

United Nations Conference on Trade and Development

Beyond Conventional Wisdom in Development Policy

An Intellectual History of UNCTAD 1964–2004



UNITED NATIONS
New York and Geneva, 2004

Preface

Nine Years at UNCTAD: A Personal Testimony

Rubens Ricupero
Secretary-General of UNCTAD

I took over as UNCTAD's fifth Secretary-General in mid-September 1995, at the invitation of then United Nations (UN) Secretary-General Boutros Boutros-Ghali and after the approval of the UN General Assembly. I came on the scene at a time when UNCTAD, after thirty years of existence, found itself in the throes of a severe crisis that many saw as terminal. For over a year and a half it had been left without a Secretary-General, a clear indication that some influential people were plotting its extinction.

The year 1995 and the immediate following years also coincided with the broader crisis of the UN, of which the acute financial difficulties mainly created by the arrears on payment of the United States' contributions were one of the most damaging aspects. Thus UNCTAD's problems were a crisis inside a much bigger crisis involving the mother-organization. From the start it was made clear to me by the UN Secretary-General and the Under Secretary-General for Management that UNCTAD should undergo a drastic process of reform and downsizing. Together with my colleagues, I decided to face the challenge head-on. Without waiting for UNCTAD IX (May–June 1996), which took place only several months later in Midrand, South Africa, we went ahead with a radical restructuring of the organization. We adopted a new structure by regrouping the previously existing nine Divisions into four, based on their subject matters, namely: Globalization and Development Strategies (GDS); Investment, Technology and Enterprise Development (DITE); International Trade in Goods, Services and Commodities (DITC); and Services Infrastructure for Development and Trade Efficiency (SITE). Besides these 4 Divisions, a Special Coordinator would ensure the cross-sectoral cooperation of all the Divisions in favour of the Least Developed Countries (LDCs).

The reform was generally well-regarded and even received complimentary remarks in the report emanating from the Group of Seven (G-7) Summit in Lyon (June 1996). Having dealt in that way with immediate administrative problems, we then turned our attention to the ideological allegation that UNCTAD had become redundant after the establishment of the World Trade Organization (WTO) in 1995. It was argued that over the years UNCTAD had been the primary forum shared between the North and the South, i.e. between rich and poor countries, in the context of hostility typical of the bipolar world of the Cold War. Just as the East-West confrontation had collapsed with the fall of the Berlin Wall and the disappearance of the Soviet Union, the North-South confrontation should give way to a unified economy of planetary dimension through the globalization of trade, investment and financial flows. If the North–South antagonism was to be thrown into History's "dustbin", this should also be the fate of the institutions that had promoted or encouraged it.

* * *

It thus became necessary to rethink the very basis of UNCTAD's work. In the first phase of its life, UNCTAD had embodied the unique spirit of the turbulent 1960s, which had given birth to it. During one of the most intense moments of the Cold War, the decade opened with the construction of the Berlin Wall and the Cuban missile crisis while closing with the Thêt offensive and the escalation of the Viet Nam War. Just as important as these events in international relations was the inner convulsion of societies which broke out in the explosive uprising of Parisian youth in May 1968 and then spread to many countries and regions assuming different forms, as in the anti-Viet Nam War protests of Nixon's United States. In the aftermath of the turbulence in 1968 there was a rise in political violence that would herald the "leaden years" of terrorist actions in affluent countries such as then West Germany and Italy. The frustrated guerrilla outbursts in Congo or Bolivia, and the tragic death of Guevara in the latter; the military coups in Algeria, Brazil and Greece; the bloody succession of Sukarno in Indonesia and the Cultural Revolution in China, although independent of each other, are among the numerous examples of that tumultuous era.

External and internal episodes of violence reflected a deeper fermentation, a genuine crisis of this acute disenchantment with formerly accepted beliefs, including some of the values of consumer society. The craving for liberation came to a head in the guise of the sexual revolution in a broad sense, which implied above everything else the struggle for women's equality, i.e. the most important and far-reaching twentieth century contribution to the transformation in human relations. It also equally helped set off the reaction to the repression of homosexuality. Furthermore, changes were brought about by rock music, not only as a new form of artistic expression but almost as the manifestation of a new life style in the mammoth festivals, of which Woodstock became the symbol. These changes were also expressed in the hippie communes, intermixed with self-destructive developments such as the widespread consumption of drugs.

Those years also saw a heightened awareness of the problem of underdevelopment, an awareness that found its noblest expression in Pope Paul VI's statement: "Development is the new name of peace". A typical creature of the 1960s, UNCTAD shared this spirit, particularly as it gave impetus to a project with which it became indissolubly linked: the dynamic movement towards the creation of a New International Economic Order, in capital letters as the phrase was written then. It was believed to be possible for different countries to sit together and negotiate new rules that would reshape financial and trade relations in a fairer, more balanced manner and would propose codes of behaviour for private actors such as transnational corporations (TNCs). There was a utopian element (an echo of Illuminism?) in this concept, which posited – in a rational process, formalized in diplomatic agreements – the possibility for negotiating what in essence would be an international redistribution of power and wealth. This voluntarism, a highly idealistic approach, had a tendency to overlook the fact that power, as conventionally perceived by realists, remained the core reality of international relations in both the political and the economic fields. In the wake of the 1968 movement, when the surrealist slogan, "Be realistic, demand the impossible" was being written on Paris' walls, people tended to forget that power is expressed not only in nuclear devices, intercontinental missiles, and sophisticated electronic spying and surveillance systems, but also in the rule-making capacity to determine (if not dictate) financial and trade rules.

True, at that time the "international correlation of forces," to take up an expression dear to Marxist-Leninists, did not seem so untoward. The Socialist camp showed signs of vigour and a capacity for expansion around different, often clearly antagonistic poles such as Moscow and Beijing, or in symbolic and inspirational terms like the revolutionary examples of Havana and Hanoi. Not a few in the West feared the communist alternative's power of attraction to the point that by the early 1970s' – the Nixon and Brezhnev era – it came to be felt that the Soviets had achieved and perhaps even exceeded strategic parity with the Americans. Today all this sounds unbelievable and absurd, but one has only to peruse the papers and magazines of that time to realize what a different perception of the strength and durability of "real socialism" existed then.

In turn, the number of independent developing countries – not many more than twenty at the end of World War II, nearly all of them in Latin America – soon increased substantially, owing to decolonization particularly in Africa, Asia and the Caribbean. An indication of this continuous expansion is the fact that the Group of 77 (G-77) of developing countries, originally established in 1964 to act as the collective bargaining body within UNCTAD, has grown to number 132 members today! The work of strong personalities including India's Nehru, Egypt's Nasser, Indonesia's Sukarno, and Yugoslavia's Tito, had created the illusion of a Third World as a capable political mediator between the First World of capitalist Western countries and the Second World of Socialists of Soviet or Chinese persuasion. It was even believed for a short time in the 1970s that the configuration of forces had tilted in favour of the developing countries as a result of the two successive oil shocks, the American defeat in Viet Nam, followed by Nixon's resignation after Watergate and the relative disengagement of United States forces from many international conflict areas as a result of Congressional pressure.

