

A United Nations Assessment Project Study

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U.N. CONFERENCE ON TRADE & DEVELOPMENT PART 1 CHEATING THE POOR

INTRODUCTION

High on the United Nations agenda for the past decade has been an economic strategy that seeks to enrich the developing nations by transferring to them the resources, skills, and outputs of the world's industrial democracies. Demands for such a redistribution of resources--which would be mandatory and provide little compensation for the industrial states--permeate much of the U.N.'s rhetoric and resolutions. Leading this battle is the United Nations Conference on Trade and Development (UNCTAD). Based in Geneva, with a staff of 448 and a two-year budget of \$56.5 million (of which \$14.1 million is provided by the U.S.), UNCTAD has been anti-market, anti-free trade, and highly suspicious of, if not hostile to, private investors and private investment since its founding in 1964. If the UNCTAD majority, led by a core of radical Third World countries and encouraged by the Soviet bloc, were to have its way:

- the prices of vital raw materials and commodities would be raised and regulated by international bureaus;
- the debts that the developed countries have amassed because of high-priced OPEC oil would be paid for by the developed capitalist countries;
- multinational corporations would be harassed, shackled, and deprived of their proprietary rights through binding codes for the transfer of technology, restrictive business practices, and a revision of international agreements on patents and trademarks;

This is the first installment of a five-part series examining UNCTAD.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

- international planners would decide which factories in the developed capitalist countries would stay open, which would be closed, and which would be "transferred" to the developing countries;
- schemes for international taxation would be "enacted";
- the International Monetary Fund (IMF), if it survived at all, would become an international "printing press," which would issue new "resources" to the developing countries in the form of slips of paper called Standard Drawing Rights (SDRs);
- UNCTAD and its bureaucrats would become the central organization or "planning commission" of the international economy, replacing or subsuming the IMF, the General Agreement on Tariff and Trade (GATT), and the World Bank;
- and worst of all, the poor developing nations which UNCTAD is supposed to serve, might be consigned to permanent poverty by the economically suicidal policies advocated by UNCTAD.

Though the ostensible purpose of UNCTAD is to foster development among Third World nations by increasing revenues from increased trade, the real goal of UNCTAD's secretariat and the leaders of the Group of 77 (as the bloc of 130 or so developing countries are known) is to extract massive amounts of wealth from the developed industrial nations. If such resources can be transferred through an increase in trade, all well and good. If such resources can be extracted only through rigged commodity prices, international "taxation" schemes, new codes on patents, trademarks, and copyrights that will deprive multinational corporations of their proprietary rights, and mandatory transfers of technology on concessional terms, no matter. What does matter is that more and more resources are extracted from the "overdeveloped" nations and redistributed to the developing nations.

Despite the collectivism, the Orwellian language, the sloppy scholarship, the increasing preoccupation with extraneous political issues, and the unconstitutional trend toward closed meetings, the most serious criticism of UNCTAD is that, if adopted, the program sought by the radical leaders of the G-77 and the secretariat would actually make it more difficult for Third World nations to grow and develop. In short, UNCTAD would cheat the world's poor nations.

According to William Loehr and John P. Powelson, two economists who recently published a lengthy analysis of the proposals for a New International Economic Order:

Economic development historically occurs in an environment of improved technology, decreased prices, and increased exports. At the same time, a truly developing country diversifies away from primary products and into manufacturing. NIEO is part of a contrary environment in which LDCs [less developed countries] seek protected

markets, higher prices, and decreased exports and pay little attention to experimentation and technology.¹

Schemes for rigging the prices of commodities above market levels would transfer income from poor people to rich people, encourage nations to remain producers of primary products, and misallocate scarce investment resources. Permanent systems of tariff preferences will never substitute for the development of highly efficient industries that compete with the most efficient industries in the developed world. Ideological histrionics about multinational corporations and efforts to confiscate proprietary rights will decrease the amount of capital and sources of technology available to developing nations. If the debts of Third World countries are "cancelled," the free flow of capital will be further retarded. If SDRs are printed and distributed to Third World countries without an increase in the production of wealth, the new money will become inflationary.

