

Section 3

Impediments to Progress

Form and Substance

4.1 Our terms of reference required that we focus attention on impediments to progress in the North-South negotiations arising from the process of the negotiations rather than the substance. While much has been said and written on the substantive issues, little attention has been paid to the process itself. However, it is clear from our discussion so far that, in considering the North-South negotiations, form and substance cannot be clearly separated. We have pointed out, for instance, that the choice of forum for the negotiation of particular issues has been of great significance to both North and South.

4.2 Form and substance are related in other ways. If there is a strengthening of the will to negotiate on matters of substance, then that is likely to be reflected in improvements in the process. Thus, we see the imperfections in the negotiating process as partly a reflection of the poor state of the whole North-South dialogue and agree that no amount of restructuring of negotiations can replace the political will of the parties involved to resolve policy issues. Having said that, however, we do not accept the notion that working to improve the negotiating process is merely 'tinkering' and believe that it is extremely important to ensure that the process should facilitate rather than frustrate the resolution of policy issues. Consistent, dependable and effective results are not possible without an efficient bargaining and decision-making process. Such a process would not only enable the political will to be translated into consensus and action but, by virtue of its tone and encouragement to constructive interaction, could strengthen the will itself.

Attitudes and Approaches

4.3 We have already referred to the complex and dramatic changes in the pattern of international relations in the past thirty years. During this time postures and attitudes emerged on both sides which were not conducive to progress. The developed countries have tended to favour

the status quo, partly from technical considerations and partly from a reluctance to move towards a more participatory international system. They have therefore adopted a passive approach, leaving the South to propose subjects for negotiation. They have often responded with improvised reactions to these proposals, exaggerating their technical defects and delaying their detailed consideration or negotiation by an excessive demand for studies. They have considered many of the proposals as dirigiste in essence and as a disguised means of effecting a redistribution of resources. They have tended to highlight differences in costs and benefits to different groups of developing countries in order to weaken Southern unity and determination.

4.4 The developing countries, on the other hand, have been more politically than technically oriented. From the outset they have been conscious of the inequitable nature of international economic relations and convinced of the need for basic reforms. They have tended to see international forces as largely responsible for their economic problems, sometimes playing down domestic factors. They have regarded government and official intervention as an important means of correcting the defects in the international economic system. They have made bold and far-reaching proposals for change, many of which have been technically unrefined and some of which have been politically unrealistic. They have seen the absence of political will as the main impediment to progress. On occasion the content and assertiveness of their demands have been determined largely by the need to maintain solidarity and unity in the face of diversity.

4.5 These conflicting attitudes have given the North-South negotiations a confrontational character which has generated mistrust of each side's motives and intentions; each has caricatured the objectives of proposals by the other, to some extent just because of their origins, and this has further sullied relations. In the often charged atmosphere, even the 'moderates' on both sides have found it difficult to maintain the sustained informal contacts needed to inform themselves of each other's thinking and of the possibilities for accommodation and compromise.

4.6 There is however no inevitability in the adversarial character of the negotiations. Interdependence and mutuality of interest are growing. But even where there are conflicts of interest, a serious attitude to the negotiations and recognition of the need for accommodation of differences would help to improve the tone of negotiations.

Power Relations

4.7 Another obstacle, perhaps more fundamental than the attitudinal

one, has been the resistance of the North to sharing power in the management of the international economic institutions and of the international economic system generally. This has been especially marked in the operations of the Bretton Woods institutions. For historical reasons it is understandable that the interests of the developing countries were not adequately reflected in the conception of these institutions. However, as a result of several factors, not least the reluctance of the major developed countries to share power in managing the key international organs, institutional development has generally lagged behind the greater dispersion of economic power that has been taking place in the evolution of a more pluralistic international system. It has also not kept pace with changing economic circumstances and needs. It is not only the developing countries but also many developed countries, particularly the less powerful ones, that have suffered from the lack of development in these institutions. The consequences have been more severe for the developing countries, however, because their needs demanded urgent action.