It was thus not surprising that people came to accept the feasibility of negotiating the New International Economic Order because the disastrous economic impacts of the increase in fuel prices forced the West into a defensive position, inspiring Giscard d'Estaing to launch the North-South Dialogue at the Conference on International Economic Cooperation (CIEC) in Paris from 1975 to 1977 and eliciting conciliatory gestures even from a realist thinker and operator like Kissinger as witnessed at UNCTAD IV (1976). It was in this climate that negotiations took place at UNCTAD and other UN forums about the Charter of the Rights and Duties of States, the code of conduct for TNCs and for the Transfer of Technology; and the Common Fund for Commodities. (All of these matters are discussed in detail in different topical papers contained in this volume.)

These negotiations were not carried out by individual countries but by groupings of countries acting together with a common platform and a main spokesperson: the G-77 of developing countries – later named "G-77 and China" after Beijing replaced Taipei at the UN; Group B, formed by industrialized capitalist countries; and Group D, formed by socialist countries. A negotiating doctrine much in favour then, particularly among developing countries, held that at first each group should maximize its demand even at the risk of exacerbating contrasts and leading to greater tensions. It was thought that the face-off would thereafter lead to a stage of conciliatory negotiations where the identification of a common denominator and a possible compromise between confronting demands would be sorted out. In practice this "bloc system" proved to be excessively rigid and thus incapable of capturing the individual nuances within each group. The socialist countries felt that they were exempted from the G-77's claims as these demands were addressed, in their view, to the capitalists. Consequently the G-77, whose propositions enjoyed frequent support from Group D, became a sort of steamroller. Yet this parliamentary majority at UN and UNCTAD deliberations did not reflect the true distribution of power in the real world.

For this very reason the developed countries tended to regard the decisions made through this process as irrelevant to themselves (in contrast to the GATT negotiations) and possessing at best a declaratory value.

The developed countries tended to regard the UNCTAD forums as deliberative meetings where countries could exchange viewpoints and engage in general discussions. In contrast, the developing countries hoped that these forums would have some quasi-legislative traits and make at least certain decisions – however they might be called – that would commit the developed countries to a given course of action. Consequently the developed countries tend to shun any sort of

“implementation” procedure (particularly in the Trade and Development Board (TDBs) for monitoring the follow-up actions of the decisions adopted at the Conferences), since they were adopted against their will or on a voluntary basis. The point is that because of the ambiguity of the legal status of the decisions, the implementation procedure has also been far from rigorous.

This situation was irreparably aggravated when to the disappearance of the Socialist alternative was added the dissolution of the relative unity that lent a certain consistency to the G-77's activity. One by one, the protagonists that stood out most prominently in this bloc began to break up or drastically change their position. The Latin Americans, weakened by the debt crisis of the 1980s, had to submit themselves to the International Monetary Fund (IMF) and World Bank's structural adjustment programmes, abandoning the economic theories that had inspired their former positions and stances, and often recreated themselves as ardent newly-converts to the triumphant neoliberalism. The clearest example was Mexico, the main promoter of the Charter of the Rights and Duties of States which, after entering the economic space created by the North America Free Trade Agreement (NAFTA), quit the G-77 to join the Organization for Economic Cooperation and Development (OECD), the developed countries' organization. Other Latin American nations – Argentina, Brazil and Chile – did not lag much behind as regards their conversion and subsequent adherence to the mainstream positions in economic philosophy.

Some other principal G-77 members went through much more radical transformations in their political and economic structures as well as in their position towards various international issues. Yugoslavia ceased to exist. For decades Algeria had struggled with an unending internal crisis. Egypt has become the second largest beneficiary of American aid after Israel. Indonesia stood out as a successful Asian “tiger” apprentice before the setback of the 1997 Asian crisis. The Africans have become victims of a disastrous combination of extreme political instability, often degenerating into civil wars, and unrelenting economic decline.

Much of what had happened to developing countries resulted from actions and decisions for which they were mainly responsible. They include: macroeconomic policy mistakes, such as baleful indulgence toward chronic inflation and budget deficits; prestige-driven projects that made no economic sense; widespread waste and corruption; incapacity to manage the legal and institutional framework required for the sound operation of a market economy; and ideological delusions about the role of the State as producer. It was thus inevitable that, when an acute crisis struck, some Governments would be forced to review their earlier position and correct them, often in a radical way.

Meanwhile it has been forgotten that the blame cannot be laid solely on the developing countries. UNCTAD had been pointing out since Raúl Prebisch's tenure that a considerable share of responsibility has to be ascribed to the imbalances and injustices of the world economy which perpetuated and intensified the inequality between rich and poor countries. While a new international economic order, perhaps, more appropriately “globalization order”, did indeed begin to take shape in the late 1980s, it was not the fairest, most balanced order that had been envisaged by the reformers. In fact, the modality of the new order that emerged has shown the tendency to exacerbate the imbalances and inequalities of the old order, both among countries and within them, including in the most affluent ones.

The assertion of the globalized economy coincided with the rise of the administrations of Thatcher in England and Reagan in the United States, unleashing a hostile attack on numerous previous proposals for redressing past injustices and reforming the international economy so as to make it more friendly to genuine, equitable human development. That was the case when the Reagan administration, at the Cancun Summit in 1981, definitively buried the so-called “Global Negotiations” in the economic sphere encompassing finance, investment and trade under the auspices of the UN. Subsequently the field was laid open to the irrefutable rule of organizations more directly controlled by the developed countries: the IMF and the World Bank in matters related to money, finance and payments crisis in developing countries; and the GATT, superseded in 1995 by the WTO, in matters related to international trade. At the same time the developed countries' perspective has been actively promoted and coordinated by their own elite organizations, such as the OECD in matters related to development finance and the attempt to establish multilateral norms for international investment, as well as the G-7 or G-8 annual meetings in macroeconomic management and foreign exchange policy.