The best prospects for growth and development in Third World nations lie within the existing international economic order and within the developing nations themselves. Those nations that have sought development in autarky and statism--the Cubas, the Tanzanias, and the Burmas--have experienced little growth or development. Those nations that have fostered the development of enterprise and markets, both domestically and internationally--the South Koreas, the Kenyas, the Taiwans--have done much better. The road to growth and development in Third World nations lies in internal reform, the development of indigenous scientific and managerial capabilities, increased productivity, reliance upon the common sense of common people instead of the abstract plans of bureaucrats, and responsiveness to international market opportunities.

These are the truths about development, but in the halls of UNCTAD, they get scant hearing from those who would profit from them. For this reason alone, the United States should reassess its role in UNCTAD.

UNCTAD's COLLECTIVE IDEOLOGY

The postwar international economic order founded at the 1944 Bretton Woods Conference has led to undreamed of trade, wealth, and growth rates for both developed and developing nations. Developing countries, in fact, have grown at rates higher than those of developed countries when the latter were at early stages of development. And those developing countries that have integrated and oriented their economies most toward the international economic system have done even better. From 1960 to 1978, South Korea's Gross National Product (GNP) grew at an average annual rate of 6.9 percent, while socialist India grew at an average

¹ William Loehr and John P. Powelson, Threat to Development: Pitfalls of the NIEO (Boulder, Colorado: Westview Press, 1983), p. 5.

rate of 1.4 percent.² In the same period, Brazil's GNP grew 4.9 percent per year, while Mexico's grew 2.7 percent per year.

Certainly, the postwar experience has not been a utopia-- free market forces do involve risks; in any free economic system, some participants begin with more power than others, and some are able to maintain and build upon existing power bases; and the gains of the free market system have not been distributed equally either between nations or within nations. However, the principles of free trade, nondiscrimination, comparative advantage, and open markets have led to greater exchanges of goods and services and a greater creation of wealth than any other system throughout history.

Not satisfied with the progress made so far, or rather a lack of progress frequently generated by unwise domestic development programs, Third World ideologues and UNCTAD bureaucrats view the postwar international order as the cause of their discontents. Its liberal principles are seen by them as ideological shibboleths that are used to maintain an "unjust" international division of labor that forces developing countries to continue producing primary products that reap declining revenues, while developed countries produce and export more lucrative and highly priced manufactured goods. To the proponents of UNCTAD's collectivist schemes, the postwar international economic system has allowed the developed capitalist countries to become Robin Hoods in reverse--that is, the capitalist powers steal from the poor and distribute their gains to their own rich.

In his report to the first plenary session of UNCTAD I in 1964, Raul Prebisch of Argentina, the organization's first Secretary-General, declared that the General Agreement on Tariffs and Trade had not been "efficacious" for the developing countries because it "is based upon the classic concept that the free play of international economic forces by itself leads to the optimum expansion of trade and the most efficient utilization of the world's productive resources."³

What Prebisch sought, bluntly put, was the creation of an international welfare state whereby the developing countries

² As for "equity," the income growth of the poorest 20 percent in Korea grew at a rate of 11 percent per year from 1964 to 1970 while the bottom 20 percent in India grew at a rate of 2 percent per year from 1954 to 1963. Obviously, such statistics are not completely comparable, and the data leave much to be desired; however, it does not follow that in developing countries or developed countries, socialism means equity or equality and capitalism means inequities or inequalities. The data presented are taken from Michael P. Todaro, Economic Development in the Third World (New York: Longman, Inc., 1981), Chapter 5, "Growth, Poverty, and Income Distribution," p. 143.

³ Raul Prebisch, Towards a New Trade Policy for Development, report by the Secretary-General of the United Nations Conference on Trade and Development, E/CONF. 46/3 (New York, 1964), pp. 6, 28.

would be freed from market forces and the impartial monitoring of their own economic mistakes. Prebisch wrote: "The international community [i.e., the Western, capitalist economies] should recognize that it has a clear responsibility towards developing countries that have suffered deterioration in terms of trade in the same way as governments recognize a similar responsibility toward their domestic primary producers."⁴

Under Prebisch's leadership and over the almost unanimous opposition of the developed capitalist countries, the majority of developing countries enacted a set of resolutions at UNCTAD I in 1964 that would have created a collectivist international economic order. Through its numerous one-sided resolutions and the schemes and studies originating in its secretariat, UNCTAD has been the progenitor of a mindset that is now pervasive in almost all other U.N. institutions--the unquestioned belief that world poverty should be ended by redistributing existing wealth instead of creating new wealth.

