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UNCTAD V

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

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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.

A separate comprehensive resolution on the least developed countries provides for a special programme for the eighties which includes immediate measures and longer-term actions. The crucial feature of this resolution is a commitment by the industrialized states to double their development aid for the least developed countries. No time limit is set in the resolution which stresses the importance of technical assistance for the solution of planning and absorption problems facing the developing countries and underlines the need for more programme aid and aid being not tied to particular suppliers. The developing countries attached special importance to the concept of social needs in the resolution and demanded that minimum standards should be attained in the areas of nutrition, health, transport and communications, education and housing. They thus acknowledge the validity for the least developed countries of a development concept which they otherwise rejected in the Arusha declaration as an autonomous development strategy for developing countries.

Technology Transfer

In regard to *technology* agreement was reached on the strengthening of the technological capacities in the developing countries through increased cooperation between industrialized and developing countries and among the developing countries and by an acceleration of the technology transfer. A consensus was also achieved about measures in regard to the "reversed technology transfer" (brain drain) by increased reintegration efforts of the developing countries with the support of the industrialized states. Another resolution on which the developing and industrialized countries were able to come to an

understanding relatively early in the conference concerns industrial property rights. On the other hand, it proved impossible to reach substantive agreement on a code of conduct regarding technology transfer as the developing countries would not give up their demand for a legally binding code. In a purely procedural resolution the UNCTAD secretary-general was merely requested to convene another round of negotiations about the code in the last quarter of 1979.

In the sphere of *shipping* it was impossible to do more than agree on the early activation of the code of conduct for liner conferences; no agreement was reached about the division of the bulk traffic between developing and industrialized countries and about financial and technical assistance for the extension of the merchant fleets of the developing countries.

In the field of *Economic Cooperation between Developing Countries (ECDC)* a consensus resolution was adopted which contains a concession to the developing countries for adequate preparation of ECDC meetings to be held exclusively by developing countries with the support of the UNCTAD secretariat for the purpose of intensifying their own economic cooperation. The universality principle which applies to all UN activities was however preserved in that such preparatory sessions are also envisaged for other geographical groupings.

Concerning *institutional questions* a resolution was passed unanimously which confirms the importance of UNCTAD as a major instrument for UN negotiations about trade and international economic issues. The developing countries' demand for a far-reaching enlargement of the UNCTAD mandate and

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corresponding curtailment of the areas of competence of other institutions (GATT, IMF, etc.) was however rejected.

Areas in Dispute

In regard to other important subject matters on the agenda of UNCTAD V it was impossible to harmonize the different views. These include in particular the *interdependence issue* and *monetary questions* which were contested most vigorously right to the end of the conference. Attempts to find at least a procedural escape by appointment of groups of experts were unsuccessful because the developing countries insisted on their claim to more active participation in the decision-making process concerning international economic matters and for this reason declined to accept purely procedural concessions by the industrialized states. The contentious resolution on monetary questions – 17 Group B countries (including the USA) voted against it – reproduces the maximal demands of the developing countries for a restructured international monetary system in a barely attenuated form. As for the interdependence issue which encompasses all the problems of structural adjustment – the developing countries envisage steered structural changes in the industrialized states to benefit the developing countries – it was impossible to reach an understanding as the two sides started out from entirely different viewpoints in regard to the economic situation in the world. Contrary to the intentions of the industrialized states and in spite of opposite views by several Latin American countries, the developing countries were – chiefly because of pressure by the OPEC countries – not prepared to include the energy problem in the analysis of the international economic situation. The subject was therefore referred back to the UNCTAD council for further consideration and will probably feature in the discussions at the next council meetings.

The subject of the “*East-South*” questions is another one in which no agreement was reached with the developing countries. This subject concerns the economic relations of the developing countries with the socialist states who have turned down the material demands of the developing countries (e.g. the 0.7 % target for public development aid, trade expansion, etc.) outright and, as previously, charged the industrialized capitalist states with the responsibility for the plight of the developing countries. This subject was also referred back to the UNCTAD council.

The “*Miscellaneous*” item on the UNCTAD V agenda included resolutions on “National Liberation

Movements” (Palestine, Namibia, Zimbabwe, South Africa) and *deep seabed mining* (containing an appeal to abstain from national legislation on deep seabed mining). These were passed against the votes of the industrialized western countries or with some industrialized countries abstaining.

