UNCTAD

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BACKGROUND

UNCTAD, the United Nations Conference on Trade and Development, has the features of a world forum where different topics related to trade and development are discussed. Basically, its purpose is the attainment, by the developing countries, of certain advantages in world trade, as well as the necessary assistance for their development.

In furtherance of the above, the developing countries try to establish criteria and strategies which, insofar as possible, will serve all of them. However, this objective is somewhat difficult to achieve in practice, because the differences in the economic, social and political structures of the developing countries forces them to approach their development problems from different perspectives. Therefore, UNCTAD seeks a minimum consensus in order to make available necessary assistance and provide understanding so that each nation may use the means at its disposal to fight underdevelopment.

To date, UNCTAD has held three sessions: 1964 in Geneva, 1968 in New Delhi, and 1972 in Santiago. Prior to each of these sessions the nations of the Group of 77 held previous meetings in an effort to present a common front at each session. For the purposes of UNCTAD III, the countries of the Group of 77 agreed on the Lima Declaration at Lima, Peru during October and November, 1971. As stated in the Declaration, its purpose is “to harmonize the positions of the developing countries on the measures to be adopted by the international community during the Third United Nations Conference on Trade and Development, to lend their assistance for the promotion of social and economic growth of the ‘developing countries.’”**

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However, the main purpose of UNCTAD is frustrated, in practice, by the fact that its decisions are not enforceable. And that is why the Lima Declaration highlights the lack of "... compliance with the obligations assumed and commitments contracted by the developed countries through UNCTAD and through other international forums."

Resolution No 1955 (XIX) of the United Nations General Assembly established UNCTAD as a permanent agency of the General Assembly.

Member countries of UNCTAD fall into four groups: GROUP A—countries of Africa, Asia and Yugoslavia; GROUP B—developed market economy countries; GROUP C—Latin American countries, and GROUP D—Socialist countries of Eastern Europe.

Sessions are held every four years, irrespective of the continuous work carried out by its permanent agency, that is, the Trade and Development Board, whose headquarters are in Geneva.

The Trade and Development Board, which meets twice a year, is made up of the following Committees: Primary Commodities, Manufactured Goods, Maritime Transportation, Invisible Trade and Financing.

UNCTAD I

The session was held in Geneva during the months of May and June of 1964, pursuant to Resolution 1785 (XVII) of the United Nations General Assembly. One hundred and twenty-two countries were present at the meeting.

The causes leading to this session of UNCTAD I are set forth in the Final Act of the First Conference. The signatories showed their determination to "seek a better and more efficient system of international economic cooperation which would efface the division of the world in zones of poverty and zones of plenty and bring prosperity to all; and find the means to use human and material resources of the whole world in order to put an end to poverty everywhere."

Undoubtedly, this being the first meeting, the resolutions adopted were very ambitious and, therefore, most of them were not implemented. It will suffice to point out that the developed countries committed themselves to allot 1% of their gross national product to the assistance of the developing countries. Only Belgium, Holland, France, Japan and Sweden have tried to comply with this resolution to date.

However, UNCTAD I had substantial impact because it served to further the conviction that the prevailing pattern of international trade and
cooperation toward development could not continue on the same terms as in the past.

UNCTAD II

The Second Conference was held in New Delhi during the months of February and March of 1968, with participation of 131 countries.

The problems to be discussed at this session were numerous and complex. Furthermore, there existed the precedent of UNCTAD I which was hardly successful (as regards implementation of the agreements reached). The purpose of UNCTAD II was to seek the formulas to put the unimplemented agreements into practice, to conclude new agreements, and to rediscuss the situation of the developing countries in the fields of trade and cooperation.

Bearing the above situation in mind, Resolution 2296 (XXII) of the United Nations General Assembly approved three basic points which were submitted to UNCTAD II for consideration:

1. To reevaluate the economic situation and the application of the recommendations formulated by UNCTAD I.

2. To achieve concrete results which would assure real progress in international cooperation for development, through adequate negotiations.

3. To explore and investigate those matters requiring a more detailed study before endeavoring to reach conclusions thereon.

The results of UNCTAD II also fell short of expectations, because it was not possible to achieve consensus regarding the solutions to the problems presented. It is nevertheless worthwhile to point out that the developing countries made a more precise presentation of their problems and of the solutions desired.

