being in the forefront of intelligent responses to the neo-liberal counter-revolution’’ (page 71).

Another critique of the policy-related research work by Bretton Woods institutions is related to the conflict of interest of such research work that often seeks to justify their pre-set policy stance – a phenomenon which became notoriously prominent during the Washington Consensus era of the 1990s where design, implementation, and appraisal of policies were undertaken by the various offices of the same Washington institution. UNCTAD’s analyses, however, have often exposed the fragility of such ‘policy research’. Here it will suffice to give two examples from my own experience of research related to the LDC reports by UNCTAD. The standard conditionality of program aid during the Washington consensus era was based on the idea that a necessary and sufficient condition for aid effectiveness was sound economic policies in the recipient countries. This proposition was supported by a World Bank policy paper written by Burnside and Dollar (1997), who used a composite policy index based on government budget deficits, inflation and openness in an econometric study of aid effectiveness. Others had already challenged the robustness of the econometrics exercise by Burnside and Dollar (e.g. Hansen and Tarp 2000). The LDC report, which appeared in 2000, approaches this issue in a totally different manner. By examining the actual channels through which aid is transmitted to different LDCs it demonstrates how the aid delivery system itself constrains independent policy-making in these countries. It shows how policy space has been eroded by the double squeeze of uncoordinated and dysfunctional aid delivery systems on the one hand, and by policy conditionality on the other (UNCTAD, 2000, ch.6).

Another example of effective UNCTAD research relates to the period of the so-called post-Washington consensus when the World Bank began a charm offensive program by appearing to be more accommodating to the demands of the NGO community and issues such as policy ownership and poverty reduction strategies became its focal point. This led to an outpouring of research output, spearheaded by the research department at the Bank, but also numerous contributions by independent researchers, debating the so called poverty-growth-income distribution triangle. The 2002 LDC Report demonstrates the futility of this statistical approach by making a distinction between what it refers to as generalized poverty and normal poverty. It demonstrates that under the conditions of generalized poverty, where the vast majority of the population live below the international poverty line defined by the World Bank, a necessary condition for poverty reduction is economic growth. The issues involved are not different from those of economic development in low-income countries discussed in the economic development literature during the 1960s as the low level equilibrium trap. However, under the conditions of normal poverty, which exists in all societies, the LDC report argues that growth is neither necessary nor sufficient for poverty reduction. Polices regarding normal or genuine poverty fall within the realm of social policy – which strangely enough does not receive much attention in the debate on poverty-distribution-growth triangle initiated by the Bank (UNCTAD, 2002).

There are numerous other examples of good research conducted in UNCTAD, e.g. issues related to foreign direct investment and technology transfer, the role of states and markets in the so-called Asian miracle, comparative growth of Asia and Africa, etc. which falls beyond what can be covered here.[4]

[4] For an excellent review of UNCTAD’s research covering the above areas see Gore (2004). As Gore points out, UNCTAD’s work in this regard was not primarily a critical one, but it also put forward positive policy recommendations informed by its pervasive comparative analysis of Asia, Africa, and Latin America, taking care

There is of course also a large critical literature on the Washington institutions conducted by independent researchers outside UNCTAD (see, e.g., Fine and Saad Filho, 2014, for other references). All international organizations dealing with international development issues draw on this independent source of academic research – particularly so in the case of UNCTAD with a much smaller research budget than the World Bank. The question which remains to be answered is why there is such a difference between quality of policy research of an institution such as UNCTAD and the World Bank. One answer that was referred to above, may be the conflict of interest in institutions such as the World Bank and the IMF that are deeply involved in both policy design and implementation, and research. Another answer given by Toye is that the international financial institutions are dominated by the OECD countries, particularly the USA, and hence their research output has to be cognizant of the interests of the US government (see also Toye and Toye, 2004, ch.12). These answers seem to be plausible and there is plenty of evidence to support them – e.g. the resignation of World Bank research directors because of political interferences, and the lack of any research papers from the World Bank that are critical of its own policies.

This, however, raises broader issues regarding policy research in economics. After all, both the Bank and UNCTAD rely on the same community of economics graduates as researchers and utilize the same pool of academic research on development policy issues. To say that one institution is tainted by political bias and another is doing research in a more neutral political environment does not go far enough in delineating a divide which is inherent in the economics discipline itself. UNCTAD appears to follow the same critical intellectual traditions of the first generation of development economists that drafted the institution's first conference report. As discussed in section 3 above, context specificity was the hallmark of model building in this tradition. Concepts used in this approach are real abstractions based on the realities of developing countries at particular stages of development (what Kaldor referred to as stylized facts). Competing theories or models based on such real abstractions are constantly confronted with reality and tested against specific alternatives. Policy advice in this framework is pragmatic and assumes a trial-and-error character.