THE POLITICAL FACTOR

UNCTAD is perhaps the United Nations' most politicized organ. It is almost a paradigmatic manifestation of all the maladies that have accompanied the increase of authoritarian and totalitarian regimes within the United Nations--one-sided agendas, selective attention, double standards, Orwellian language, taboos, politicization, and task expansion into nongermane areas.

From its first meeting in 1964, UNCTAD has refused to discuss how well different development models have fared in the Third World. The domestic economic policies of the developed capitalist countries are subjected to microscopic examination and invective, but questions about the internal policies of the developing countries are not tolerated, for such would amount to "interference" in the latter's internal affairs. It seems to matter not that an examination of these policies would alert Third World nations to what works and what fails in economic development. Thus, while the developed countries have an obligation to provide whatever funds the developing countries decide they need for their development--an obligation imposed by the votes of the majority of developing countries--the developing countries have no obligation to account for how such funds are used, for what ends, and with what success. Finally, developed socialist countries are treated not only deferentially but gingerly by the G-77. In the world of UNCTAD, the Soviet bloc is not considered developed. Whenever UNCTAD and G-77 documents criticize, chastise, or make demands on "developed" countries, they are addressing a select audience--the developed capitalist countries.

This exclusion of the Soviets and their Eastern European allies from the world of developed countries stems from the G-77's

⁴ Ibid., p. 28.

acquiescence in two arguments continually put forward by Soviet bloc delegates. The first argument asserts that Third World countries are hindered in their efforts to develop by a capitalist, international economic order of which the socialist countries are not a part. The second argument maintains that, since the rich socialist countries never had colonies, they are not responsible for the plight of the developing countries.

How many spokesmen for the G-77 really accept these arguments is problematical. What the Third World understands, however, is power and reality. G-77 delegates know full well that little will be forthcoming from the Soviet bloc countries; therefore, they do not direct their demands for largess to those countries. In the G-77's 71-page Buenos Aires Platform, which was prepared for UNCTAD VI in 1983, the first 64 pages consisted largely of an indictment and sentencing of the developed countries; after that, pages 65 and 66 dealt with "Trade relations among countries having different economic and social systems."

Orwellian language pervades UNCTAD resolutions and speeches of the secretariat officials. Inequalities are, ipso facto, inequities. Remunerative prices, a favorite phrase of the G-77, is a euphemism for rigged prices imposed on consumers à la OPEC. The statement that, "every country has the right...to freely dispose of its natural resources in the interests of the economic development and well-being of its people," means that Third World countries are free to nationalize private foreign investment on whatever terms the incumbent regimes choose.

The speeches and writing of Gamani Corea of Sri Lanka, the current Secretary-General, are a collage of Newspeak. In his first Trade and Development Report, 1981, Corea stated that, "The growth rates experienced by developing countries in the decades of the 1960s and 1970s tended to fall below their aspirations as well as the targets established by the international community" (p. 2). Especially hard hit, the Secretary-General noted, were net oil importing countries whose current accounts deficits was estimated to have risen from \$45 billion in 1979 to \$78 billion in 1981.

The cause of these maladies, according to Corea, has been a deterioration in the terms of trade brought about by "the steady rise in the world prices of manufactures in relation to those of primary products other than oil, and the two major adjustments in the price of oil." Thus, the prices of manufactures rise, while increases in the price of oil are "adjustments." Note also the causal chain implied in Corea's syntax--an increase in the price of manufactures hurts primary products other than oil and leads to adjustments in the price of oil. According to Corea, the world inflation of the 1970s was unrelated to the exploding oil prices imposed by the OPEC monopoly, in that "The unfavorable world economic conditions are the result, to a large extent, of the economic situation of the developed market economy countries" (p. 3).

And what should be done for the net oil importing developing countries? Should they lower their development objectives? "This line of thought," Corea asserts, "has been attacked on the normative grounds that the burden of adjustment should not fall upon

the development process" (p. 2). Translated into plain English, this means that Third World countries should not be allowed to suffer any deleterious consequences from the steep rise in OPEC oil prices.

How then should the disastrous impact of OPEC's oil price increases on the oil importing developing countries be remedied? Should a cap be placed on oil prices? Should oil prices be rolled back? Should a two-tiered oil pricing system be adopted--one for the developed capitalist countries and one for the oil importing developing countries? Such alternatives are not even mentioned, let alone considered, by UNCTAD's Secretary-General. For him, the plight of oil importing countries stems not from OPEC, but from the failure of the developed countries to forgive or declare a moratorium on payments of the mounting debts of oil importing developing countries. Corea also blames the developed countries for trying to minimize the inflationary impact of OPEC and to remedy the trade imbalances that have resulted from OPEC's price increases. These examples are drawn from only a few lines of one lengthy UNCTAD report, but they typify the Orwellian world view and language permeating all the writings and reports of the secretariat.