4.8 Developing countries have recognised that the principle of equality in voting power could not be adopted if the international financial institutions were to continue to attract strong financial support from the North. They are concerned, however, at what they see as an excessively grudging approach to sharing power. The major developed countries have justified the status quo on grounds of prudence. But a conservative attitude to innovation and expansion could also be due to reluctance to lose control and to a defensive reaction to proposals for far-reaching changes.

4.9 In the case of the World Bank, enlightened leadership has helped to provide a balance to the undue caution shown by the countries in majority control. But the institution remains vulnerable to a combination of conservative leadership and conservative control. Its present problems emanate to some extent from this conservative control. We witness a prudently run institution — a going concern which has built up a fine credit rating — being faced with the possibility of stagnation because of new attitudes to it by major subscribers, attitudes based more on ideological considerations than on economic factors or indeed on the track record of the institution itself. Evidence of how conservatively the World Bank has been managed lies in the long retention of its one-to-one gearing ratio, which is very low by any standards. Efforts to effect even a modest change in the ratio — a strong recommendation of the Brandt Commission — have now lost momentum on the ground of legal difficulties, difficulties which could be overcome given imagination and will.

4.10 At the IMF, significant changes have been made over time to

enable it to respond to the special problems of developing countries. But the responses to new situations have been slow and changes have often been forced by the threat of an impending crisis. This lay behind the major effort to secure reform in international monetary affairs in the early 1970s. Subsequently many of the imaginative and far-reaching recommendations of the Committee of 20 were frustrated when they were returned to the normal decision-making forums for final negotiation. Moreover, the role of the IMF as a major source of balance-of-payments support has greatly diminished in relation to other sources, partly as a result of the conservative policies and procedures of the Fund. While the developing countries have benefited from the rapid development of the recycling role of the private banks, sounder development would have been promoted by more balanced relative roles between them and the IMF which would have helped to avert the present precarious situation in the world's capital markets and financial system.

4.11 The attitudes of the major countries of the North towards power-sharing in the Bretton Woods institutions may now be so entrenched that a new institutional arrangement might have to be considered. This could be in the interests of North and South alike, both having much to fear from financial defaults, which could endanger the whole system. It is essential therefore that the necessary institutional arrangements are made to oversee the overall flow of resources — private and public, bilateral and multilateral — so as to ensure that their amounts and distribution are broadly in accordance with the absorptive capacities and developmental needs and circumstances of developing countries.¹

4.12 At the GATT, bargaining power has been substituted for voting power, but the consequences have been similar, i.e. that the interests of developing countries have been neglected. Developing countries need not be, however, entirely without bargaining power in international trade negotiations. Individually they are weak, but collectively they are not, especially in manufacturing trade where they now buy from developed countries four times the value of the goods they sell to them.

4.13 The relative neglect by the GATT of developing countries' interests has had some far-reaching implications for all countries. It has encouraged new protectionist measures outside the spirit of the GATT and often against its principles and rules. It has led to problems in the area of disputes settlement where procedures and arrangements are

1. In this connection we noted with interest a proposal by Robert McNamara for the establishment of a World Central Bank (speech on "Economic Interdependence and Global Poverty: The Challenge of our Time", July 1982, Baltimore, USA).

inadequate to enforce rules against strong countries. In the adjudication process, bargaining strength intervenes to dilute enforcement. Thus, even where the international community has made some progress in rule-making, as in the GATT, power relations have impeded progress toward making these rules effective in protecting the interests of the weaker countries. The retrogression that is now taking place in the operation of the international trading system is not unrelated to the failure to deal with the problems of countries that are becoming a substantial part of the world trading system.

4.14 Resistance to power-sharing has had pervasive effects, not only on the tone and form of the negotiations but also on the substance, which, in turn, has affected form. While changes in this matter have been slow in the traditional institutions, in the newer ones such as IFAD, established in 1977, and the Common Fund, yet to be established, developing countries have been able to obtain a more equitable distribution of the votes from the outset. This has been secured partly by greater participation in capital subscription and partly by some dilution of the weight attached to capital subscription. In both institutions, this advance in power-sharing has been assisted by the greater inclination and capacity of the developing countries, particularly through OPEC, to share the capitalisation. It has offered scope for the greater involvement of developing countries in decisions that affect them.