The second approach which seems to inform the Washington Consensus policies is based on axiomatic abstractions regarding individual behavior, or in recent years increasingly based on experimental abstractions on individual behavior, devoid of any social and historical context. The mathematical models based on this approach are often elegant thought experiments and can be useful as such, as long as one is aware of their limitations. However, since they abstract from a great deal of social and historical realities, empirical verification of such models often involves the introduction of a myriad of *ad hoc* variables which leads to lack of robustness. For the same reasons, once the results of such models are simply transplanted into the policy realm they become no more than a pseudo scientific ideological veneer which can be quite destructive. This is akin to the Hegelian concept of empty abstractions, which are ideas that self-destruct once they are put into action. For example, the concept of liberty used in abstraction from its socio-economic context leads to tyrannical rule and oppression as has been often the case in post-revolutionary conditions. The ideological certainties of the Washington Consensus with its claims to general applicability were based on such empty abstractions. This is not necessarily the result of such policies being based on mathematical models or following methodological individualism. The apparently structural concepts such as 'corruption' or 'governance', often used in the Washington Consensus literature and sometimes measured by mere index numbers, are similarly empty abstractions

'not to propagate simple formulae or recipes' (Gore, 2004, p.53). Some of this comparative research output was published in the special issues of the Journal of Development Studies (1998) and Cambridge Journal of Economics (2001).

when used as general notions without an attempt to theorize them as concrete concepts in a specific socio-economic context.

7. Conclusions on the future of UNCTAD

In his concluding chapter Toye (2014) traces the possible future role of UNCTAD based on its current competencies and five cross-cutting issues which he refers to as the ‘threats to globalization’. These issues are cybercrime, the regulation of the foreign direct investment rules across countries, regulation of global finance, illegal and unruly migration, and issues related to global warming. These are better termed the contradictions of current global capitalism rather than ‘threats to globalization’ (which invokes the impression of external challenges to the system). At the heart of these contradictions lies the fact that productive capital, and on the back of it finance capital, are becoming increasingly global while governance still remains by and large national, with a few transnational regulating institutions with fragmented mandates and different degrees of representation. The history of UNCTAD, which attests to the glaring failure of solving much simpler issues on a multilateral basis during the heyday of this institution and at a time when country groupings constituted much more homogeneous and simpler alliances, makes for a depressing reading for future prospects.

It also would be important to remember that much of the old issues of trade and development highlighted in the first UNCTAD report are still present. Commodity prices are now subject to much wider gyrations due to substantially increased financial speculation at a global level. The issues of agricultural protection by the OECD countries, and increasingly by the more industrialized developing countries, have become even more severe than in the 1960s. On the eve of the new millennium the combined agricultural support in OECD countries amounted to US$311 billion, the highest ever estimated (Ingco and Winters, 2004). Despite the granting of preferential access to the least developed countries by the USA and the European Union, the issue of tariff escalation still remains highly significant for the development of primary commodity processing in the developing world (see ITC 2010). These issues plus broader issues of concern to the OECD countries related to investment and patent protection are now shifted to the negotiations taking place within the WTO framework. It is not surprising that with the widening membership of WTO there has been little progress in negotiations since the Doha round. An added problem is that, while trade negotiations under UNCTAD took place in a development context where trade and concessionary transfers were negotiated in an integrated fashion, in the current context there is a fragmentation between institutions governing trade negotiations and development finance. A more coherent and democratic governing system and more coordinated set of practices in the fields of trade, finance, and development are needed, and UNCTAD with its history, governance structures, and its accumulated expertise can yet play a role in this process.

Table 1: External Debt Indicators for Countries in Asia, Africa, and Latin America

	Debt GNP Ratio			Cumulative Current Account Deficit [(a)]	
	1970	**1980**	**1992**	**1970-80**	**1980-92**
ASIA					
Korea	29	49	15	-28	1
Malaysia	12	28	36	1	-29
Singapore	...	...	...	-69	16
Hong Kong	...	...	...	11	22
Thailand	14	26	36	-27	-37
India	14	12	32	-3	-25
China	...	2	14	-3	3
Bangladesh	0	31	56	-57	-62
Indonesia	35	28	67	-1	-28
Pakistan	32	42	48	-35	-36
Philippines	33	54	61	-27	-42
Average Asia	**21**	**30**	**41**	**-22**	**-20**
Africa					
Ghana	26	32	63	-14	-55
Kenya	31	48	84	-53	-81
Tanzania	17	48	266	-59	-310
Nigeria	7	10	111	7	-5
Zaire	7	36	111	-31	-84
Zambia	47	91	211	-64	-157
Zimbabwe	16	15	74	-18	-75
Average Africa	**22**	**40**	**131**	-33	-109
Latin America					
Argentina	19	36	30	-4	-18
Brazil	14	31	31	-25	-11
Chile	37	46	49	-27	-52
Mexico	18	31	35	-22	-25
Colombia	32	21	37	-2	-16
Venezuela	11	42	62	9	28
Average Latin America	**22**	**34**	**41**	**-12**	**-16**

Notes: (a) As a percentage of end year GNP. The last period for Zaire ends in 1989, and Zambia 1991.
Source: Karshenas 2000.

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