

Asante, K. B.

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Preview on UNCTAD III

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Preview on UNCTAD III

The formation of ideas concerning development problems will be centered in the near future on UNCTAD III. This is the reason why we talked to Mr K. B. Asante, Ambassador of Ghana to Switzerland and Permanent Representative to the Office of the United Nations and other international organisations, who was President of the UNCTAD Trade and Development Board in 1969 and 1970.

Mr Ambassador, preparations for the third UNCTAD-conference have been going on for some time. Would you say that Santiago is going to bring the hardest confrontation up to now between developing and industrialised countries?

No, I do not think so, because in my opinion the agenda does not contain any essentially new elements. They have all been discussed before and therefore I do not expect any more confrontation than we had before.

The share of developing countries in world trade has diminished between 1960 and 1970 from 21.3 to 17.6 p.c. What are the main reasons for this negative development?

In my view, there has been inflation in the prices of manufactured goods which we need for development; and at the same time there has been a general decline in the prices of the primary commodities which we ex-

port. Our exports have furthermore faced not only tariff barriers but also non-tariff obstacles, which have also added to our difficulties.

International Commodity Agreements

In the opinion of many experts international commodity agreements are necessary in order to change this situation. Although they were already demanded in Geneva and New Delhi at UNCTAD I and II, only a few such agreements have been signed up to now. What can be done in this field in the future?

What is required now in the field of international commodity agreements is the political will on both sides. I think that we have had enough discussions and studies on this subject and what we now need is some action in appropriate fields. Take the international cocoa agreement, for example; although

many studies have been prepared and every point of interest has been discussed extensively, no agreement has been reached yet. The reason for this is that in some industrialised countries the political will to reach agreement is still lacking. Strong lobbies in these countries have brought pressure to bear on the Governments concerned, which prevented them from accepting a reasonable international cocoa agreement.

Simultaneous Negotiations

It is because of past difficulties that Dr Mansholt of the EEC-Commission suggested simultaneous negotiations on a number of commodity agreements. Would you say that negotiations on a multilateral basis could help to speed up the process of arriving at an agreement?

Although it is not a new idea, it is certainly a very attractive one. When you negotiate on one

commodity agreement at a time, it is sometimes very difficult for all governments to come to a common solution. But if you have many commodity agreements being negotiated at one time, then it is more likely that one country will give in a little in the negotiations of one commodity if it sees that it is gaining something in the other. Therefore I would personally believe that we should look into the idea intensively. We would need to establish a study-group on this matter.

As you know, UNCTAD is committed to a commodity-by-commodity approach. And I therefore think that we should continue with this approach for the time being, but at a much faster rate than up to now while we study the group approach. We need these commodity agreements in order to reduce the danger of sudden steep price drops as has befallen some primary commodities in the past few years.

Stronger Supply Position

Will the developing countries, as demanded in Lima, be able to change their marketing and distribution structure in such a way as to strengthen their supply position following the example of the OPEC-countries?

First of all one has to point out that such a strategy is much easier for certain commodities like oil which are of vital interest for the developed countries. Other commodities can be substituted by synthetics — like wool or cotton — or are not so essential — like cocoa. But even with cocoa the developed countries could not do without it over a long period of time, since influential business quarters have invested in machinery in order to manufacture cocoa butter and other cocoa products for which cocoa beans are essential. So if all cocoa producers would unite,

that would certainly bring greater pressure on the industrialised countries.

Unfortunately when it comes to specific issues, developing countries tend to think too much of their national interests. In fact we behave sometimes exactly in the same way as developed nations do. We are not willing to sacrifice some national aims in the interest of developing countries as a whole. If we could produce some changes in our own attitudes, I am sure we could negotiate with greater success.

International Division of Labour

But with or without commodity agreements, will the trade position of developing countries improve at all if no fundamental changes in the production structure of industrialised countries, through a reduction of the agrarian sector, or in developing countries, through diversification, takes place?

We need to discuss the principles of a long term international division of labour. The developed market economy countries resist such a discussion on the grounds that it might lead to fruitless confrontation. But in my opinion it would be extremely difficult to achieve the aims, for example, of certain measures such as preference schemes, if there are no clear ideas about the international division of labour structure we are aiming at. Or look at the much talked about problem of diversification: here again a discussion of principles will help because if a country like Ghana, where 60 p.c. of foreign exchange earnings come from cocoa exports, diversifies, what does it diversify into? Coffee production, rice production, rubber production — these are immediate possibilities for Ghana, but such horizontal diversification makes the situation worse for other developing nations.