Modest Results

Too little time has passed since UNCTAD V to permit a final verdict but the following points may be made now in an initial assessment: Viewed objectively and comprehensively, the conference has yielded only modest results. These certainly failed to come up to the expectations of the developing countries although they did not, and taking a realistic view could not, expect all their Arusha programme demands to be fulfilled. They have voiced their deep disappointment and in private spoken bluntly about a “flop”. The Government of the Federal Republic of Germany would also, as the Federal Minister of Economic Affairs, Count Lambsdorff, said¹, have wished for still better material results of the conference and considered them possible. The reason why the developing countries nevertheless despite some threats to the contrary went on with the conference is probably that they have also learnt to perceive the North-South dialogue as a continuous process, albeit a protracted one, in which the Manila conference was merely one functional link in a long chain of conferences between the North and the South. This perception certainly made for a more business-like atmosphere at the negotiations in Manila but it also blunted the thrust of the developing countries’ demands and reduced the confrontative pressure which had been the characteristic feature of UNCTAD IV.

As long however as the industrialized states do not show more understanding for the problems of the developing countries and do not see their way to making greater material concessions it would be not only premature but an act of self-delusion to infer from this that the dialogue will continue at future conferences in a more concrete and de-ideologized form.

Energy – the Phantom Subject

There were various reasons for the changed posture of the developing countries in Manila. For one thing, certain results had already been achieved at a number of earlier specialized conferences on UNCTAD V issues (Common Fund, debt problem, multilateral trade negotiations, New York discussion on resource

¹ Cf. Bulletin No. 75, p. 697, dated June 7, 1979.

transfer). For another, UNCTAD V laid bare a progressive differentiation process among the developing countries such as was still considered inconceivable at UNCTAD IV in Nairobi. This development was visually reflected in Manila by the appearance of three regional spokesmen in each of the various negotiating groups. This differentiation – or, put in another way, the divergent interests of developing countries – made their own voting processes often so difficult that considerable delays occurred in the presentation of their draft resolutions. It also showed itself in other ways, especially in the controversy about the inclusion of the oil price problems in the interdependence debate between oil and non-oil developing countries.

The conference was thus to a certain extent overshadowed by a phantom subject – the energy problem – which led to a fierce discussion between several, mainly Latin American, developing countries and the OPEC states. The latter finally gained their end, and the subject was not included in the discussion and was therefore left out of the draft resolutions of the Group of 77 and not raised from this side in the official negotiations. A (diffident) attempt by the industrialized states to have this issue mentioned in a compromise text as an issue of mutual interest in regard to future economic developments was also rejected by the developing countries. The efforts of the Group of 77 to disconnect this subject entirely from the discussions on the economic situation and future trends introduced an element of irrationality into the conference.

From the viewpoint of the industrialized western states the UNCTAD V results are certainly acceptable and at a first glance satisfactory because important western positions have been preserved and the concessions to the developing countries do not jeopardize the principles of the predominant international economic order. Taking a long-term view however the industrialized western states cannot rest content with the outcome of the Manila conference because the stagnation of the North-South dialogue has not been overcome and the developing countries must be expected to adopt again a more rigid attitude particularly in the discussion on the new development strategy of the UN. The signs point to more acute confrontation, and UNCTAD V may thus appear as a “Conference of the Missed Dialogue”.

As for the posture of the industrialized western states in Manila, it is to be noted that the Group B countries acted in more perfect unison and showed much more cohesion in action than in Nairobi; only Turkey – really a developing country – and Australia – mainly for

reasons of trade policy – took a somewhat separate stand. The “progressive” stance of the Nordic countries and the Netherlands in Nairobi was no longer to be seen in Manila. The unity of the European Community was thus largely preserved.

It is also worth noting that the socialist countries of Group D were exposed to greater pressure by the developing countries in pursuit of their demands. There was much outspoken criticism of their role in development policy. The socialist states again adopted their old role of the innocent party but the developing countries show themselves less and less willing to accept this claim. The developing countries were more critical of the absence of any commitments of a financial nature than before even though they are probably well aware of the limited capabilities of the socialist states to render more financial aid.

Prospects

The proceedings at UNCTAD V and its results have come in for much harsh public criticism in the world. Whether this is justified or – in part certainly – unjustified, is a question which may be left in abeyance. The outcome of the conference may well have weakened UNCTAD as an organization. If so, it must be considered whether and to what extent future world trade conferences can and should be arranged differently and more efficiently. In this respect the following lessons may be learnt from the meeting in Manila:

- Much time – too much time – was taken up by political issues (Middle East, South Africa) with which the conference was burdened, and the discussion of such matters which are not the concern of UNCTAD distracted attention from other, essential substantive questions;
- The opinion-forming process was too cumbersome and time-consuming; the parallel negotiations in eight negotiating groups made an overall view of the conference so difficult that it was almost impossible to concentrate on crucial issues requiring political solutions;
- The procedure for the adoption of resolutions which took up much time, especially in the case of economic issues, often resulted only in wordy compromise formulae.

The conclusion is that general political questions should in the main be excluded from future conferences. The list of subjects to be dealt with should be limited to a few really important areas, and the present procedure for the adoption of resolutions should be re-examined to ensure that it leads to substantive political statements of major importance.