* * *

This was the prevailing environment when I arrived in Geneva in late 1995. For nearly four years, between 1987 and 1991, I had been the Permanent Representative of Brazil to the UN in Geneva. This period coincided with the first years of the GATT Uruguay Round, and intensive trade negotiations absorbed much of my time. During most of that period I had been the coordinator and spokesman for the so-called Informal Group of Developing Countries in the GATT, roughly the equivalent of the G-77 in the UN forums. I also occupied the functions of Chairman of the Committee on Trade and Development (1989), Chairman of the GATT Council of Representatives (1990) and Chairman of the Contracting Parties of GATT (1991). Thus when I was appointed to UNCTAD I became its first Secretary-General with a personal background in GATT and with practical experience in the reality of trade negotiations. Probably because of that particular background I tried to give emphasis to helping the developing countries adopt a more pro-active negotiating position in the WTO and lately to overcoming their supply-side constraints.

At the moment of my return to Geneva there were already clear symptoms of future complications on the path of the ascendant globalization, particularly the new cycle of financial and monetary crises set off by the Mexican problem in that year and the growing perception that savage globalization deepened disparities and asymmetries rather than narrowing the gap in growth and welfare levels.

Under these circumstances the UNCTAD secretariat had to show that on the basis of its impartial analyses the prevailing trends would require major corrections and reforms if one wanted to construct a better-balanced, stable economy. It would have been a mistake to go back to the old, worn-out approaches and failed visions, to the discredited methods of the past – negotiations by blocs in a rigid way. Even worse would have been to fail to recognize the reality of changes that had taken place in the member countries' attitudes, with an increasing diversification of concrete interests and positions as well as the emergence of new organizations such as the WTO. Instead of shutting itself up, UNCTAD had to reinvent itself so as to become an entity grounded on knowledge and at the service of developing countries – a laboratory of innovative ideas, ethically committed to the struggle for creating more equitable conditions for the least developed as well as the excluded or marginalized countries. Such an effort had to be conducted with the realistic awareness that we were starting from a minority position vis-à-vis the prevailing standard of a “single thinking”. The task of reflection had to rest on an open attitude, ready to submit itself to its own and outside criticisms as well as to accept some of the undeniably positive contributions of the recent transformations occurring in the world at large.

Only by following this path could we hope to influence changes capable of positively contributing to international debates on development. It would be necessary to start with ideas whose force comes from their intrinsic qualities, particularly their capacity to provide effective solutions to contemporary problems – a key condition for building consensus among the positions of countries with different structures and at different stages of development. This would be achieved not only by enforcing and supplementing the traditional work among Governments but also by empowering the representatives of organized civil society: nongovernmental organizations (NGOs), churches, research centres and universities, social or cultural minorities, the press and other forms of communication. In other words, only through the mobilization of conscious sectors of civil society would it prove possible to effect changes in the current positions of Governments. In a sense, this method of work inverts the old assumption about the possibility of reforming the international economy first and foremost on the basis of placing all the initiative in the hands of Governments. In other words, change will come not from Governments attached to the prevailing and flawed development policies but from an alliance with different forces and movements that can act inside their own societies to change the perceptions and positions of Governments. It is a long-term strategy, but ultimately it is more realistic than the belief that developing countries' pressure would be able to force or persuade the developed countries to accept changes.

One possible objection to this approach, based on feasibility grounds, is the discrepancy between such ambitious objectives and the limited means available to achieve them. UNCTAD lacks the power to promote changes or to enhance international justice through the adoption of trade rules worldwide (as the WTO), or the power to finance development (as the World Bank), and to alleviate the debt burden, to prevent or to manage financial crisis (as the IMF). Those are the prerogatives of power, and they are usually expressed by continuous control of trade and financial decision-making installed in key organizations. This kind of objection should not surprise anyone. After all, as already mentioned, power is the core element in international relations. But not everything comes down to power. Just as in the sphere of social actions, relations among countries are characterized by a permanent dialectic tension between conflict and cooperation. Power always plays a decisive role whenever conflict of interests prevails over cooperation. This is particularly true in bilateral or plurilateral relations between countries, where there is no supranational authority.

The previous voluntarist notion – the one associated with the New International Economic Order – that the economic order could be changed through inter-Governmental deliberations not only underestimated the centrality of power but it discounted the possibility that the configuration of forces could very easily be tilted against the proponents of change. It also overlooked the fact that changes in the global economy depend not exclusively on Governments but on factors such as demographic trends and technological innovations (the computer and telecommunications revolution, for example). These factors can be subject to the influence of Government policies, but in turn can also influence Governments. The evolution in international economic relations therefore requires first, the sensitivity to recognize structural changes, and then time, patience, ideas and a sense of common interest to shape the reforms necessary to take advantage of the new conditions. In the last analysis, we should always return to the well-known passage by Keynes:

“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.”

This is certainly true in the broadest sense but it should not misguide us into another type of delusion. This would be the case if we thought that reforming the global economy was a sort of Socratic process: a sincere search for the truth with the willingness to embrace it would in due course lead us to the light of reason. This would amount to ignoring what Machiavelli taught a long time ago: only the armed prophets are able to win. The unarmed prophets are doomed to failure and martyrdom.

UNCTAD belongs more to the second category of prophets than the first. For that reason, if it does not want to follow the sad fate of so many prophets, it has to arm itself, through alliances with what the French call the “party of movement”, i.e. those who favour not the *status quo* but change and reform: countries, individuals, civil society.

Alliances are built by two elements: a shared vision and common interests. In this particular case the common interests arise from the perception of interdependence, not conflict, between the North and the South. That was Prebisch’s vision when the expression “interdependence” was not yet in general usage. He saw that the development of the South would only be possible if the economies in the North would grow fast enough to provide markets for Southern exports and to produce a surplus of capital and technological skills to be transferred to the South. Similarly, the North needed the development of the South in order to find an outlet for its exports of finance, advanced technology and capital goods. Is there any better illustration of this old and always renewed truth than what is now taking place with the emergence of China, its contribution to the growth of Japan’s and other Asian countries’ exports, to the recovery in commodity prices, as a major source of import demand growth for developed and developing countries alike?

* * *

The combination of ideas and work methods that constituted the renewed UNCTAD approach was first applied in UNCTAD IX (1996). Those days marked the climax, the peak, of globalization. With the benefit of hindsight it is now clear that the golden years of globalization coincided roughly with the first half of the 1990s, the phase between the crumbling of the Berlin Wall (1989) and the inauguration of a new cycle of financial crises starting in Mexico (1995). The atmosphere of triumphalism associated with globalization was still dominant in 1996. Accordingly, UNCTAD IX dealt mainly with the development of strategies for developing countries to cope with the challenges of a globalized economy. It also played a pioneering role in the UN system as seen in this Conference in Midrand by bringing together civil society organizations and the private sector as equal “Partners for Development”, the subject of the Lyon Conference of 1998.

The second half of the 1990s witnessed the first major setbacks on the victorious path of globalization. The first and by far the most damaging of those setbacks was the growing frequency of monetary and financial crises. These crises were not the end of globalization but they undoubtedly acted as a sudden revelation of its mortality, its inherent vulnerability. In that sense their role reminds me of what Paul Valéry wrote about the First World War and how that European civil war had shown Europe its mortality: “Now we, civilizations, we know that we are mortals.”