Would you agree that there is need for a discussion about the main lines of an international division of labour especially on such products which cannot be substituted by industrialised countries?

I think so. And the result of the discussion should not be a rigid international division of labour which is to last indefinitely but an international division of labour which should be revised from time to time as technology and the general world trade and production pattern change.

The governments of Japan and most of Europe have introduced tariff preference systems which have, however, been criticised quite heavily from all sides. How do you judge these preference systems?

Tariff Preference Systems

In my view they are inadequate. From the African standpoint the coverage is too narrow. For example, processed agricultural goods are not included in the offers of the Common Market Countries. If you want Ghana to industrialise, the obvious first step would be to help this country to process cocoa beans into cocoa butter. But cocoa butter is not included for example in the EEC Preference Scheme.

But let me make one point clear: The systems are a step in the right direction, in spite of all the critical remarks that can be made. One should always look for ways, however, to improve the effectiveness of the schemes.

Would these preferences be more effective if the USA should decide to accept them, too?

Certainly yes. And we do still hope that the United States — and other countries — will find it possible to implement a scheme of preferences. It has been a com-

mitment of developed countries at UNCTAD II and we shall certainly ask that this commitment is put to practice.

Non-Tariff Trade Barriers

On the question of elimination of non-tariff trade barriers little has been achieved up to now, although at the past two conferences this was an important demand of the developing countries. What measures would you recommend here in the future?

I think we need a special body within UNCTAD which should work very closely with GATT on this subject. I know that GATT has done very much preparatory work and that the present Director-General, Mr Olivier Long, is very keen on a round of negotiations on non-tariff barriers similar to the Kennedy Round. Developed countries are willing not yet to commit themselves to a time-table of negotiations. But if developing countries continue to press on this issue, we should have very important negotiations very soon on non-tariff barriers.

Another matter still unsolved is the financial assistance problem. No solutions have been found on the question of compensatory financing, on the link issue between SDRs and additional development assistance or on the subject of more aid on easier conditions. Are there more radical proposals to be expected from the Third World countries concerning the financial sphere?

In the absence of the implementation of all the measures which you have mentioned, which are in themselves in many ways "radical", it would be unrealistic for developing countries to present more radical measures. Such "radical" measures would provide developed nations with an easy excuse. They will say: "well, let us study these new ideas in a study group". The proposals

would be sent to the IMF and to the World Bank and it would take years before these study groups arrive at any conclusions. We have had very bad experiences in this field in the past.

So we would rather use the studies which have been made on the existing ideas and try to see whether we could get some of them implemented. For example, as you know there are eminent economists, who believe that the idea of the link is not a bad one and that it is theoretically and economically feasible. Therefore we are going to demand again some form of a link. And a similar procedure will take place concerning the other demands such as a more flexible scheme of compensatory financing.

Debt Abolishment

One radical proposal, however, has not been made officially up to now: that is the proposal to abolish from, let us say, 1975 on all or a substantial part of the international debts of developing countries.

I am in favour of such a proposal. It has been mentioned and discussed before, but without very much success, because it always met with the indifference of the developed countries. The take-off effect of such a decision would no doubt be very important — even if there were conditions attached to it. In the case of Ghana, for example, it would mean that delegations could stop rushing around the world in order to re-schedule debts or to find ways and means of paying off debts. This is a waste of efforts and time which could be used for more effective national planning.

The 1 p.c. clause, to which the majority of the industrialised countries agreed to in New Delhi, is still an illusion. This fact and many other symptoms

seem to indicate that there is a certain weariness in these countries about development aid. Is it realistic to believe under these conditions that the conference in Santiago will be a success?

Development Strategy

We have to define anew what we mean by aid. As I have said before, I believe that the fundamental problem facing developing countries is not so much insufficient financial aid but the current unfavourable structure of international trade and finance. I hope that at Santiago we will be able to convince the developed countries that some of the problems which they are facing today like unemployment, under-utilised capacities, monetary instability, etc., are almost impossible to solve unless they try to solve them within the context of an international development strategy including the developing countries. To me — no matter what economists might say — it is against common sense to find that people in some parts of the world are starving and that at the same time in other parts food products are being destroyed or stored in order to keep prices high; that developing countries want machines, and yet factories which could produce them do not do so for balance of payments reasons.

We have to move away from the concept of aid, which implies giving money to some poor country on charity basis and formulate a dynamic strategy which will consider the problems of the developed countries in relation to the difficulties of developing countries. After all we live today in a world which is much smaller than it was in the past, so that we will have to change our patterns of thinking and consider economic development or progress in world terms and not in terms of national interests.