

# The Changing International Economic Order and UNCTAD IV

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I should like to take literally the thrust indicated by the title given to my address. This is, "The Changing International Economic Order and UNCTAD IV", and it carries with it the important implication that UNCTAD IV ought to be a very different kind of animal from previous UNCTADs, and that this has something to do with the course of economic events in the last few years. If that is what is expected of me—and I have chosen to interpret that unilaterally—then I think it would be important that we try to take stock of what previous UNCTADs were about, what they tried to do, and what they succeeded in doing. I suspect I was called upon to discharge this particular role because in one capacity or another I have had a great deal to do with all those UNCTADs, first as a staff member right at the beginning, and subsequently in various national capacities. But I think it is important to get an appreciation of what happened in the past before we go to UNCTAD IV.

## UNCTAD'S Old Goals

As far as what I may call the old goals of UNCTAD were concerned, there were really three elements that deserve mention. The first of these has been the focus on what has been called the trade gap of developing countries. I remember at UNCTAD I this stood at something like 20 billion U.S. dollars. In other words if by 1970, and UNCTAD I in 1964, the international community could not come up with a combination of trade and aid measures that would transfer the equivalent of 20 billion dollars to developing countries, then the growth target for that particular development decade of 5% per annum growth in the GDP could not be realised. That was the first major premise of UNCTAD, of all UNCTADs in the past.

The expectation—and this is the second element for bringing about this transfer—was through a sort of gentle process of persuasion. I do not remember the sort of intervention that Dr. Prebisch used to make in UNCTAD in those days. His main burden was that all of this was going to be costless to developing countries. That 20 billion gap really did not require even the 1% development assistance target which we now have; and in terms of the thinking of that time it really required no more than one-tenth of the 1% of the increment in the demand for commodities exported by developing countries to developed countries. In other words, if barriers had been reduced to permit of the absorption by developed countries of as little as one-tenth of 1% of incremental exports of developing countries, then this, together with some modest assumption about aid, would have done the trick. So the task in the thrust of all the appeals in the past was, "this was going to cost you chaps very little, indeed".

And the third element that characterised those discussions was that when developing countries backed Dr. Prebisch in this kind of appeal they were told, "go ahead and mobilise domestic resources". So it became a sort of ding-dong match. The developing countries were asking for something very little indeed and the developed countries were saying, "Really we cannot give you whatever mess of pottage you are asking for; go ahead and put your own houses in order and then you will really be in a position to benefit from a better trade regime". So those three were the goals that UNCTAD I, UNCTAD II and UNCTAD III in one way or another developed.

## The Results —UNCTAD I

I have only used illustrations of UNCTAD I. Now for the results of UNCTAD I—Whenever anyone asks

for something by way of assistance to the Third World, they usually get an institutional framework—a committee or a set of committees. So that was what happened in UNCTAD I. A new mechanism was born; there were jobs for the boys; some of them were good, some of them perhaps not. Anyway within that framework you had a set of studies. That is the second sort that gets thrown to developing countries when demands were made, and these studies were enormously useful and helpful.

Let me list just two or three of them. The very first one which comes to mind was the study of the state of developing countries in international monetary reform, and that really was the first occasion when the famous link that Prof. Gunasekera talked about came into international attention. It was an expert group convened by Dr. Gamani Corea, then my boss and now Secretary-General of UNCTAD, which gave birth to this notion of the link but drawing again on ideals that were turned out before—2 or 3 years before that—by one or two academics.

The second idea that was tossed out at that time was the notion of general preferences. People had been accustomed to the idea of Commonwealth preferences, i.e. preferences granted to a particular grouping of countries, and the idea was that these should be generalised and made available on an across-the-board basis to all developing countries—a tariff cut across the board to every developing exporter.

The third idea—and this is relevant in the context just mentioned by Prof. Gunasekera—was really Dr. Prebisch's version of Dr. Kissinger's "Development Security Facility". But the basic idea was the same. "When developing countries draw up their plans they are obliged to take a view of two things—a forward view of their export earnings and a forward view of their aid expectations. In the imperfect world we live in there is nothing very much you can do about aid except live with it on an annual basis. As far as exports were concerned, the idea at that time was to give an insurance, so to speak, to the

export expectations underlying a development plan. If those export expectations were unfulfilled, then the plan itself would have to be scuttled, and that was the idea which was subjected to intensive study. And for reasons I shall come to subsequently, it was an idea which remained still-born until Dr. Kissinger chose to give it a modern dress and a new name called "The Development Security Facility" designed to meet precisely the objective that Dr. Prebisch then had in mind. So these were UNCTAD I's ideas that were on the agenda for study.