The UNCTAD secretariat played a non-negligible role in the necessary work of intellectual revelation and clarification regarding the frequency and destructive power of currency and financial crises. First, by saying as early as 1990, a few months after the fall of the Berlin Wall, that the 1990s would be characterized by a series of such crises. The secretariat was perhaps the only major international establishment that underlined, at that early stage and with such clarity, the extreme dangers of financial globalization. It continued to expose those dangers and to advance concrete proposals for a new financial architecture in its thoughtful and well-reasoned flagship annual reports – the *Trade and Development Reports* (the *TDRs*) – that, together with the extensive research on the debt crises of the 1980s, constitute one of the major intellectual contributions of the organization to the understanding of, if unfortunately not to the solution of, the threatening problems of international money and finance. In other words, UNCTAD was able to contribute to the understanding of the problems at stake but not to their solution because its proposals (i.e., those of an unarmed prophet) were not seriously considered.

At the same time and on another front, that of international negotiations, globalization was stumbling on the ambitious attempt to complete the legal regulatory framework so as to free global flows from the remnants of State control by imposing two major new sets of rules. The first was the ill-advised and untimely proposal by the IMF secretariat to amend its Articles of the Agreement, i.e. promoting the complete liberalization of the capital account in the balance of payments by banning any type of capital control. It is indeed hard to believe that this proposal was approved in a joint meeting of the IMF and the World Bank in the Autumn of 1997, in Hong Kong, when a financial crisis was already ravaging the East Asian region and was about to reach Hong Kong and Singapore. Obviously, the amendment has never been implemented. Subsequently, the IMF adopted the more realistic position that countries should abolish capital controls only in a gradual, cautious, progressive fashion.

The second stumbling block was the reaction that forced the OECD to suspend, as the euphemism goes, the negotiations of a Multilateral Agreement on Investment (MAI). The attempt to transfer the negotiations to the WTO met the same resistance and, at the current moment, the MAI initiative in Geneva undertaken by the European Union and Japan appears to be going nowhere.

Besides the recurrence of financial crises and normative setbacks, globalization was about to face a third disturbing challenge: the emergence worldwide of a powerful mass movement characteristically called the “anti-globalization movement”. A loose coalition of environmental, human rights NGOs, trade unions and disaffected socialists have gradually become more determined and organized. Such a coalition has been supported by a growing literature of a popular or scientific nature and is fuelled by the anxieties generated by phenomena like the growth in unemployment in the European Union, the increasing precariousness of work contracts and the transfer of jobs to cheaper labour cost locations such as South East Asia

and China. Trade liberalization in general, and the WTO as well as the IMF (the central *bêtes noires* as the institutional embodiments of the former) in particular, have been the main targets of the street protests. After a series of episodes of violent confrontations, the backlash against globalization has managed to push Governments of major industrialized countries and those that are seen as proponents of *la pensée unique* into a defensive position. Gatherings of the IMF, the WTO, the G-7/G-8 and even those of a private character like the Davos Forum, were converted into battlegrounds, and as a result they had to be convened in far-away and highly protected places, if not cancelled altogether. The most symbolic events defining and marking the boundaries of the radical changes in the public atmosphere were, at one extreme, the Marrakech Ministerial Declaration of 1994 (including the announcement of the creation of the WTO), the highest point of globalization and, at the opposite end, the unexpected and humiliating debacle of the 1999 Ministerial Meeting in Seattle, a city known worldwide as the headquarters of some of the most important TNCs.

Against the background of growing resistance to the predominant modality of globalization, the UNCTAD secretariat has pursued its analytical and research work along three major directions. First, it has attempted to bring into light the financial, investment, technological and trade trends that were behind the unification of the economic space on a planetary scale, underscoring both the strengths and weaknesses of the process, its positive impacts together with its numerous flaws and shortcomings. One of the most original outcomes of that effort was, besides the work on the financial architecture already mentioned, the remarkable body of research on the operations of TNCs and world FDI flows.

Second, the secretariat has undertaken a rigorous critique of the simplistic, one-sided approach to development embodied in formulations such as the Washington Consensus. Alongside economists like Joseph Stiglitz and the new perspectives brought by the concept of Human Development (propagated by the United Nations Development Programme (UNDP)), the secretariat has consistently emphasized the need for a pluralistic approach that would value the diversity of development strategies according to national and regional specificities. Within that framework, particular attention has been given to the lessons of the East Asian experience and the need to create development strategies appropriate to cope with the specific and challenging difficulties faced by predominantly rural and low-productivity economies such as the least developed countries (LDCs) and some other similarly vulnerable low-income countries.

Finally, a traditional area of the secretariat's work has been the analysis of the imbalances and asymmetries embodied in a multilateral trading system which has been almost exclusively oriented towards industrial countries' priorities. Since the Uruguay Round, the UNCTAD secretariat has been assisting developing countries in improving their bargaining capacity in trade negotiations. That effort found expression in the negotiations of the General Agreement on Trade in Services (GATS) when some of the most serious problems could only be overcome thanks to technically sound proposals originating in the secretariat. Building upon that past experience the secretariat also inaugurated in 1997 the *Positive Agenda for Trade Negotiations*, a title where "positive" is to be interpreted not as a judgement of value but as a synonym for pro-active. The departure point of the programme was the realization that during the Uruguay Round and afterwards most of the developing countries had maintained a largely defensive and reactive attitude. With some exaggeration it was possible to say that they knew what they did not want but they did not know what they should want, or how they should ask for it. In an organization like GATT-WTO, whose culture was trade liberalization, this kind of predominantly "negative" strategy would have to be replaced by a more open and forthcoming position if developing countries really wanted to change the *status quo*.

The purpose of the *Positive Agenda* was not so much to explain trade agreements or simply to train and produce competent negotiators. Its ultimate goal was, in effect, to help create in each developing country an autonomous capability of formulating negotiating positions inspired by its own economic specificities on a sound technical and legal basis. It was not up to the UNCTAD secretariat to tell national negotiators what those particular negotiation positions should be. Instead it provided them with analytical tools and training indispensable to defining their own agenda. At least in part as a result of the programme, developing nations were for the first time the source of nearly 50 per cent of the total number of proposals submitted to the Seattle meeting. As happened with other initiatives of UNCTAD, this one inspired different international organizations, NGOs or countries to launch their own similar projects in the area of trade-oriented capacity-building.