Politicization and task expansion into largely irrelevant areas also prevail at UNCTAD. The Southwest African People's Organization and the Palestine Liberation Organization are in UNCTAD, and when delegates from these groups attend meetings, UNCTAD pays their travel and per diem expenses. Israel, a developing country which could teach Third World countries much about development, is ironically excluded from membership in the G-77. UNCTAD's major foray into extraneous political matters occurred at UNCTAD V, which was held in Manila in 1979. Resolution 109, pushed strongly by the PLO, requested the UNCTAD Secretary-General to initiate studies within the "competence" of UNCTAD in regard to the peoples of Namibia, Palestine, South Africa, and Zimbabwe. Such studies were, in fact, completed after the Conference, and their quality, utility, and relevance to trade and development were problematical. The 54-page study of South Africa, for example, had virtually nothing to do with trade or development.

Not to be outdone by UNCTAD V, the G-77 moved forward at UNCTAD VI in Belgrade in 1983. By a vote of 84 in favor to 2 against (the United States and Israel) with 20 abstentions, the Conference requested the Secretary-General of UNCTAD to set up a special unit, which would monitor and investigate the policies of Israeli occupation authorities that allegedly hamper the economic development of occupied territories of the West Bank and Gaza. By a vote of 84 to 1 against (the United States) and with 19 abstentions, the Conference called upon the Secretary-General of UNCTAD to assist the United Nations Institute for Namibia in drafting a document on economic planning for a post-independence Namibia. Finally, the Secretary-General was asked to aid the Organization of African Unity in the latter's survey of the economic and social conditions of the "oppressed" people of South Africa. At the end of UNCTAD VI, radical leaders of the G-77 denounced economic measures that the United States took against the Marxist Nicaraguan government. By a vote of 81 to 18 with 7

abstentions, the G-77 secured the adoption of a resolution condemning all "trade restrictions, economic blockades, embargoes, and economic sanctions" taken by developed against developing countries. Embargoes by OPEC, of course, are a different matter.

The most recent disturbing trend in UNCTAD, which clearly violates its charter, has been the insistence of the G-77 that the organization fund meetings that would be open only to G-77 nations. In addition to demanding that the developed countries pay for meetings that they would not be allowed to attend, the G-77 have insisted that all of the documents and minutes related to such meetings be available only to the G-77.

This move began when the G-77, concluding that they would not soon get the developed states to agree to a New International Economic Order (NIEO), decided to find other means through Economic Cooperation among Developing Countries (ECDC). Since such cooperation would involve only the developing countries, the G-77 argue that the meetings and subsequent documentation should be restricted to them. Thus, in October 1982, the Trade and Development Board of UNCTAD, the body which carries on the work of UNCTAD between its plenary meetings every four years, adopted a resolution that the documents prepared by the UNCTAD secretariat relating to direct negotiations on ECDC "shall be distributed only to those countries participating in the negotiations." The vote on this resolution was 63 in favor, 22 against with 9 abstentions. The 22 negative votes were cast by developed capitalist countries, while the nine abstentions were from communist nations.

The substance of this resolution is that the developed countries, which contribute about 80 percent of UNCTAD's budget, would be required to pay for documents they would have no right to see. This violates the principles of universality and sovereign equality of membership, which are cornerstones of the United Nations system. But not only were such "technicalities" ignored by the G-77, the developed countries were also treated to lectures on democracy by some of the world's most authoritarian and totalitarian dictatorships. The Libyan delegate, for example, invoked the principles of democracy and argued that a resolution passed by a majority should bind all members. The Yugoslavian delegate expressed the hope that those voting against the resolution would accept the "democratic challenge" and further the efforts of ECDC.

THE BUREAUCRATIC CHALLENGE

The behavior of some UNCTAD secretariat officials mocks the very concept of a competent and neutral international civil service. The Secretaries General and international civil servants of UNCTAD see themselves not as honest brokers, mediators, or neutral civil servants, but as a kind of "vanguard" of the international proletariat. Once when his impartiality was challenged, UNCTAD's first Secretary-General, Raul Prebisch, replied that he did have a bias for development that, "one cannot be impartial when he sees a child beaten by an older man."