4.15 The question of power-sharing has also affected negotiations in many other areas. The Common Fund, in its original conception would have enabled greater influence to be exercised by exporting countries in the markets in which their commodities are sold. Similarly, codes on the transfer of technology, transnational corporations and restrictive business practices offer developing and other weak countries the opportunity to achieve a better balance of power with the transnational corporations. Power implications have undoubtedly served to constrain progress in these negotiations. Their relation to the choice of forum has become, as we have already pointed out, the main stumbling block to the start of a new Round of Global Negotiations.

Institutional Arrangements

4.16 Present institutional arrangements constitute an impediment to progress in the North-South negotiations in other ways. The attempts by both sides to keep as much as possible of the negotiations in those parts of the system which are congenial to their interests and amenable to their control have increased the complexity and irrationality of the system. The failure of the existing institutions to cater adequately to the interests of particular groups of countries has led to institutional proliferation and promiscuity. In some cases it has resulted in the setting

up of new global institutions, such as UNCTAD, and in others it has led to global institutions being by-passed and to more attention being given to institutions serving particular groups of countries. For the North, examples are the OECD and the Group of Ten. While such institutional development is less strong among developing countries, there is no doubt that some of the arrangements being called for, e.g. a Southern Development Bank and Southern monetary arrangements, are a reaction to the failure of the present international institutions to meet Southern wishes. The dissatisfaction of the North with the UN and its reluctance to see it as the appropriate forum for tackling global problems is one of the main impediments to progress in the North-South dialogue.

4.17 Another aspect is the compartmentalisation of institutions, which has prevented linked issues from receiving effective attention. For example, trade and payments issues are clearly related and sometimes protectionism and exchange rate policies are directed to the same purpose. Compartmentalisation impedes coordinated treatment of related issues, inhibits closer cooperation between the institutions and prevents a rational development of the whole negotiating process. A case in point is the paucity of joint and coordinated efforts between the GATT and UNCTAD, although they deal with many closely connected issues. In fact their experience has been more one of rivalry than of cooperation, and the different levels of support among countries for each of these organisations are in no small measure responsible for this. Even where there has not been institutional rivalry, joint and coordinated efforts have generally been insufficient and, besides overlap, there have also been examples of international institutions following opposing policies.

4.18 While some institutional overlap can be healthy and there are examples where competition has enhanced progress, it can hardly be doubted that institutional rationalisation and improved cost-effectiveness are urgently needed. There remain too many meetings, too much duplication and a tendency towards institutional proliferation. These make large demands on the time of Government representatives and of the staffs of international organisations. Such demands are particularly onerous for developing countries whose scarce technical and diplomatic resources are constantly over-stretched.

4.19 Substantial further efforts are needed to clarify the responsibility and competence of the institutions. There is overlap, not only between general and specific forums, but also among the general forums themselves, and the precise function of each in relation to the other has never been clear. This was the case between CIEC and UNCTAD IV

and is likely to be so again between UNCTAD VI and the proposed Global Round of Negotiations.

Decision-making

4.20 The intensification of the negotiating process has resulted in a large number of decisions which have taken various forms, e.g. resolutions, charters and codes. In many cases these have not been implemented, regardless of the nomenclature used. Since sovereign consent is the only means of effective law-making in the international system, decision by consensus will remain paramount. On some occasions, frustrated with the protracted process of attempting to achieve a consensus, developing countries have forced a vote and, in those bodies without a weighted system of voting, have consequently secured majority decisions. Such action has at times been useful in making transparent the source and cause of disagreement and thus helping to force the pace. On occasion this has made possible follow-up work which led eventually to decision by consensus. A case in point is the negotiations on restrictive business practices. There are times when a voted resolution is preferable to continuing a protracted negotiation which is clearly leading nowhere or where unanimity can only be secured by a compromise on language which would have meaningless results in substantive terms.

4.21 This having been said, however, resort to majority decision should be made sparingly as dissenters will agree to implement such a decision only if, for political or economic reasons, it is to their disadvantage to remain outside. Where all or the majority of the developed countries disagree, frequent resort to the voted resolution would encourage dissonance and politicisation rather than cooperation.