Thanks to the work carried out in the second half of the 1990s, UNCTAD X, held in Bangkok in February 2000, was able to make a constructive contribution to the post-Seattle healing process and to the re-establishment of developing countries' trust in the multilateral trading system. This, in turn, eventually helped pave the way for the launching in Doha, in 2001, of a new round of negotiations, this time with the specific goal of addressing developing countries' grievances in a so-called "Development Agenda for Trade Negotiations".

The flexibility shown by the major trading countries in the declaration about trade-related intellectual property rights (TRIPS) and public health in the somewhat more comprehensive and balanced character of the Doha Agenda and combined with the exaggerated denomination of the round to spur the interest and the engagement of developing countries. At the same time this combination generated high expectations of the outcome of the negotiations. Meeting these expectations has so far proven to be an elusive goal. The failure to agree in Cancún on negotiating modalities to allow the Doha Round to conclude its work by the chosen deadline (31 December 2004) has dashed many of the initial hopes.

Preface

* * *

The current trade round has been taking place against a worrying international background. First, the sudden increase in violence and conflict after the terrorist attacks of 11 September 2001 immediately found an expression in the predominance of strategic and security considerations over economic interests as well as in the affirmation of the power of the State and political concerns over the forces of the market and the economy in general.

Second, the overwhelming concern with security has undoubtedly stopped, and to some extent even reversed, the previous trend towards the erosion of border controls and in favour of freer trans-border flow of persons, goods, services and money. Two basic forces behind globalization – namely the technological revolution in information and communications technologies, and the internationalization of production through TNCs – remain as strong as ever before. However, these forces can no longer rely on the supportive help of the political developments of the recent past, which were also working in favour of convergence and unification.

In effect, during the period between the crumbling of the Berlin Wall of November 1989 and the terrorist attacks of September 2001, politics and economics were reinforcing each other; the end of communism leading to the fall of barriers everywhere: in Berlin, across Germany, Europe, and including the racial fence of Apartheid. Nowadays barriers are being re-erected and reinforced. For instance, a simple act such as entering the United States is a cumbersome and often unpleasant experience. Ports, airports, containers and the electronic transfer of money are being scrutinized to make sure that they are not being used in terrorist operations. The best illustration of these dramatic changes is the contrast between the visual symbols of two phases of history: the demolition of the Berlin Wall (as the departure point of a 10-year period of convergence) and the erection of the Separation Wall in Israel as well as the restrictive entry requirements in the United States (as the expression of the restrictive spirit of this new age).

Assuredly, the war against terrorism has not put an end to globalization in the way the First World War marked the demise of a similar phenomenon, the globalization of the Victorian Age. In the long run, however, it is hard to believe that an almost permanent state of mobilization and war against States and organizations suspected of terrorism will allow the continuation and deepening of a process of unification that depends on the dilution and weakening of national frontiers and other types of barriers to the free flow of persons, goods, services, money and investment.

Third, in the short period of three years since 11 September 2001, we have already witnessed two international wars, against Afghanistan and Iraq; several dangerous confrontations vis-à-vis the Democratic People's Republic of Korea, the Islamic Republic of Iran and the Syrian Arab Republic; an unprecedented level of deterioration in the Israeli-Palestinian conflict; and an unmistakable aggravation and even split between the United States and its closest allies on the one hand and various Western countries or nations of different persuasions on the other. The return in force of divergence and heterogeneity among States renders much more difficult the task of building international consensus, an adverse tendency that culminated in one of the most serious breaks with the cornerstone principle of collective security and the pre-eminence of the UN Charter as the source of legitimacy in international relations: the decision to attack Iraq despite the Security Council's refusal to grant its authorization. In other words, unilateralism on the part of major countries, particularly the United States, has been thriving to the detriment of multilateralism. This is by no means confined to the political-strategic sphere, for it equally finds expression in trade protectionism with the proliferation of regional and bilateral trade arrangements at the expense of the Most Favoured Nation principle. Economic nationalism is becoming fashionable again as a popular way of protecting local industries and jobs against the delocalization in manufacturing and outsourcing in services.

Never before has it been so crucial to return to the concept of interdependence as the missing element in the current one-dimensional incarnation of globalization. Its absence is indeed the main reason why a phenomenon of such historical significance and promise ended up as being perceived as the mother-of-all-threats. Rather than a mere unification of markets worldwide for the sake of competition and profits, genuine globalization should be seen as the desirable outcome of a long historical process that started with the maritime voyages of Vasco da Gama and Colombo in the late fifteenth century. That process brought about gradual increase in contacts, reciprocal influence, cultural exchanges, among the hitherto separate branches of civilizations and cultures. The radical facilitation of communications, particularly through increase in rapidity and reduction of costs, has created the possibility of accelerating the process of human understanding. However, in order for this promise to be fulfilled, it will be indispensable to promote the economic modernization and technological progress in societies that have not yet been adequately integrated in that movement. Globalization and marginalization should be seen as mutually incompatible concepts. There can be no true globalization if the process contains exclusion instead of inclusion: it would be a contradiction in terms of the very concept, the very meaning of the word "globalization".

Thus it makes no sense to be against or in favour of globalization, to promote or to oppose the integration of developing countries in the globalization process, without specifying what kind of globalization and integration we are talking about. What really counts here is not the mere quantity of integration with a flawed variety of globalization such as the prevalent one, characterized by an increase in exclusion and inequality. Instead, the goal to be sought is quality integration of the many excluded and marginalized developing countries into a more balanced and more development-friendly kind of globalization.

This requires an external economic environment that favours a much larger dissemination of successful development experiences similar to the few examples of “success stories” so far, almost all of which are concentrated in Asia. In other words, the *status quo* of globalization should not be accepted as a given, an unchangeable consequence of uncontrollable forces as in the case of physical phenomena. Globalization is a product of culture and history, that is, of societal choices, which can and ought to be transformed and perfected.

UNCTAD’s efforts are geared precisely towards the creation of a better kind of globalization through regulations and negotiations that will help countries lift themselves out of poverty. This development-friendly framework, if accepted, would make possible the adoption of more appropriate public policies to foster capital accumulation and technological innovation. The objective of these efforts would be to bring forth a productive system that allows developing countries to climb the value-added chain and integrate themselves into a globally unified economic space in such a way that they will be able to narrow the productive and technological gap that separates them from fully-developed countries. Quality integration in the globalization process means, among other things, not only high-value exports but a type of development which is environmentally friendly and socially balanced. In the 1960s, development was usually expressed in purely, sometimes crude, economic terms and was often presented as dependent on an initial phase of authoritarian rule, indifference to environmental destruction as well as to wealth and income concentration.

