UNCTAD IV AND CURRENT DEVELOPMENT DEBATES

RICHARD LEAVER

It would be well nigh impossible to criticise the United Nations for producing an insufficient number of organisations addressing themselves to development problems. The same could not be said in relation to the quality of their work, for the majority of these agencies have been totally accepting of the theory and practice of the developed world. Their publications consist almost exclusively of a combination of glib prose and moral exhortation for 'more of the same' — more aid, foreign investment, technical assistance, trade, etc. According to these agencies, the responsibility of the West for the continued existence and strengthening of under-development can be limited to the accusation of insufficient zeal in the pursuit of an essentially correct developmental strategy. There have been dissenting individuals within these agencies, but all too few dissenting agencies.

Ever since its first conference in 1964, the United Nations Committee on Trade and Development (UNCTAD) has consistently distinguished itself from the mediocrity of its contemporaries in two significant ways. Firstly, it has correctly perceived that systems of international organisation are as much a product of power as they are the embodiment of 'technical considerations', and that the latter are often no more than a rationalisation for the former. It has acted on this realisation in sponsoring the 'Group of 77' as a quasi-trade union for 'Third World' demands, and has encouraged the propagation of this sectarian group throughout the UN structure, effectively politicising an organisation which had hitherto thrived on an ideology of secular harmony. Secondly, UNCTAD has placed its faith in trade rather than foreign aid as the prime mechanism for development, correctly claiming that the former is far more significant for the underdeveloped countries (UDC) than the latter will ever be. As a result, UNCTAD has more effectively distanced itself from the moral imperatives which have encapsulated the foreign aid debate in particular, and has acted as something of a countervailing force against the rhetoric of development ideology. For this, UNCTAD has drawn more than its fair share of criticism from the developed world, either on openly political[1] or on more technical[2] grounds.

The present decade has seen some important changes in the parameters of the development debate. The situation of the UDC's has become more diverse, with a clear differentiation between the more prosperous 'third' and more impoverished 'fourth' worlds let alone between oil exporting UDC's and primary commodity exporters. Rising import bills for the essentials of life — food and petroleum — have sent debt levels soaring for the poorest UDC's, while the bunching of short-term commercial debts has created the possibility of a wave of defaults amongst the non-oil exporting 'third world' countries.[3] The industrial recession beginning in 1974 cut back on developed country (DC) demand for commodity exports from the UDC's, and the brief experience of favourable terms of trade for UDC commodities was quickly reversed. This heightened tension in the balance of payments situation had put a temporary end to 'development planning' which has, in any case, come under attack from the liberal intelligentsia for ignoring the tendencies towards the absolute impoverishment of the poorest classes of the UDC's even where formal growth rates have created the appearance of development.[4] It was in the midst of this multi-faceted crisis that UNCTAD held its fourth conference at Nairobi in May 1976, and the document under discussion here is the report by Gamani Corea (the Secretary-General of UNCTAD) to the conference.[5] The content of the report reflects these new conditions and the recent debates within the UN calling for a New International Economic Order. As such an analysis of the report raises issues of general importance for the whole of the current debate on development in the poorer countries.

The essence of Corea's report is the elaboration of an 'integrated programme' which simultaneously attempts to bolster the major deficiencies of primary commodity exporting economies and to diversify the productive and exporting activities of these economies. In other words, it attempts to attack <u>both</u> the low, highly variable, and arguably declining returns to trade for primary commodities <u>and</u> the persistent international division of labour which has confined many UDC's to the export of these 'risky' commodities. Earlier UNCTAD conferences have overemphasised the former of these concerns in relation to the latter, and had laid their programmes open to the criticism of what Cheryl Payer calls the 'Singer paradox'[6]; namely that

> Good prices for their primary commodities...give to the underdeveloped countries the necessary means for importing capital goods and financing their industrial development, yet at the same time they take away the incentive to do so, and investment, both foreign and domestic, is directed into an expansion of primary commodity production...Conversely, when the prices and sales of primary commodities falls off, the desire for industrialisation is suddenly sharpened. Yet, at the same time, the means for carrying it out are sharply reduced. Here again it seems that the underdeveloped countries are in danger of falling between two stools: failing to industrialise in a boom because things are as good as they are, and failing to industrialise in a slump because things are as bad as they are.[7]