The Group System

4.22 The group system, which provides the framework and structure for most North-South negotiations, has a range of strengths, but also many weaknesses. Too rigid a reliance on group negotiating methods has at times hampered progress. The group system is closely linked to the birth and evolution of the Group of 77 and the strengths and weaknesses of this Group have a substantial influence on the way the system promotes or retards the negotiating process.

4.23 The time available for effective negotiations between groups is often shortened by the laborious and time-consuming task of reconciling internal differences in order to establish group positions. This applies particularly to the functioning of the Group of 77, partly because it takes the initiative in submitting proposals, partly because the Group involves

a large and diverse constituency, and partly because it attaches very great importance to group solidarity.

4.24 Its size and diversity have made the determination of priorities especially difficult for the Group of 77 and have led to agendas that are neither well focused nor adequately selective. They have also led to consultations which are complex and laborious. Those at UNCTAD are further complicated by the fact that (unlike in New York) the Group's three regional groups caucus separately to prepare their initial positions, whose reconciliation at Group level introduces its own inflexibilities. This system tends to introduce such delicate balance that failure to reach agreement on any one issue delays or even prevents consideration of others. Divergent national interests also encourage the tendency to maintain the bargaining at the broad level of principle and to prevent each regional group from moving at anything more than the pace of the slowest. The balance struck in establishing the Group's position is therefore inherently fragile and introduces a significant measure of rigidity into the negotiations. Reluctance to endanger internal compromises pre-empts effective bargaining and militates against optimal and creative solutions.

4.25 The range of interests to be found within the Group of 77 should not, however, be exaggerated. Indeed, we believe that for consideration and negotiation of the majority of economic issues, it is possible to constitute a representative sub-group of the Group of 77, comprising only a small number of delegations. For illustrative purposes, we suggest the number might be as low as eight, viz. one member each from the following categories of Group of 77 countries: (i) OPEC; (ii) other oil-exporting countries; (iii) newly industrialising countries; (iv) least developed countries; (v) land-locked countries; (vi) India, given its continental proportions; (vii) countries with a national income per caput of more than US\$750; and (viii) countries with a national income per caput of \$750 or less. To avoid duplication any country qualifying for inclusion in more than one of the first six categories might be assigned to the category most appropriate for the item to be discussed or negotiated; others might be assigned to one of the remaining categories, depending on their national income per caput.

4.26 The negotiating process is also inadequately served by certain procedures and practices of the Group of 77. Except on rare occasions when someone with outstanding ability emerges, Group and regional spokesmen are given very limited flexibility in their briefs, as a result of which they have to go back frequently to their membership for fresh mandates. This often involves two sets of delicately balanced and time consuming consultations — at the regional and Group levels. The Group's practice of rotating its chairmen, and sometimes its spokesmen

and negotiators, among regional groups at regular intervals, together with routine changes in national delegations, adds to the difficulties. It not only prevents continuity in the presentation of the Group's case but also weakens the thrust, since new spokesmen need time to acquaint themselves fully with the issues. The Group also suffers from the lack of an adequate number of skilled and experienced negotiators. The effects of this deficiency are worsened by the large number of negotiating forums, by overlaps in the coverage of issues and by the frequency of meetings.

4.27 Moreover, as the concerns and activities of the Group intensified during the 1970s and it began to function from various centres, it encountered problems from an inadequate coordination of approach between its different branches. This has resulted, on occasion, in lack of coherence and consistency in different forums. The formation of positions has also suffered from insufficient coordination and communication between capitals and diplomatic representatives. The problem has been exacerbated by the lack of adequate technical back-up for diplomatic representatives, most of whom are from foreign ministries and whose approach therefore tends to be political in orientation and general in nature.

