The Results of Manila

by Reiner Morbach, Bonn*

The proceedings at UNCTAD V and its results have come in for much harsh public criticism in the world. In view of its modest results it must be asked whether future world trade conferences cannot be rendered more effective.

The 5th Conference on Trade and Development (UNCTAD V) ended in Manila on June 3, 1979 without confrontation but also without a significant consensus on the central issues of the North-South dialogue between industrialized and developing countries. To describe the course of events and the climate at the conference we cannot do better than refer to the summing-up by the conference chairman, Filipino Foreign Minister Romulo, which has received close attention and been much applauded. He spoke of UNCTAD V as a stimulating experience without victors or vanquished and described the elaboration of a new international economic order as a continuing process which cannot be preordained by resolution texts. His statement was indicative of the spirit of cooperation on all sides which was the determinant influence at the Manila conference.

Two significant elements of the comprehensive schedule of subjects for UNCTAD V emerged already in the Arusha Declaration of the “Group of 77” developing countries - which comprises now 119 such states – in February 1979:

- One was a wide-ranging list of demands covering the most diverse subject areas of the North-South dialogue without a clear focus in any one area - whereas at UNCTAD IV in Nairobi in 1976 the so-called Integrated Programme for Commodities came to play the dominant role;

- The other was the stressing of the developing countries’ will to collective self-reliance which was explicit in the title of the “Arusha Programme for Collective Self-Reliance and Framework for Negotiations” itself.

What could be expected of UNCTAD V with this as its point of departure? What results seemed within reach? And what results were actually achieved?

With all the criticism of the Manila conference in the international press – not only in the developing countries but in the industrialized countries – the following results which were affirmed in appropriate resolutions by a consensus of the participants are of importance for economic and development policy:

**Results in Regard to Trade**

In regard to trade two resolutions were adopted unanimously:

- A resolution on “Protectionism and Structural Adjustment” in regard to which the developing and industrialized countries started from very different positions and reached an understanding only in the very last phase of the conference. This resolution reaffirms the standstill statement on trade on behalf of all countries and calls for the removal of still existing trade barriers against developing countries. At the same time GATT is urged to re-examine the measures of the industrialized countries which hamper the trade of the developing countries. The part of the resolution which deals with structural aspects follows the ideas of the western countries and abstains from demanding dirigiste world-wide structural changes. It only calls for annual surveys of production and trade structures by UNCTAD’s trade and development council through an existing body, and the national governments are to take this survey into account when determining their structural policies;

- A resolution on restrictive practices acknowledging the work done by the UNCTAD organ concerned with
this issue and convening a UN conference on the subject later this year.

**Raw Materials**

In regard to *raw materials* the conference passed a resolution on the Integrated Programme for Commodities which had been tabled by the Group of 77. This resolution confirms the agreement in principle on the establishment of the Common Fund of March last and calls on all UNCTAD member states to settle the details of suitable agreements as quickly as possible so that the statutes of the Common Fund can be adopted at a final conference of the member states before the end of 1979. All member countries of UNCTAD and international organizations are urged at the same time to specify ahead of this conference concrete, voluntary contributions to the second window of the fund from which the so-called “other measures” (than the setting-up of buffer pools) are to be financed.

The negotiations on individual commodities are to be speeded up in the framework of the Integrated Programme and to be concluded as soon as possible. A framework for international cooperation is to be created in connection with the programme to deal with questions bearing on increasing raw material processing in the developing countries, improved marketing and distribution of such products in other countries and research, development, market promotion and horizontal diversification of raw material production in developing countries. The UNCTAD secretariat is to prepare relevant studies on requirements and costs in these areas in cooperation with competent international organizations.

Three industrial countries (the USA, the Federal Republic of Germany and Austria) dissociated themselves from certain *dirigiste* measures mentioned in the resolution by statements relating to these. The Federal Republic rejected in particular the developing countries’ demand for real-value guarantees and price adjustment in the light of the world-wide inflation (the so-called indexation) and also the demand for state intervention in the markets and in support of raw material processing, and investments for this purpose, in the developing countries. It insisted that the price ranges under commodity agreements must be in line with market conditions.

Several developing countries including the Philippines and some smaller western industrialized states (the Netherlands, Belgium, Sweden, Norway, Finland and Austria for instance) have already indicated their contributions to the second window of the Common Fund. The total amounts by now to about US $ 90 mn which is approximately one-third of the required US $ 280 mn.

The original resolution as drafted by the Group of 77 contained a section in which the UNCTAD secretariat was requested to undertake a detailed study on the provision of a compensatory financing facility for raw materials (global raw material export earnings stabilization). Since this part of the draft resolution encountered determined resistance from almost all western industrial states, the developing countries removed it from their draft and presented a separate resolution which was passed with almost all Group B countries either abstaining or voting against it. Germany, Sweden and Finland were the only Group B countries to vote for the resolution and thus to indicate their own positive attitude to this problem. The IMF and the World Bank are studying it at present on the basis of German and Swedish model proposals; they are to report in autumn.

**Resource Transfer**

In regard to *resource transfer* a consensus resolution was passed in which the industrialized countries declared themselves willing to increase their public development aid substantially and effectively without fixing time or volume targets. This resolution was addressed to the West and the East. The industrialized countries averred their firm political will to approach the 0.7 % target, and the individual countries’ efforts are to be the greater the farther they are as yet from reaching this target. The resolution requests the industrialized countries to announce every year their plans for as long a period ahead as possible (3 years) so that the developing countries can be more definite in their own planning.

In the sphere of multilateral aid the willingness to add to the real capital stock of the World Bank, IDA and regional banks was again emphasized.

In the part of the resolution which deals with the transfer of massive resources the developing countries acknowledge the principle that greater public and private resource transfers should be mutually beneficial to the South and the North. Agreement was also reached on the preparation of studies on a multilateral guarantee system for loans to developing countries through international capital markets (incl. interest subsidy mechanisms) and the institution of a long-term facility for the financing of capital goods imports by the developing countries.