Corea is sensitive to this potential dilemma, and reiterates throughout his report that

> ...it cannot be the aim of a new order to perpetuate the commodity economy of these countries, even in a vastly strengthened form. A sound commodity sector needs to be regarded as the base, the springboard, for the further transformation of their economies, generating a large part of the resources needed for this purpose; but the transformation itself must inevitably be in the direction of industrialisation (p. 34).

This 'springboard theory' represents a significant shift of emphasis in the UNCTAD programme.

Reinforcing this theme is the continued assertion that the creation of a new world order is in the best interests of the developed and underdeveloped countries alike. The development issue, it is argued, "...is no longer only one of a moral imperative" (P. iv). UNCTAD points to the successes which the Organisation of Petroleum Exporting Countries (OPEC) wrung out of the DC's, and the upward trend in commodity prices during 1973-74, as the first signs of dysfunction in the Bretton Woods system from the point of view of the DC's. For the UDC's, even the remains of the Bretton Woods system continues to imply disaster, predominantly manifested in trends towards absolute impoverishment in UDC's and in the escalating balance of payments crisis. It is on this basis that Corea's report argues that there is a common interest in the establishment of the New International Economic Order (NIEO). It does not go so far as to suggest an <u>equal</u> interest, or that the 'common interest' is subjectively perceived as such by the various DC governments. But it is implicit throughout the report that the 'Group of 77' can employ OPEC strategies against those DC's suffering from 'false consciousness' on this issue. It is debatable whether the dynamics of cartels in primary commodities are as simple as this report suggests[8], for it seems to put too much faith in both the fear of another OPEC amongst the DC's and in the abilities which shared information confers upon the conspiring UDC's.

The 'integrated programme' of UNCTAD IV is comprised of two essential 'core' elements. They are:

(1) the establishment of internationally owned stocks covering at least ten and preferably seventeen of the major commodities exported by the UDC's, commodities which account for up to 75 percent of non-petroleum UDC exports. These stocks will mediate between UDC supply and DC demand, stabilising price fluctuations in concert with more traditional mechanisms such as export regulations which operate at the national level. For the DC's higher commodity prices would be more than offset by the dampening effect which stable prices would have on inflation. For the UDC's, the stocking operation would enable the negotiation of more equitable terms of trade for these commodities — ideally through an agreed system of price indexation, but more realistically, one feels, through the threat of supply withdrawal. Such a programme would stabilise both foreign exchange earnings and demands, so creating the conditions in which planning can again move to the fore in the UDC's;

(2) the formation of a common financing fund of $6 billion to institute these stocking procedures. It is suggested that the operation will eventually become self-financing and that the aggregative approach to stockpiling will enable the temporary gains and losses on individual commodities to cancel each other out. The report suggests that the fund, by acting as a focal point for producers and consumers, would provide an institution in which 'successful negotiation of arrangements for individual commodities' could be undertaken — by which seems to be meant the use of contract sales and/or indexation procedures to counteract the adverse movement of the terms of trade against primary commodities. It is clear that OPEC surpluses are designed to play a central role in this fund, and although the report suggests that OPEC benefactors will earn 'reasonable rates of return', it is probably more accurate to see this particular OPEC support as a partial quid pro quo for the damage which OPEC price hikes wrought on the UDC balance of payments position; that is, as a concrete gesture of support for a united 'Third World'.

Flowing from these core-elements of the integrated programme are other proposals. The report proposes to use IMF facilities for compensatory financing to spread the benefits of the stocking programme to those UDC's whose primary exports do not gain direct coverage under the terms of the agreement, and who might actually suffer a rise in their import bill on the implementation of this programme. It is also thought that concessional sales could be used to help out those UDC's who would lose absolutely from the UNCTAD programme. Contract sales are seen as important for the medium- and long-term stability which they might confer on the commodity sector, and the movement of commodity processing to the UDC's is recommended for the greater slice of 'value added' which it would place under control of the UDC governments, as well as its contribution to the overarching concern of industrialisation.