4.28 Significant imbalance in the capacities of North and South to support their respective negotiating positions severely restricts the latter's ability to engage the former effectively in a meaningful dialogue. The North, though not highly unified, is usually better placed to develop and optimise its bargaining positions. The South is not adequately supported in terms of analytical and technical work or the statistical and economic intelligence needed to accommodate its diverse interests and to develop and support negotiating proposals designed to promote its policy objectives. It is affected by problems of access to specialised information and by poor organisation and use of information. This is of particular significance in sectoral negotiations where specialised technical knowledge has an important bearing on the outcome. The South is also ill-equipped to adjust its negotiating positions, strategies and tactics in response to unfolding economic circumstances and to Northern responses and counter-proposals. In the conduct of negotiations, Southern spokesmen often operate under a handicap and are put on the defensive or easily deflected from their negotiating positions, as they find themselves unable to respond convincingly to queries relating to the analytical foundations, cost-benefit implications or the time-frame of their policy proposals.

4.29 We believe these negotiating difficulties of the Group of 77 can be overcome or at least minimised by the establishment of a permanent arrangement to provide it with the necessary technical support. We are

aware that some prominent members of the Group of 77 have been sceptical about such an arrangement, particularly about the desirability of setting up a 'Third World Secretariat'. Nevertheless, we would emphasise that the availability of technical support on a continuous and sustained basis would substantially enhance the Group's bargaining capacity. In this connection we would draw attention to the strong political and intellectual arguments adduced for advocating the establishment of a permanent technical support system for the South.¹

4.30 Progress in the North-South dialogue is also affected by practices of Groups B and D. Group B's less formalised consultative practices lead to negotiating stances which are often broad and rather vague, and are not always consistent. Lack of a coordinated Group B position, which is sometimes deliberate, makes it an elusive target and enables it more easily to avoid precise commitments. It does not, however, mean that the Group's position is any more flexible. The position of Group B, and particularly that of the EEC within it, is frequently determined prior to multilateral negotiations at Ministerial Meetings, and obtaining changes in these positions during the negotiations is difficult. A further problem in maintaining a consistent Group B position arises from the electoral factor. Negotiations have been held up at critical periods because of an impending election in a major Northern country.

4.31 For Group D, non-participation in some negotiations, as at CIEC and the Cancun Summit, and passive participation at others militate against progress. It is relevant here to note that Group D countries together account for a substantial part of the world economy in terms of both population and size of output, and in recent years they have built up significant trade and investment relationships with other developed countries and the South, including aid arrangements with the latter. During negotiations, Group D, while usually supportive of the developing countries, has tended, rather deliberately, to avoid commitments to assist these countries. It did this by disclaiming any responsibility for the existing international economic system and its unequal relationships. Recently, there have even been indications of the Group's position moving closer to that of Group B on some issues, notably those relating to funding.

1. See, for example, President Nyerere, "South-South Option", Third World Lecture, 1982, New Delhi; Shridath S. Ramphal, "Not by Unity Alone: The Case for Third World Organisation", Third World Quarterly, July 1979. For a detailed consideration of the modality of a technical support system, see a report by L. Searwar and V. Lewis, prepared for an Ad Hoc Committee established by the Fourth Ministerial Meeting of the Group of 77, Arusha, 1979.

Agenda and Structure of Negotiations

4.32 Another obstacle to the negotiating process has been the length of agendas. This has resulted not only from the operations of the group system but also from the addition of new items before others are phased out. For face-saving and bureaucratic reasons, it tends to be difficult to abandon issues that have not been resolved or have declined in significance. The length of an agenda has implications for the structure of negotiations, especially in the general forums. Where agendas are long the negotiations become unfocused and unwieldy, and streamlining is attempted by the process of setting up negotiating groups for particular sectors or related issues. But lack of discrimination between issues according to priority or ripeness for serious negotiation results in many negotiating groups and sometimes too wide-ranging a discussion within them.

4.33 The tendency to make participation in negotiating groups universal makes the process more cumbersome. The groups are usually left open-ended and, thus, they themselves in turn become large and unwieldy. This has even happened when there has been the intention to have small informal contact groups to overcome deadlock and protraction. Another structural problem has been the difficulty in coordinating the activities of the many negotiating groups. There has been a tendency for representatives of country groups to hold back on compromises in order to secure trade-offs with other country groups on other issues in other forums. One notable example was the linkage of the negotiations on the codes of conduct of transnational corporations and on the transfer of technology. The complexity of these procedures tends to slow down the pace of negotiations and, usually, significant decisions for implementation emerge for one or two issues only at the end of large negotiating conferences.