Since those days, the disastrous experience of many countries has taught us that in development, as in all other areas, the end cannot justify indefensible means. A sound development strategy has to be built on the solid foundations of participatory democracy, environmentally-sustainable practices and redistributive policies, all of which are aimed at fighting inequality in all aspects, from gender to race or minority discrimination. And it has to conform to the best and most concise definition of development, the one proposed by the French philosopher Jacques Maritain: “the promotion of all men and of man as a whole” (in French *la promotion de tous les hommes et de tout l’homme*).

It is obvious that an organization like UNCTAD, committed to these philosophical and ethical objectives, cannot be reduced to an institution devoted exclusively to trade matters. Indeed, as repeatedly defined in many documents and confirmed by the UN General Assembly, UNCTAD is the focal point in the UN for the integrated treatment of finance, currency, investment, trade and technology from the developmental perspective. Two major aspects should be highlighted. First, obviously, whenever we speak about these sectoral issues the perspective of development, i.e. the need to bring development into the picture, stands out. This is what makes UNCTAD, above all, an agency devoted to development. After all, its primary goal is to propose the most adequate public policies and the best tested strategies to promote development. Second, UNCTAD is not so much focused on individual, separate studies of trade, investment, technology or finance, but on their interactions (or reciprocal influence) as well as on the way they create a system that is bigger than the sum of its parts. By the way, this is one of the reasons why UNCTAD sees the world not as a theatre of confrontation between the North and the South but as a human and social system based on the essential interdependence of each and all its elements.

Anyone who shares this belief will easily understand that, contrary to views expressed in the mid-1990s, the WTO and UNCTAD are two perfectly distinct organizations that could and should join forces for the common goal of creating a multilateral trading system free from the inherited imbalances of the past and better able to facilitate development.

* * *

In order fully to grasp the difference in the nature of the two organizations it is useful to remember how both gradually evolved over the past several decades. A helpful guide in that endeavour is the excellent historical analysis *Also Present at the Creation – Dana Wilgress and the United Nations Conference on Trade and Employment at Havana*, of a half century of efforts to build an effective trading system, written in 1995 by the Canadian economist Michael Hart. His thoughtful account is admittedly much more concerned with the mainstream approach of developed economies – how to create a mechanism to promote and regulate free trade – rather than how to deal with development questions. In spite of this particular angle, or rather should we say because of its distinct motivation, the book provides us with invaluable insights for our purpose. It clearly indicates that there were differences in approach between advanced and developing countries in matters related to trade, development and, more generally, to the desirable characteristics of the international system since the very beginning of the post-World War II period, i.e. “at the creation” as Hart puts it. In other words, the “North-South divide” had existed long before it would come to be known as such.

In effect, it is curious how he describes the surprise of the “veterans of Geneva”, the small group of like-minded individuals who had been involved in the negotiation of the General Agreement on Tariffs and Trade (GATT) and had also tried their hand in preparing a draft charter for the future trade organization to be negotiated in Havana, when they arrived in Cuba and found out that the “underdeveloped or poor countries” had a very different way of approaching the subject. He says:

“Once in Havana, it came as a major disappointment to the ‘veterans of Geneva’ to discover that the 33 delegations which now joined them for the United Nations Conference on Trade and Employment did not share their assessment that the Charter needed little more than polishing. Instead, it came under wholesale attack by the underdeveloped or

poor countries, particularly the Latins led by Argentina, who had not participated in the preparatory meetings but, nevertheless, had both general and particular views on the Charter. They concluded that the Charter was too one-sided and served the rich at the expense of the poor. They took up the same theme that India, Lebanon and others had unsuccessfully pursued in the preparatory work. As a result, they made more than 800 proposals for improvements, many of which would have emasculated the carefully developed compromises worked out in Geneva.” (Hart, 1995: 44).

Reading this passage, anyone familiar with Seattle or Cancún will have an eerie feeling that history is repeating itself, as there are many similarities between the distant 1947 and either 1999 or 2003. But what is striking here is not so much the similar reaction of those who had not participated in the original preparations and demanded the right to be included, as was the case in those two failed WTO meetings. Above all, the significant aspect is the recognition that there was from the start a “gap in understanding” between the “veterans of Geneva” – we will see in due course that they were basically five industrial powers – and the others, defined as the underdeveloped or poor countries, particularly the Latins led by Argentina, that took up the same theme that India, Lebanon and others had unsuccessfully pursued in the preparatory work. Needless to say, there was no G-77 at the time and no one spoke about a North–South divide.

The text continues by saying that the Geneva veterans accepted various changes that, to me at least, appear rich in meaning: “For example, they adjusted the more objectionable aspects of the investment provisions; they accepted the principle of one country-one vote; they clarified the relationship of the Charter to the IMF; they spelled out members’ obligations to non-members; and they once again tackled the thorny issue of the criteria for discriminatory BOPs [balance of payments] measures and economic development measures” (Ibid.: 44). It will not escape the attention of any reader that many if not all of those “thorny” issues are still with us to this day. Not only that, most are what we call to this day “the development issues” discussed at the Monterrey Conference on Financing for Development, among other meetings. “The result”, says the book, “was an increasingly complex and increasingly compromised document” (Ibid.: 44–45).

That complexity can be illustrated by the example of commodities. Indeed, Hart reminds us that Chapter VI of the Havana Charter set out an elaborate series of principles relating to commodity agreements and that it recognized “that problems connected with primary commodities are of a special nature which do not apply to manufactured goods. It provides a systematic approach to the solution of such problems. There is to be careful examination of all aspects of a commodity problem and such examination is to be conducted on a wide basis with adequate representation of both producing and consuming interests” (Report, Part. II: 125, as cited in Hart, p. 48). Chapter VI, as the author further states, “was not carried into the General Agreement, which remains largely silent on the subject of commodity agreements” (Ibid.: 48). This again is meaningful, as the problems in the field of commodities had already been present (and side-lined) at the Bretton Woods meeting, where they were the central interest and concern of some developing countries, such as Brazil and others.

It was because of the inclusion of commodities and other subjects that the ITO came to be rejected by the United States and other developed countries: “The additional functions that would have been assigned to the ITO in such areas as employment policy, restrictive business practices and international commodity agreements could have overburdened the ITO and detracted from more central trade policy issues that are the main focus of GATT” (Ibid.: 52). This statement confirms the narrow trade approach of the “veterans of Geneva”. According to Hart’s book, “the negotiation of this limited agreement succeeded because it reflected careful, step-by-step preparation Identification of the basic issues flowed from shared analysis ... of the problems generated by the economic crisis of the 1920s and 1930s”, a point worth retaining as it shows that the motivation of the process was basically the *problématique* of developed economies, with little or no reference to questions affecting developing nations. This is confirmed by another passage of the book that asserts:

“It was largely the work of the five delegations: the US, the UK, France, Canada and the Benelux countries, together the five most important economic powers of the day. These five delegations were not unhappy with the way GATT obligations differed from those in ITO, and they resisted all efforts by the smaller countries to dilute the GATT with some of the gains they had made in the ITO Charter” (Ibid.: 53).