The crucial weakness of the Corea report, however, is its treatment — or rather, lack of treatment — of the precise mechanisms by which a stabilised and more profitable commodity 'springboard' will propel the UDC's forward to industrialisation. Strategies for escaping the 'Singer paradox' are not and cannot be purely economistic strategies, since thoroughgoing industrialisation, let alone mass-based development, presupposes the existence of profitable opportunities for the growth of the home market in industrial goods, and this in turn requires a particular class configuration amongst the ruling elites of the UDC's.[9] Such strategies are the concern of political economy. They involve the changing configuration of classes in the 'Third World', and in particular the critical role of the industrial bourgeoisie vis-à-vis both foreign capital and the land-owning classes. Such questions are altogether too intimate for UNCTAD to provide a general answer that would equally satisfy the incredibly heterogenous membership of the 'Group of 77', and the response of UNCTAD is either to emasculate or to ignore such questions. The main tool of UNCTAD in pursuit of this evasion is the conceptual framework which presents debates exclusively in national terms, and it is this framework which dominates the Corea report. We are told that

> ...it is the task of the international community to build an international framework that is responsive to the needs of development. It is the responsibility of the developing countries to utilize that framework for a better order internally (p. 17).

This demarcation of 'tasks' and 'responsibilities' around the nation-state is logically naive but politically expedient. There is no single 'international environment' for development which can provide a guarantee for a better deal for the world's poor no matter what the complexion of the local state. This style of analysis and programme can place a good deal of money in the hands of 'third world' states, but it cannot ensure that it will be used in a productive manner to ensure broad-based development. Such a conceptual scheme is the price paid for the otherwise artificial unity of the 'Group of 77', for whom an aggressive sounding but theoretically vacuous nationalism provides, in intellectual terms, the highest common denominator which is inoffensive to all.

It is, therefore, not through any error or oversight that the Corea report forgets to deal properly with the 'Singer paradox'. On the contrary, I have argued that the 'forgetting' of these class problems is a condition of existence of this report. Some examples of this emasculation process at work will make my point more clearly, and I shall concentrate on two areas — the question of technological dependence and the related question of the role of the multi-national corporation.

The report has a view of technology which is rather archaic to say the least, and which harks back to the now discredited work of modernisation theory. We are repeatedly told that "technological transformation is the core of development, and its absence implies the perpetuation of economic backwardness" (p. 40). This is only half true at best. The Third World provides plenty of examples of 'technological transformation' amidst deepening poverty and unemployment, examples which indicate that technology in isolation is no panacea. It is equally important to ask what is produced and for whom is it being produced in addition to how is it produced. The report does pay lip service to these legitimate concerns surrounding the 'structure and content' of industrialisation and of the necessity to cater for "the essential needs of the mass of consumers" (p. 35). But it is content with mentioning and forgetting these key problems. The symbiotic relationship between advanced technology and unequal income distribution — a relationship which actively marginalises the bulk of the population in the UDC's — is not called into question in any way. This relationship has to date been best investigated by left-liberal development economists.[10] Old-time Marxists would have thought of technological growth as a part of the inexorable advance of the productive forces; modern Marxists are often too 'production-orientated" to worry about consumption patterns. UNCTAD, one feels, would label the question of 'appropriate technology' as a counter-cultural concern. But it is not a question open to any of these crude caricatures. What is at stake is the internally articulated growth of the domestic market with domestic production — a dynamic which is arguably at the core of the development process.[11] But it is a class dynamic, and it is therefore beyond the ken of UNCTAD.

Given its celebration of technology, UNCTAD's criticisms are confined to the much less crucial question of the terms under which advanced technology is transferred to the periphery. It is the $3-5 billion per annum in royalty payments, coupled with a restrictive patent system, which most offend UNCTAD's sensibilities.