UNCTAD III

This session was held in Santiago, Chile, during the months of April and May of 1972, with 141 countries in attendance. The following factors existing prior to UNCTAD III highlight its potential importance.

The ever-increasing gap between developed and developing countries presented UNCTAD III with a realistic problem; the economic division of the world. Thus, UNCTAD III not only had "to create the proper spirit" among the developed countries, but, also develop the necessary understanding, assistance and cooperation required to implement the
agreements reached. In addition to this acute cleavage between the developed and developing worlds, the relative failure of UNCTAD I and II had placed UNCTAD itself in a questionable position in the international arena.

Thus, the failure of UNCTAD III would force the developing countries to seek new ways to present their problems. This would be undesirable if it is remembered that UNCTAD is an existing international forum one of whose merits is to bring together a great number of representatives, thus permitting discussion among all regions of the world. Also, that its main purpose is “promotion of international trade as a key element in the acceleration of economic growth; modification of the present international trade system to further the expansion of the developing countries; and provision of technical assistance to the underdeveloped world.”

The different topics presented at UNCTAD III, at least by the developing countries, had one feature in common: a call to the developed countries to focus on international trade, balance of payments, trade preferences, increase of technology, cooperation for development, etc. It is not the writer’s intention to make an exhaustive enumeration of all the matters discussed, but it is well to point out the existence of a common element, i.e., the anxious call for understanding and assistance made by the developing countries.

Before discussing the major issues considered at UNCTAD III, it is worthwhile to point out some items of a general nature which were presented at the Conference.

— During the First United Nations Development Decade, national gross product increased substantially, and 80% of the increase corresponded to those nations whose per capita income already exceeded US$1,000.

— Over 700 million people in Africa, Asia and Latin America are illiterate.

— In Asia, 250 million people lack housing.

— Over US$221,000 million are devoted annually to armaments and war.

The scope of this paper does not permit an exhaustive analysis of all submissions and proposals made by the different delegations at UNCTAD III. The following are some of the most relevant issues which were proposed and studied:
1. *Fund for Homogeneous Human Development*

President Allende (Chile), in his inaugural speech at the Conference, proposed the creation of a Fund for homogeneous human development which would receive part of the funds now destined to armaments and war. Its work would be oriented to the development of the countries of the Third World through projects and programs which would permit full employment of the productive factors.

2. *Preferences*

On the subject of customs preferences, Chile proposed that UNCTAD should be represented when this issue is discussed at the GATT in 1973. Also, in the field of preferences Chile again favored a system that would broaden the plan of non-reciprocal general preferences.

The point of view expressed by the United States on this subject was that the developing countries should participate in the 1973 GATT negotiations. Furthermore, it was pointed out that the developing countries should also be prepared to reduce their customs and non-customs restrictions, on the basis that a greater competitiveness would permit these countries to expand their trade and promote their development.

The Soviet Union stated that the preferences granted by some of the developed capitalist countries are not significant. On this subject Japan substantiated with figures its position in favor of general preferences by pointing out that it had lowered the tariff on a substantial number of items, including the tariff on special interest export items for the developing countries. Japan further stated its interest in favoring exports to developing countries through preferences.

3. *Monetary Problems*

The monetary crisis and its effects was one of the issues included in the majority of the presentations. In this respect there was a general awareness by the developed and developing countries of the need to change the international monetary system for a system offering greater advantages, and fairer to the developing countries. The proposals submitted were varied.

Chile proposed that a Monetary World Conference be convoked.

Brazil, without indicating the exact procedure to implement an international monetary reform, stated that "in 1971, we experienced in the monetary sector the violation, by the industrialized countries, of the basic
principles of the adjustment process which had been accepted to govern
the international monetary system. The provisional decisions adopted by
the developed countries in December 1971 do not offer a solution to the
 crisis which they themselves created. And what is even more serious, all
decisions were adopted unilaterally by a group of developed countries,
without proper consultation with the developing countries and without
taking into account the interests of these countries."

The President of the Council of Ministers of the European Common
Market recognized the consequences that the monetary situation might
have on the developing countries. He also mentioned that the search for
solutions should take into account the interests of those countries. How-
ever, he pointed out that "it should be recognized, on the other hand,
that this matter is complex and difficult, and I believe it advisable to
avoid taking any position which is not previously carefully considered."