The current Secretary-General, Gamani Corea, sees his role and that of UNCTAD as one of "implementing a new order." In fact,

Corea seems to have trouble distinguishing between himself and the organization he ostensibly serves. In the introduction to a collection of his speeches published under the title The Need for Change, Corea describes the Integrated Program for Commodities (IPC), which was developed by his own staff as "the first effort by an international organization to respond to the broad concepts of a New International Economic Order" (p. 8).

A U.S. State Department official, who has attended many meetings of various U.N. agencies, said of the UNCTAD staff: "In other U.N. agencies, secretariat members at least make a pretense of neutrality and impartiality. But at UNCTAD, it's just amazing. Secretariat officials actually sit with G-77 delegates, 'egg them on,' and even tell them what to say at times."

Studies by UNCTAD's staff are largely internally generated and frequently focus on the alleged abuses of multinational corporations. International pharmaceutical companies, for example, have been the subject of a multitude of UNCTAD studies--studies which are then used as a basis for international conferences of Third World countries at which UNCTAD officials instruct assembled government officials on how to regulate both national and international drug companies operating within their borders. Representatives of international pharmaceutical corporations are not invited to such conferences, so industry's point of view is not presented.

At one such "workshop" for West African nations held in the Ivory Coast in 1981, ten "technological (sic) constraints affecting the supply of pharmaceuticals to developing countries," were "singled out for detailed examination." Heading this list were "the concentration of research and development," "patents, brand names and trademarks," and "developed countries' domination of the pharmaceutical supply system." In addition to making a number of proposals for action at the national and regional levels, the conference, under the tutelage of UNCTAD's bureaucrats, also made three proposals under the rubric of "international cooperation." The first began with the assertion that "the system of patents must be revised in the interests of the African countries" and called for "a fundamental revision of the Paris Convention in the interests of developing countries." The second recommendation called for "the drafting of a code of conduct for marketing, distribution, trade, and the transfer of technology in the pharmaceutical sector." The third recommendation called for a proverbial "pharmaceutical fund" that was to be established "without delay." At end of the conference, the Director of UNCTAD's Technology Division announced that, "UNCTAD was ready to collaborate in implementing the recommendations and proposals [which originated in the UNCTAD secretariat] for action at various levels."⁵

⁵ A summary of the proceedings of this conference which was held in Abidjan, Ivory Coast, may be found in Report and recommendations of the workshop on trade and technology policies in the pharmaceutical sector, UNCTAD/TT/4, February 9, 1982, G.E.82-55286. For a partial listing of UNCTAD studies on the pharmaceutical industry, see Annex VI of this report.

In sum, the UNCTAD members frequently initiate studies on their own without the direction, approval, or supervision of the Trade and Development Board. According to one official in the State Department, "They just seem to feel that they can initiate any study whenever they want as long as they can point to some past resolution, no matter how general, that relates to the topic of their study."

At the same time, the quality of some UNCTAD studies has been of very low or dubious quality. When Secretary-General Corea set forth his IPC, a \$6 billion scheme to regulate the prices and supplies of the world's major commodities, he asked the developed countries to accept his plan "in principle" before he would discuss any details. Only after the developed countries had agreed to provide money to fund the program would the Secretariat and the G-77 discuss such details as exactly who would contribute how much, how many stocks would be held, how interest and storage costs would be determined, who would decide when to release the stocks and by what magnitudes, what the governing structures would be, and what voting arrangements would exist.

Western delegates refused to commit their nations to a proposal, the details of which were not only sketchy but nonexistent, and the impact of which was unclear. Would this scheme, they asked, benefit all developing nations equally or would it have an impact similar to OPEC, wherein resources would be transferred from poorer developing countries to richer ones? After much insistence, an early impact analysis undertaken by the secretariat was published by UNCTAD's information bureau. The study immediately created a stir because it revealed that over 40 developing countries would lose under this plan.