This is perhaps the passage where the author states most explicitly that the founders of the post-Second World War economic order were not prepared or willing to work together for broader development objectives, which would be the case had there been an institution like the ITO. They were simply interested in pursuing national interests and objectives, and the better instrument for achieving that goal proved to be the GATT rather than the ITO.

Such was then the prevailing situation in the late 1940s. After several decades and the upheavals brought by globalization, Hart indicates that the atmosphere had changed:

“By the early 1980s, these changing circumstances and priorities disposed GATT members to determine whether the time had come to shed this conservatism and try once again to develop a more comprehensive code on commercial policy that would have universal appeal. The Uruguay Round of GATT negotiations ... became the vehicle for harnessing a new set of conflicting approaches to international trade policy. In the end, it succeeded not only in

developing a far-reaching set of rules, but also in establishing a multilateral trade organization, the World Trade Organization”(Ibid.: 56-57).

He concludes on a somewhat questioning note: “We will see over the next few years the extent to which the world has changed to make possible today what was impossible nearly five decades ago” (Ibid.: 57). The “today” of the sentence was written in 1995 when there was still a mood of unqualified hope in the WTO, which produced, at its early stage, several significant agreements such as the ITA during its First Ministerial Meeting in Singapore and the two agreements on Basic Telecommunications Services and Financial Services in Geneva. Those were the golden years before the setbacks in Seattle (1999) and Cancún (2003). One wonders what Hart would write nowadays? Has the world really changed enough “to make possible today what was impossible nearly five decades ago”?

Be that as it may, this is beyond my point. My central interest lies elsewhere, in the passage where the Canadian economist speaks about differences between two types of international organizations:

“There was a fundamental difference between creating a *supranational* organization to address trade issues and establishing *international* institutions to address diplomatic relations, civil aviation, health, culture and science. The latter, in many cases, involved the establishment of mechanisms to promote cooperation and did not threaten deeply entrenched domestic economic interests A trade organization involved legal obligations requiring changes in domestic law and thus cut much closer to the sensitive bone of national sovereignty.... The intellectual appeal of an international trade organization had to stand up to the varied special interests in each country and their ability to appeal to concerns about sovereignty, if it was to survive” (Ibid.: 55).

The distinction established in the book between *supranational* and *international* organizations is made on the grounds that the former involves “legal obligations (that) cut much closer to the sensitive bone of national sovereignty”, while the latter only promotes cooperation without having a justification in international law. In reality, both types of organizations do limit sovereignty, albeit not always in ways affecting economic interests. It is sufficient to think about treaties limiting armaments to see the point. What Hart really means is that GATT (today the WTO) obligations are not more “legal” than other commitments or more limitative of sovereignty but that they are enforceable because they have at their disposal a dispute-settlement mechanism capable of imposing sanctions, that is, with teeth. In that sense, one may say that GATT/WTO is not entirely unique but belongs in the very rarefied category of the “happy few”. UNCTAD, on the contrary, clearly falls into the second category, namely that of organizations better defined by Celso Lafer, former Minister of External Relations of Brazil, in a recent article published in the Brazilian newspaper *O Estado de São Paulo* (A Conferência da UNCTAD) 30 June 2004: A2.)

In that article, Lafer, currently Professor of International Law at the University of São Paulo, clarifies: “UNCTAD, it is useful to stress, is not a specialized international organization created by a specific treaty, as in the case of the IMF or the World Bank, with their own competences and resources in the area of finance and which are part of the UN system... UNCTAD is a subsidiary body with a permanent character that emanated from the UN General Assembly. Precisely because it emanated from the UN General Assembly, it operates through the logic of parliamentary diplomacy. It is not a permanent negotiating forum, like the WTO, an international organization independent from the UN system, created in 1994, when those former functions of GATT were broadened and consolidated... It is not easy to negotiate trade agreements through parliamentary diplomacy....” Professor Lafer’s distinction is extremely useful for understanding the differences between the WTO and UNCTAD, including the role of blocs in the latter.

I have no problem in concurring with a view that reaffirms the need for a strong institution embodying multilateral trade rules and dispute-settlement mechanism, as described historically by Hart in relation to GATT and the WTO. Even if developing countries did not exist or were located in a separate planet such an institution would have been indispensable in order to negotiate new rules and to solve problems that continue to exist in the international trade between fully-developed countries, for instance between Japan and the United States or between the European Union and Switzerland. After all, despite the recent enthusiasm that industrial countries have been showing in promoting so-called “free trade agreements” with developing countries, the fact is that no such thing as free trade or free trade agreements exists between the three main industrial countries or group of countries that are members of OECD, namely between the United States, the European Union and Japan, for example, and that no one is even seriously considering starting negotiations for reaching that kind of agreement between those three. There is no denying, therefore, that developed countries do need the WTO and this in total abstraction from the development *problématique*. As Hart demonstrated, it was that obvious necessity and the unhappy past experience of developed countries in the 1920s, and 1930s, when the system of trade rules had collapsed, that were the primary factors behind the creation of GATT and the WTO.

In the same way as the neo-classical economists never bothered to create a development theory because it was not their own problem, the developed countries were not interested in a trade-cum-development organization. Hart recognizes that: “Efforts by the United Nations through its Conference on Trade and Development (UNCTAD) to address issues ‘lost’ when the ITO failed to come into being were never embraced by the major trading countries” (op.cit.: 56). The “lost issues” were, among others, commodities, chronic balance-of-payments disequilibria (the “trade gap”), non-reciprocal treatment to foster

economic growth, access to technology, restrictive business practices and “development issues” in general. It is very suggestive that such matters were never considered by the major trading powers as “objectives that were widely shared”. They never qualified to be included among the matters that deserved to become elements of “a pragmatic but limited instrument that successfully imposed discipline where governments were prepared for discipline”. They belonged, on the contrary, to the category that the author describes as “extraneous issues”, where other delegations tried to divert the five leading countries but which “were successfully resisted or contained within a set of special rules, e.g., those that dealt with economic development, or that were addressed in the ITO Charter”, which of course never came into being.

On the basis of the assumptions implied in Hart’s text, one would easily be led to believe that the reason for such rejection was the fact that the “extraneous issues” were outside the limits carefully chosen by the five so as to deal only with one set of policy issues: “trade in goods”. That was not the case, however, because as the article explicitly recognizes, politically sensitive issues within trade in goods such as agriculture and textile products were isolated by means of special rules. As nothing could be more central to trade in goods than these two most ancient goods in the history of civilization and trade, one is forced to conclude that the choice was not the result of principle and sound economic doctrine but simply of expediency and national interests or, as the text puts it, that some issues were excluded because they were “politically sensitive”. In other words they belonged to the area where power rather than economic logic plays a prevalent part. So much then for the ideological argument that issues like commodities were “extraneous” and would “overburden” an organization devoted to the pure ideal of liberalization of trade in goods.