### UNCTAD II

UNCTAD II was a failure basically. It was such a failure that Dr. Prebisch quit; he gave up. One of the things he was pressing for at that time which I have alluded to—the Supplementary Financing Scheme which had been studied to death between UNCTAD I and UNCTAD II—was abandoned for lack of the necessary finance. The question of preferences was taken a stage forward, a firm commitment was made on principle but no action yet; the action took place between UNCTAD II and UNCTAD III, and that action again can be viewed as not being in any way a real concession to developing countries. The sorts of qualifications made to the application of the principle of general preferences were such that it could be argued that no major burden or adjustment was imposed on the developed countries that were called upon to absorb imports from the developing countries. There were certain cut-off limits to exports that could be permissible. So preferences was no real gain and supplementary financing was a "dead duck".

### UNCTAD III

As far as UNCTAD III was concerned, the emphasis moved to a slightly different area. If developing countries could not at least get the sorts of minimal things they were asking for, then perhaps they might be allowed the luxury of rubbing shoulders with the people who were taking the decisions. Decision-making internationally became the major focus of UNCTAD III, and that in the specific context of international monetary reform. As many of you will be aware, international

monetary reform in those days consisted of 10 countries sitting round a table taking decisions on matters put to them and then placing them before the rest of the world community as a *fait accompli* which would then be dutifully endorsed. What we did have—and this is where UNCTAD contributed the major political thrust—was what came to be called the "committee of 20" (i.e. the 10 developed countries, one make-weight developed country, Australia or New Zealand, and 9 developing countries) who were then permitted the luxury of sitting in one room to take a view of international monetary issues that would hopefully have taken the interests of developing countries into account. So, the major break-through of UNCTAD III in Santiago was really the permission, if you like, for developing countries to take part in a process of decision-making on vital matters—international monetary matters—which hitherto had been the prerogative of the rich countries. How successful that particular piece of institutional machinery was I shall come to in a moment. By that time the link issue which had been started up in UNCTAD I had matured considerably. A great deal of work had gone into it in the UNCTAD secretariat and in the Fund. But instead of getting the link at that point we got a committee.

### Dangers of first three UNCTADs

So that sums up the results of the first three UNCTADs, and in trying to look around for a way of doing that better than I have done, I was driven to something which was presented to the 7th Special Session of the General Assembly by an outfit called the Dag Hammarskjöld Foundation. This is a group of independent researchers working under the auspices of a foundation set up in the name of the first Secretary-General of the United Nations, and this is what it says which the Third World must avoid in the future. It says that the Third World must avoid the institutionalised mendicancy, the danger of the first three UNCTADs, the illusion of paternalistic partnership without tears, the real nature of the Pearson Report and the real danger of the World Bank's pressing theme of redistribution with growth and the sterile

construction of desirable year 2000 models without specifying concrete initial steps and subsequent sequences for moving towards them as exemplified in the Lima Charter of UNIDO. This, in capsule form, is an indictment of fast approaches to the question of international economic diplomacy, whether in UNCTAD or elsewhere.

### The role of UNCTAD IV

This brings me, to the new role that I think—and this is a personal view—would be expected of UNCTAD IV in the context of the changing international economic order. This role I think, is again having three major elements. In a large measure—and this is my first point—the problems are unchanged except in magnitude and in composition. Let me go back to magnitudes first because this is important to get a focus on the new thrust that is required.

Dr. Prebisch's 20 billion dollars for 1970 has now become 100 billion dollars for 1980. This is the latest UNCTAD projection, and 100 billion dollars is what one needs by way of overall resources—trade and aid taken together if the new Development Decade target of 6% per year is to be achieved—6% against the 5% for the previous decade. This 100 billion—and I am going on the basis of the projections I have seen—means something really like 60 billion in 1974 dollars. The way these things are done is that you work with base year magnitudes and values and make an adjustment for inflation. So while the 100 billion compares with Dr. Prebisch's 20 billion if one is looking at it from today's standpoint, it is in the order of 60 billion. And in this game of projections a number of outfits are involved and UNCTAD's efforts are complemented by those of the Bank.