The report argues for a 'code of conduct' to regulate technological transfers and for the promotion of a series of "national, sub-regional and inter-regional centres for the transfer and development of technology" (p. 42). Such transfers and promotions will enable the UDC's to replace the exhausted strategy of import substitution with a dynamic strategy of export expansion. This will be successful, the report suggests, if industry in the UDC's can grow at a rate of 10 percent per annum, and industrial exports at a rate of 12 percent per annum, over the next twenty-five years. These exports will move in three directions — into the liberalised markets of the DC's under a revitalised generalised system of preferences; into the socialist countries of Eastern Europe where state co-ordination of production could most easily create a complementarity in industrial structures; and into the markets of other UDC's under the rubric of 'collective self-reliance'.

At this point, it is clear that the question of technological transfer and export substitution industrialisation is closely intertwined with the role ascribed to the multi-national corporation. And on the latter question, UNCTAD offers the weakest of criticisms. The multi-national corporations (MNC) are reprimanded for some of the excesses which they have previously engaged in — e.g. restrictive business practices, transfer pricing, political meddling, increasing dependency, etc. However, "...on the positive side lies the contribution of their capital, technology and managerial skills to the acceleration of the development process" (p. 43). Once again, this attitude to the MNC seems to miss the essential point of the relationship between advanced technology and a 'marginalised' population. The terms under which technology is transferred should be secondary to the fact of the transfer itself.

We are now in a position to see more clearly the thrust of UNCTAD's analysis and programme. Contra those commentators on both the left and the right who identify UNCTAD as a Marxist-inspired radical forum championing the cause of the world's under-classes, I have argued that it systematically avoids questions which are of the most immediate and direct interest to the poverty stricken classes. I would suggest that if you want to interpret the 'Group of 77' in class terms, it would be more accurate to see this grouping as the representatives of a comprador element in the industrial bourgeoisie in the 'Third World'. For in essence, the UNCTAD programme is aimed at courting the company of the MNC's to break down the protectionist barriers to trade in the DC's and to eat into the international division of labour. While appearing to 'get tough' with the MNC's, this programme is, à la OPEC, only demanding the exclusion of past MNC excesses and a better share in the rewards of MNC branch-plant production at the expense of consumers in the DC's. The MNC's are the revolutionary vanguard which will establish a new complementarity in world trade and a new international division of labour which will place more wealth in the hands of 'Third World' states. All of this is perfectly compatible with the continued impoverishment (both relative and absolute) of the under-classes in the UDC's. They will remain unaffected by the new redivision of global income which will occur above their heads, insofar as they will continue to provide cheap and abundant labour for a booming export sector whose products are priced beyond their reach.

In short, the UNCTAD programme can hardly be conceived of as a revolutionary break with the established tendencies in the global economy. More properly, its programme dovetails neatly into the global production strategy of the MNC which has become evident over the last decade or so.[12] The crucial characteristic of this MNC strategy, from our perspective, is the tendency for the more labour intensive processes in MNC production runs to be located within stable third world regimes to take advantage of cheap labour costs, tax concessions and tight labour laws.[13] This process has, as a spin-off effect, a tendency to push up the percentage of industrial products in UDC exports; it gives the appearance of rapid industrialisation within the UDC. The majority of the final product (or, more likely, the quasi-product) is destined for re-export, and it is increasingly evident that the target of these exports is the market of the developed countries.

The rate of growth of this phenomenon as 'subcontracting' is difficult to estimate. Plaschke finds evidence, admittedly from a low base level, of compound growth rates in the range 20-60 percent per annum for Taiwan, Hong Kong, South Korea and Mexico.[14] These are precisely the countries whose 'development model' is being widely displayed as the great hope for the future amongst the UDC's. But while there is undoubtedly room for many more UDC's to adopt this strategy, it could well be that the wholesale conversion of the UDC's to this strategy would herald the end of UNCTAD as it is presently organised. For one of the noticeable features in the Asian region is the intensely competitive bidding which occurs between the UDC's themselves in an attempt to attract the 'dedomiciled' MNC's to their shores. The main stakes in this bidding are wage rates — which tend to be competitively lowered — and generous corporate regulations. This bidding has the effect of decreasing the rather meagre advantages which the UDC's obtain from the MNC's; in addition, it might well drive wedges between UNCTAD members, and break up the rather artificial unity which they have so far been able to maintain in the face of divisive forces. This programme might well provide the straw sufficient to break the camel's back of collective bargaining, and hand UNCTAD over to the DC's who will be able to negotiate, as they have always sought to do, on a case-by-case basis.