When independent Western analysts examined Corea's proposal, they immediately uncovered technical, empirical, conceptual, and political problems. Why, many wondered, did UNCTAD's secretariat not undertake detailed studies before the proposal was announced? To some, such as the late British economist Harry Johnson, the absence of such studies could only be attributed to "the economic illiteracy of the UNCTAD secretariat." Robert Rothstein, a political scientist who has written the most extensive account of the negotiations over the Common Fund makes Johnson's point more charitably: "a limited number of qualified staff as well as the absence of staff intimately familiar with specific commodities tended to strain the capacity of the staff to prepare for all likely responses and to generate an approach based on very broad principles."⁶

WHAT IS TO BE DONE?

Of all the U.N. institutions, UNCTAD probably is most vulnerable to question. Its very foundation, Prebisch's theory that

⁶ Robert Rothstein, Global Bargaining (Princeton, New Jersey: Princeton University Press, 1979).

terms of trade had irrevocably turned against primary products, is accepted today by no economist of repute. In fact, UNCTAD's own body created to verify the validity of Raul Prebisch's theory, the so-called Houthaker Commission, could not document the first Secretary-General's thesis.

The organization's solution to Prebisch's nonexistent problem is a call for collectivist schemes and vociferous demands that the developed capitalist nations bail out the developing nations through greater aid and the forgiveness of debts. In its first 20 years, UNCTAD has done virtually nothing to promote trade or development. Those nations that have performed well and produced new wealth have done so by ignoring UNCTAD's message and by working within the existing international economic system. Those who have done least well are those who have sealed themselves up in various degrees of autarky or socialism or both and have sought to avoid market forces.

More important, UNCTAD's basic philosophy of fostering development by redistributing existing wealth and capital is almost certain to retard growth in the long run. Resources alone, as is the lesson from the OPEC experience, will not insure either growth or development in developing nations. Moreover, rigged prices for commodities would stimulate overproduction, foster investment in uneconomic areas, and encourage developing nations to continue as producers of primary commodities. Restrictive codes on corporations would discourage rather than encourage supplies of capital. To "transfer" industries from the developed to the developing countries without the necessary infrastructures would be folly. And debt forgiveness would not solve the long-run problems of the developing countries. The irony of UNCTAD is that, while the aims of the G-77 are shared by all, the proposals generated by the UNCTAD secretariat to attain them will not do so. If all the demands of the G-77 were in fact implemented, economic development in the Third World would suffer rather than prosper.

In fact, UNCTAD produces little but paper and words--which, when translated into six languages cost \$8,000 per page. It would be hard to find anyone on this planet who is learning more, eating better, enjoying better health, or living longer because of UNCTAD. The results of UNCTAD so far--such as the one-sided General System of Tariff Preferences (GSP), the World Trade Center, the code on restrictive business practices, the problematical common fund, and the abundant studies--probably will not return to the developed nations the money they have already invested in numerous meetings in Geneva, New Delhi, Santiago, Nairobi, Manila, and Belgrade.

The staff and politics of UNCTAD are biased against the West. The term "discussion" dignifies the dialogue of the deaf typical of UNCTAD meetings, where the West is hopelessly outnumbered by a majority that espouses an alien ideology in uncompromising terms. The political analog of UNCTAD is not that of a healthy parliamentary democracy. One State Department official queried, "At best there is an exchange of views at UNCTAD. There is certainly no learning and no new ideas. Is it helpful to have a forum that leads nowhere?"

CONCLUSION

Press accounts--Western, developing countries, and communist alike--all agree that UNCTAD VI, which was held in Belgrade in 1983, accomplished nothing. In fact, it is uncertain whether, when, and where UNCTAD VII will take place. UNCTAD, then, is at a turning point. So, too, should be American policy toward UNCTAD.

Ironically, the United States is both powerful and powerless in regard to UNCTAD. None of the G-77's collectivist schemes can be implemented without U.S. agreement and support. Consequently, the U.S. and other developed countries have been able to block open-ended schemes for compensatory financing, the encroachment on existing institutions such as the International Monetary Fund and the General Agreement on Tariffs and Trade, a binding code for the transfer of technology, or the implementation of any kind of mandatory targets imposed by a tyranny of the majority. Those UNCTAD programs that have been adopted are hollow shells of the original proposals of the G-77 or the secretariat.