The United States pointed out that restructuring of the International
Monetary System for future generations will require lengthy and difficult
negotiations and that the main differences, particularly those related to
the optimum structure for international payments, had to be reconciled.
The United States affirmed that important issues with implications beyond
the monetary issues were at stake for the developed countries as well as
for the developing countries.

Of particular interest was the intervention by the representative of
the International Monetary Fund, who recognized that the whole inter-
national monetary system should be re-examined.

4. Charter of Economic Duties and Rights

President Luis Echeverría of México, advocated the drafting of a
Charter of Economic Duties and Rights, which would complement the
Universal Declaration of Human Rights. This Charter would contain such
principles as: "... free disposal of natural resources; unlimited respect
of the right of each nation to adopt the economic structure it deemed
advisable; private property in tune with the public interest; abstention
from using economic instruments or pressures to reduce the political
sovereignty of the States; subordination of foreign capital to laws of the
investment country; and, agreements guaranteeing stability and fair
price of primary commodities," among others.

5. Non-Coercive Nature of UNCTAD Resolutions

On this subject, all delegations agreed that, either through reform or
other mechanisms, UNCTAD should be equipped with the necessary
instruments to enforce compliance with the resolutions agreed upon so that it would constitute something more than just a forum for discussion.

6. Assistance for Development

Some countries—for purely political reasons—and others searching for an effective cooperation from the developed countries, mentioned the need of non-conditional assistance, at low interest rates and long-term amortization rates.

7. Trade Among Developing Countries

The proposal of Israel regarding the creation of a Credit Guaranty Fund for Trade among developing countries is noteworthy.

8. Manufacture

Regarding manufacture, the debate was centered in the field of preferences and non-customs barriers faced by developing countries when exporting their commodities to the markets of the developed countries.

9. Raw Materials

In the field of raw materials there were no new developments. It was recognized that exchange terms and access to markets had deteriorated. The need for a more favorable treatment for the export of primary commodities was set forth, as well as the inclusion of new products in the contracts of price improvement and stabilization. However, the proposal made by France is worth mentioning. "We should try to obtain effective cooperation from the World Bank to stabilize raw material price levels, not only through the drafting of new resolutions, but also through the establishment of an adequate loan policy, with participation in the financing of stocks." Furthermore, France believed "that monetary crises should not be allowed to cause damage to the developing countries because of their effects on the price levels of raw materials. For this reason, any agreement implying market regulation should include clauses to protect the income of producing countries whenever a monetary crisis exists."

An analysis of the results of UNCTAD III is not easy, due to the fact that not much real progress was made. However, it should be recognized that the results of these meetings cannot be weighed quantitatively, but qualitatively only. This is because problems relating to economic development, money and finance, export trade, commercial preferences and other major problems, require solutions that can only be judged after the passage of time.
It should also be kept in mind that UNCTAD is essentially a forum lacking an enforcement organ. Its justification lies in providing a platform for the presentation of problems and for seeking such agreements as its nature permits.

Therefore, even if UNCTAD III gave the impression that no concrete decisions were reached it should not be overlooked that the developing countries once again had the opportunity to state their positions and to alert the participants to the problems which may arise if their grievances are not heeded.

The following are the most important conclusions adopted at the Conference:

1. **Charter of Economic Duties and Rights**

   The drafting of this Charter was approved, to be handled by a group of intergovernmental representatives who would submit it to the Trade and Development Board during the month of October, 1972. In turn, the latter would submit the draft to the next meeting of the United Nations General Assembly.

2. **Raw Materials**

   Regarding raw materials, three resolutions approved are of interest:

   a. It was agreed that the UNCTAD’s General Secretariat would convene the Seventh Period of Sessions of the Primary Commodities Committee as a special meeting, with open deliberations, with a view to promoting intergovernmental consultations in order to achieve, by early 1973, concrete results regarding trade liberalization and price policies.

   b. It was also agreed to place emphasis on increasing research and development of natural products in order to face the competition of synthetic products.

   c. The World Bank was urged to lend its cooperation in order to facilitate the execution of agreements and contracts for price stabilization of certain commodities, and to actively assist the intergovernment and regional groups created for this purpose.