4.34 There have, however, been a few notable instances where the problems of size have been controlled and where small and representative negotiating groups have been used to great advantage. In this connection, we believe that the Law of the Sea Conference (UNCLOS) and the Committee of Twenty offer important lessons although neither experience will be relevant in all respects to other negotiations or circumstances.

4.35 Negotiations between the 153 countries participating at UNCLOS were conducted in progressively smaller groups, and informal procedures and structures were devised to promote the dialogue. Initially negotiations had been conducted in a group of 54 countries which was, in principle, open-ended. After an unrewarding attempt to negotiate the three core issues on the agenda in separate working

groups, they were brought back, because of their interrelationship, to a single forum of 21 countries. This group became the principal negotiating forum for the Conference, but at appropriate times its President promoted informal negotiations among a much smaller group of delegates. On the difficult issue of the financial terms of undersea mining contracts, two rounds of negotiations were conducted. The first was between three representatives of the Group of 77 and the representative of the United States on behalf of the developed market economy countries; and the second consisted of discussions between the President of the Conference and the Soviet Union. On the equally difficult issue of the decision-making procedures of the proposed Council of the International Sea-Bed Authority, a three-tier negotiating structure was used. Initially, six representatives of the Group of 77 negotiated with the representative of the United States; this was followed by inviting the EEC and Japan to join the negotiations; and at the third stage the Soviet Union was brought into the negotiations. Although non-participation or late participation in the negotiations may have offended the political sensitivities of some countries, these informal and flexible procedures and the limited size of the negotiating forums facilitated progress in the negotiations. In addition, during its last session, the President held daily consultations with fifteen representatives selected by him from the Group of 77 to promote consensus on issues under negotiation. An important feature of the UNCLOS negotiations was that developing country representatives in the Group of 21 reported daily to the Group of 77 and the latter did not reverse any of the compromises or commitments it had made.

4.36 The experience of the Deputies of the Committee of Twenty on Reform of the International Monetary System and Related Issues (1972-76) is also worth noting. The Committee was not open-ended but in size it followed the pattern of the Board of Executive Directors of the IMF. It comprised twenty constituencies (groups of countries), each represented by two Deputies, who had authority to negotiate. The meetings were limited to three days to facilitate high-level participation from capitals; preparatory meetings of the Group of Ten and the Group of Twenty-four, held to clarify negotiating positions, also had a time limit — of two days. The Committee elected a full-time Chairman and a supporting Bureau, consisting of four persons (two each from the North and the South), who served as international civil servants without country affiliation for the duration of the negotiations. The preparatory work for each meeting, including the preparation of an annotated agenda, was undertaken by the Bureau on the basis of a range of questions to which the Deputies had addressed themselves earlier; at subsequent meetings the Deputies built upon the answers provided by the Bureau.

Level of Representation and Leadership

4.37 The complexity of the negotiating process places a premium on the quality of representation, leadership and chairmanship in negotiating conferences and groups. The quality and level of representation has been affected by the large number of negotiating conferences and forums and sometimes by the lack of priority given to North-South issues. The problem of leadership is often not so much that of a lack of able leaders as that of the procedures adopted. In the Group of 77, rotation to provide balanced geographical representation has sometimes led to ineffective leadership; in Group B, the problem has usually arisen from the low level of representation, reflecting the importance given to North-South issues.

4.38 Some of the difficulties of the Group of 77 in this regard have already been mentioned. Certain of these problems also apply to the developed countries, though usually to a relatively minor extent. More important for these countries have been the coordination problems which arise because of the absence of one Ministry coordinating and taking the main responsibility for North-South issues.

Conclusion

4.39 We are convinced that the impediments to progress in the North-South negotiating process are complex in nature and more fundamental than can be remedied by changes in the negotiating infrastructure alone. Progress in these negotiations will largely depend on the willingness of the parties concerned to resolve policy issues in a cooperative manner; but the process of negotiation can facilitate such progress. However, improvements in the process of the negotiations cannot, in our view, be undertaken by a narrow view of procedural and institutional changes; we believe that wide-ranging and fundamental changes, of the type we have set out in Part I of this Report, are necessary.