But the U.S. has virtually no power at all in the area of institutional and political issues--the transformation of the secretariat into an international equivalent of "Nader's raiders," the one-sided agencies, the politicization of issues, the legitimation of national liberation movements, the production of paper. The U.S. has few levers of influence that it can use to affect, let alone control, the agendas of UNCTAD meetings, the resolutions adopted there, or the budget of the organization. In fact, even though it provides 25 percent of UNCTAD's budget, the United States has no financial leverage with which to influence UNCTAD. Because UNCTAD is a creature of the General Assembly, the United States is automatically assessed its share of the UNCTAD budget through its assessment for the general United Nations budget. Consequently, even if the United States were to withdraw from UNCTAD, it would still be obligated technically to provide one-quarter of the organization's budget--although the U.S. could consider withholding the share that goes to UNCTAD.

UNCTAD's problems stem from fundamental differences of world views and principles. Because of this, compromise proposals offered by the United States are unlikely to satisfy the leaders of the G-77 for long. What the United States believes is most likely to foster development--hard work, producing, taking advantage of market opportunities, and providing opportunities for private investment--the Third World majority rejects as inadequate. "Going into opposition" is not a viable new strategy that the United States can pursue in UNCTAD--it is, in fact, the strategy that the United States has followed in UNCTAD for the past 20 years and to no avail.

The only question for American policymakers in regard to UNCTAD is whether the United States should continue to dignify, by its presence, an organization that not only is anti-West, but is inimical to the economic development of poor nations.

Prepared for The Heritage Foundation
by Stanley J. Michalak,
Professor of Government,
Franklin and Marshall College

be limited to an unrealistic more equal distribution of existing resources. More wealth must be created and one way to create that wealth and to improve the welfare of the underprivileged of the world, is through the multinational.⁵²

If the multinational firm is not able to protect its investment and maintain legal rights to its own technology and know-how, but is faced instead with the loss of that technology and with additional costs to its investment, it is probably not going to make the investment and assume the risks that go with it. In such a case, the MNC is a loser. A much bigger loser, however, is the developing country that has prevented that investment, or at least not taken the steps necessary to make such an investment attractive to the multinational firm.

There is, among developing countries, a growing recognition that official development assistance will at best increase only slightly in the 1980s. Many countries thus seem prepared to recognize that private direct investment can and should play a greater role in the development process.⁵³ This realization seems particularly evident in the negotiations for a Code of Conduct within the U.N. Commission on Transnational Corporations. The U.S. negotiators should continue defending their strong and sensible U.S. position in these and related code negotiations at the United Nations.

The Reagan Administration, however, must become more aware of the dangers posed to U.S.-based multinational firms by the international consumerist movement and the attempts to revise the Paris Convention on Patents under the auspices of the World Intellectual Property Organization. In order to increase U.S. effectiveness in these areas, and in the negotiations for various TNC codes, the Administration should consider several measures:

1. Increasing the participation and effectiveness of industry in negotiations for codes of conduct, distribution and marketing codes, and conventions dealing with the transfer of intellectual property. Participation by corporate representatives in specific negotiations conducted by the United Nations should continue to be encouraged and promoted.

2. Developing specific counter-proposals to the developing nations'--particularly G-77's--proposals for various codes, such as the industry counter-proposal to the World Health Organization for a pharmaceutical code. This would help to change the "damage-limitation" exercises that have been too large a part of U.S. negotiations with developing nations in the past.

⁵² Ibid., p. 6.

⁵³ Current Status Report, July 1982, op. cit., p. 1.

3. Providing the U.S. Mission at the U.N. increased access to industry experts familiar with consumer issues at the United Nations in order to counter the effectiveness of the consumer NGOs at that organization. U.S.-based multinational firms have no influence comparable to that wielded by the NGOs at the U.N. U.S. representatives should increase the effectiveness and frequency of their counter-arguments and facts to answer the NGO rhetoric and to clarify their accusations. U.S. representatives at the U.N. must recognize that industry needs support and assistance in facing these issues.

4. Attempting, in cooperation with U.S. allies in the industrialized nations (the Group B countries), to coordinate a unified and consistent position on critical issues, particularly in negotiations for the various U.N. codes for multinationals and for proposed changes in the Paris Convention. While the U.S. may not be able to, and should not, demand support from its allies in these negotiations, it should make abundantly clear to those countries that the U.S. does not look favorably upon their support for the anti-free enterprise, restrictive initiatives of the Group of 77 within the United Nations.

Persevering in such measures should increase U.S. effectiveness within these various negotiations at the U.N. It will also provide support for U.S.-based multinational firms in their efforts to protect their technology and interests abroad and will effectively counter the continued assault on Western-based MNCs and the free enterprise system.

Roger A. Brooks
Policy Analyst