By way of a conclusion, let me return to the theme which has guided this paper — the loopholes present in any nationalist analysis of the development/underdevelopment dialectic. I have argued that the aggressive rhetoric of UNCTAD obscures the essential vacuity of its theoretical framework, and that it is only by analysing UNCTAD in class terms that we can begin to understand the UNCTAD programme for 'development'. The pivotal role in this scenario falls upon the MNC as a fraction of capital. It is the MNC which mediates the relationship between the DC and UDC governments, and which in so acting challenges the parochial concerns of all governments with the international demands of capital.

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Notes

[1]See, particularly, Daniel P. Noynihan, "The United States in Opposition", Commentary, 59(3) (1975), pp. 31-44.

[2]For example, see Michael Lipton, "UNCTAD Schmunctad? Why Not Start Again from Scratch?", Round Table, 62 (1972), pp. 297-308.

[3]Using World Bank sources, M. Abdel-Fadil, Francis Cripps and John Wells estimate that private debts comprise 50 percent of total debts in the more prosperous 'third world', but less than 10 percent of the total in the poorest UDC's. See their "A New International Economic Order?", Cambridge Journal of Economics, 1 (1977), p. 208, Table 3. These findings support the figures provided by Richard M. Bird in his "Debt and the Developing Countries", Co-existence, 13(1) (1976), pp. 17-33.

[4]Much of this literature has been sponsored by the World Bank. The most frequently cited and impressive book of this genre is by Irma Adelman and Cynthia Taft Morris, Economic Growth and Social Equity in Developing Countries, Stanford University Press, Stanford, 1973. For a smaller sample of this empiricist approach to the study of poverty, see Montek S. Ahluwalia, "Inequality, Poverty and Development", Journal of Development Economics, 3 (1976), pp. 307-342.

[5]New Directions and New Structures for Trade and Development: Report by the Secretary-General of UNCTAD to the Conference (TD/183, Nairobi, May 1976).

[6]After Hans Singer.

[7]Hans Singer, quoted in Cheryl Payer (ed.), Commodity Trade and the Third World, Macmillan, London, 1975, p. 17.

[8]A more suitable analysis of the subtleties of cartel operation is provided by Paul Streeten, "The Dynamics of the New Poor Power", in Gerald K. Helleiner (ed.), A World Divided: The Less Developed Countries in the International Economy, Cambridge University Press, Cambridge, 1976, pp. 77-88.

[9]For a recent, forceful argument in this direction, see Robert Brenner, "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism", New Left Review, 104 (1977), pp. 25-92.

[10]See, for example, Frances Stewart, "Trade and Technology", in Paul Streeten (ed.), Trade Strategies for Development, Macmillan, London, 1973, pp. 231-263.

[11]This case is strongly argued by Samir Amin, "Accumulation and Development: A Theoretical Model", Review of African Political Economy, 1 (1974), pp. 9-26.

[12]For a clear exposition of this strategy, see Theodore Moran, "Foreign Expansion as an 'Institutional Necessity' for US Corporate Capitalism – The Search for a Radical Model", World Politics, 25(3) (1973), pp. 369-386.

[13]For detailed description and basic analysis of this process, see the two articles by Gy Adam, "New Trends in International Business: Worldwide Sourcing and Dedomiciling", Acta Oeconomica, 7 (1971), pp. 349-367, and "Some Implications and Comcomitants of Worldwide Sourcing", Acta Oeconomica, 8 (1972), pp. 309-323.

[14]Henrik Plaschke, "International Subcontracting: On the Migration of Labour-intensive Processing from the Centre to the Periphery of Capitalism", Instant Research in Peace and Violence, 2 (1975), pp. 90-91.