3. **Disarmament**

   The Resolution adopted on this subject requested that further progress be made toward disarmament, particularly nuclear disarmament, and that
the countries consider the use of a sizeable proportion of the resources set free by disarmament to finance economic and social programs.

4. Principles Regulating International Trade

With 72 votes in favor, 15 against and 18 abstentions, the Conference adopted a Resolution containing thirteen principles to govern international trade relations and trade policies conducive to development. Among these: attainment of a more rational international Division of Labor; the sovereign right of each country to make use of its natural resources in the interest of the economic development and welfare of its own people.

5. Manufacture and Semi-Manufacture

In the field of manufacture and semi-manufacture there were several resolutions. The following bear mention:

a. On the subject of liberalization of non-customs barriers, the Conference decided to establish an auxiliary agency of the Manufacturing Committee to assist the developing countries in fully participating in the 1973 trade negotiations. The function of this auxiliary agency is to propose the measures for the reduction, alleviation or elimination of non-customs barriers affecting exports from the developing countries.

b. Regarding preferences, the UNCTAD Special Committee on Preferences was given permanent status.

6. Private Foreign Investment

On this issue, it was agreed that private foreign investment "should facilitate the mobilization of internal resources, generate the inflow and prevent the outflow of foreign exchange, introduce adequate technology and favor savings and national investment."

7. Monetary and Financial Affairs

On this subject, several resolutions were adopted. The following are worthy of mention:

a. Monetary Reform—It was decided that the Headquarters of the International Monetary Fund would be the site of the discussions to be held on international monetary reform.

b. Flow of Resources from the Developed to the Developing Countries—The economically developed countries were urged to
provide to the developing countries financial resources equivalent to 1% of their national gross product annually. Those countries which were not in a position to reach this goal during 1972 were requested to do so before 1975.

c. Supplementary Financing—A fund was set up for the purpose of granting long-term loans to developing countries when the prices of their export products experience unexpected drops.

d. Loans—Recommendations were also made regarding alleviation of repayment terms of the loans contracted by the developing countries.

8. Insurance

On this subject, the Conference agreed that the developing countries should cover the insurance generated by their economic activity and that they adopt the necessary measures to keep the investments covered by such insurance within the developing countries. In connection with the developed countries, it was agreed that these should adopt measures to provide adequate coverage to the developing countries under the most appropriate terms and at the lowest possible cost. It was recommended also that the investors of the developed countries resort to existing insurance in the developing countries when investing in these countries.

9. Relations Between Countries of Different Economic and Social Systems

The resolution adopted on this subject is one of the lengthiest. In addition to other recommendations it contains recommendations affecting the Socialist countries of Eastern Europe and the developed countries. Regarding the former, there were several resolutions, among these, the following: that in their economic planning the Socialist countries of Eastern Europe should take into consideration the commercial needs of the developing countries; that long-term sales contracts be concluded; and that they increase industrial, scientific and technical assistance.

The developed countries were urged to grant to the Socialist countries of Eastern Europe conditions not less favorable than those normally granted to developed market-economy countries, and to promote production of commodities with export potential to the Socialist countries.

10. Institutional Arrangements

The following two resolutions were approved under this heading:
a. The Conference recommended that the United Nations General Assembly increase membership of the Trade and Development Board from 55 to 68.

b. To invite the Trade and Development Board to give special attention to the establishment of a wider international trade organization, insofar as the universality of its membership and the scope of the matters under its jurisdiction were concerned.

11. *Tourism*

The resolution on tourism was approved unanimously, and recommended promotion of travel from developed to developing countries, to be achieved through measures such as: removal of restrictions on foreign exchange for travel abroad; granting of customs benefits to handicraft items and other native articles of local production generally bought by foreign tourists; and the adoption of measures to facilitate, whenever possible, the promotion of publicity agencies. Furthermore, the resolution refers to "the analysis, within the spheres of recognized competence and, whenever applicable, of the revision of the system of air rates, keeping in mind the interest of the developing countries to increase tourist traffic, particularly their own, and the need of ensuring the adequate operation of the air transportation companies."

UNCTAD III is now history. Only time will tell whether the session at Santiago in 1972 helped to promote the understanding between the developed and underdeveloped nations so earnestly sought by the latter countries.