The reason why I went to such lengths in following Hart’s text is not exclusively because it contains discussions of high analytical quality, but also because it strongly represents the predominant approach of the so-called “world trade community” consisting of the major trading partners, the secretariats of GATT–WTO, the IMF, the World Bank, and the OECD as well as mainstream liberal economists, developed countries’ journalists, etc. In the same way as Marxists-Leninists liked to call themselves “scientific”, this is equally a doctrine that purports to be entirely objective and scientific despite its undeniable ideological elements in Karl Mannheim’s sense of a set of beliefs and values, apparently factual but fitting or disguising class or national interests. Therefore it is necessary to undertake a sort of “deconstruction” of the study in order to identify better the points that illustrate an ideological choice as regards attitudes towards the ITO in the past and the WTO in the present.

The draft charter for the ITO was condemned and rejected because it had been overburdened by extraneous issues like commodities, restrictive business practices and development provisions. Those matters were beyond the limits of the few “areas pragmatically chosen on account of their capacity to inspire a widely-shared consensus, one that makes possible painful changes in national law challenging entrenched economic interests”. The argument sounds reasonable and moderate, finding an elegant expression in the following words: “This conservatism and caution allowed the more limited GATT to mature gradually and to gain the momentum and respect required to make it work”. (Ibid.: 56.)

Nonetheless a few lines later we learn that the changes and priorities of globalization disposed GATT members to shed this conservatism, succeeding “not only in developing a far-reaching set of rules, but also in establishing a multilateral trade organization, the World Trade Organization” (Ibid.: 56–57). The paragraph says nothing of the incongruity of the fact that the Uruguay Round set of rules did include “extraneous” issues such as the TRIPS agreement on intellectual property, whose relations to trade are doubtful at best, but failed in liberalizing trade in agricultural goods and in outlawing agricultural subsidies, which should be at the very heart of trade liberalization from the start. Was this a consequence of the changes and priorities of globalization or simply the expression of the most powerful trading partners’ priorities, that is, a matter of power? Of course when the writer states that the cause was globalization, the assumption is that the inclusion of intellectual property rules was as much in the interest of Argentina and Brazil as it clearly was in the interest of the US pharmaceutical industry, which is patently false. The only reason the Uruguay Round went much further in intellectual property than in agriculture liberalization was naturally the fact that the United States and the European Union held much more power in GATT/WTO deliberations than Brazil and Argentina.

It seems to me that the expansion of the frontiers of the trade system to cover areas like intellectual property – an expansion criticized by people of unimpeachable liberal credentials such as Jagdish Bhagwati, Martin Wolf, J. Michael Finger – at the time when that very same system has not yet been able to liquidate the outstanding debt of agriculture, is a deeply disturbing trend. It is disturbing because it smacks more and more of power politics and less and less of a movement guided by the principles of sound economic doctrine and the need to address the legitimate grievances of underdeveloped economies. It is this feeling of injustice that is driving growing negative reactions inside and outside the trade system. Having been personally present at almost all the ministerial meetings of GATT and the WTO since the mid-1980s, that is for nearly two decades, I find striking the contrast between the predictable, uneventful nature of such meetings in the past and their growing unpredictability and volatility in recent years. Since December 1988 four ministerial meetings, two of GATT and two of the WTO, ended without agreement and in different degrees of disarray: Montreal, the Midterm Review of the Uruguay Round (December 1988), Brussels, when the Uruguay Round was supposed to end (December 1990), Seattle (November 1999) and Cancun (September 2003). In all those episodes, disagreement over development issues was at the centre of the storm. Even in the case of the abolition of subsidies and the liberalization of agricultural trade, the ultimate confrontation never took place

with developed members of the Cairns Group – Australia, Canada, New Zealand – or with the United States, which also shared for a time the goal of liberalizing trade in agriculture: when the moment of truth finally arrived, it always took the form of a stalemate between most, if not all, developed countries on the one hand, and developing countries on the other – Argentina, Brazil, Chile, Colombia, Uruguay, in the Uruguay Round and the G-20 in Cancún.

In the former example the United States was still a proponent of farm trade liberalization, although it chose not to actively support the five Latin American countries that refused to go along with the Uruguay Round unless there were progress on agriculture. In the latter case the situation had become more polarized. On the road to Cancún, on 13 August 2003, the European Union and the United States submitted a joint proposal that in effect amounted to a minimalist approach to the goal of agriculture trade liberalization set out at Doha. In reaction, a core group of developing countries – Argentina, Brazil, China, India and South Africa – advanced a counter-proposal that clearly constituted a more ambitious modality of dealing with farm trade reform. The resulting impasse over agriculture was the real and hidden cause of the failure in Cancún and not the disagreement over starting negotiations on the so-called Singapore issues – investment, competition, government procurement and trade facilitation – as it was technically arranged to appear.

All those facts seem to suggest that neither the old system (GATT) nor the new (the WTO) have been able to build a successful link between trade and development. The need for such a link and the willingness to try the challenging adoption of a fresh approach to forge it were at the heart of UNCTAD's creation in 1964. As Celso Lafer reminds us in his article, UNCTAD devoted itself from the start to the elaboration of an autonomous reflection on development with emphasis on a new commercial policy that would be sensitive to the South's problems. From that choice, he affirms, "a conflictive but fertile interaction with the GATT originated, for the latter was concentrated on the functioning of the multilateral trading system, whereas UNCTAD wished to change it". Part IV of the GATT, as he says, was born of this interaction and represented a new opening in the [GATT] trade–development relationship.

Forty years later the international community is still struggling with the same need and challenge. In the future, if we are to avoid the repetition of failures as the ones in Seattle or Cancún, asymmetric approaches and unfair imbalances such as those behind the collapse of those two meetings will have to be replaced with thoughtful and balanced solutions. The role of UNCTAD is to act as a moderate and constructive forum where such solutions may be developed and matured for eventual adoption in negotiations by the WTO members. It is by no means impossible, as we can see in the examples listed in Professor Lafer's article: the Generalized System of Preferences and special and differentiated treatment together with the Enabling Clause, first initiated in UNCTAD and later adopted by GATT. At the moment that trade issues have again become politically explosive subjects, UNCTAD and the WTO have no other choice than to closely cooperate in order to integrate development and poverty reduction in trade negotiations for the benefit of an interdependent world and for the consolidation of a fair and balanced multilateral trading system.