Before I get to those details I think one important thing that stands out is that the 100 billion is not the sort of figure that can be met by aid efforts alone, and that is the basic point—the difference between the future and the past. That 100 billion amounts to something like 1.3% of today's projected GNP of the developed world in 1980. It also amounts

to something like .7% of their GNP by way of official development assistance. This is the point of the .7% target we were talking about, and what Prof. Gunasekera referred to as not yet achieved, which was to be achieved last year and which is only achieved to the extent of .3%. The argument here is that if by 1980 developed countries must set up their will and effort and get the .7% they will have discharged their official assistance obligations 5 years late no doubt, but discharged them leaving the balance over for trade measures. But if you again take the realistic assessment—and then you have to go to the World Bank for their in-house studies—you will find that there seems to be no hope whatever of getting that .7%. Their projections in fact imply a decline from today's .3%, which Prof. Gunasekera mentioned, to something like .29% in 1980, and if this 60 billion that I talked about in 1974 prices is to be the focus of thinking, for a moment let me switch to that now.

We can find that 30 billion of that are within sight by way of plans that that country also already has for aid transfers. Another 30 billion has to be found, and this 30 billion translates along with that proportion of the 30 billion already found which is imputed to the developed countries. Let us say 47 billion is the total I am hoping for; that 47 billion will require something like 8% of that GNP by 1980 in order to be fulfilled. In other words, when you look at this problem in terms of constant price relationships or current price relationships, if you rely on additional aid for this Development Decade target of 6%, the answer is that aid is not going to be forthcoming.

### Trading with OPEC

So, developing countries have really got to be thrown much more on their own resources on seeking to widen their trading opportunities than was really the case with any of the previous UNCTADs. In considering the trade efforts I think there are two things that could be highlighted to supplement what may reasonably be expected and these two consist in relationships which the Third World might forge with the OPEC world. The estimates are of

this order and they come again not from UNCTAD but from Bank sources. Today OPEC absorbs something like 6% of developing country exports. If that 6% were to rise by 1980 to something like 9% of developing country exports, then it can be argued that the 100 billion dollar gap can be bridged with the sorts of aid that on current expectations OECD developed countries look like coming up with. This particular access to OPEC markets has to be married with a reduction in trade barriers of the developed countries which could add another 12 billion. What has happened here is that many of the developed countries have mounted plans for domestic protection in order to safeguard their temperate crops and if barriers on items such as beet, sugar and cotton are lowered between now and 1980 the estimation is that developing countries can gain something like 12 billion because they have the capacity to export these products and develop that export potential. So the two areas of trade which have come up in current studies and will supplement an aid effort which is not in sight really are trade with OPEC countries and a reduction in protectionism in the developed world.

### New directions for aid effort

The second area in which one sees a new role for UNCTAD consists in the fact that the developing countries today are a much more variegated lot than they were in 1964. Some of them are really on the verge of having achieved developed status. This applies mostly to the Latin American countries who have enjoyed a period of export-led growth. The real problem concerns this Fourth World of ours and that consists really, apart from Sri Lanka, of Bangladesh, India and the Sahel. I was told a story that they would soon be joined by a fifth, and that is the United Kingdom! And the reason for that is that many of the boffins or buffoons who run these places have had their original training in places like the London School of Economics, or Oxford or Cambridge or what have you. But let that pass. Anyway, because this problem of developing countries is now more variegated, the thrust of the aid effort can correspondingly be altered also, or such aid as one can expect. In terms of World Bank

constant price projections I was talking to you about a while ago, an addition of 30 billion dollars in 1974 dollars needs to be found between now and 1980 if this 6% target is to be supported. Of that 30 billion, the requirement of the poor lot of them is not more than 1½ to 2½ billion dollars annually. This gives the direction in which the aid effort is moving, but it is not really clear whether one can rely even upon the aid effort to deliver that much. So these countries have the opportunity of really working out new trading relationships of the kind which I will come to in a moment and which I have just alluded to also.

### Power behind demand

The third element in this new role for UNCTAD extends really fundamentally from the retort that the developing countries gave to the call of previous UNCTADs to mobilise their domestic resources. One group of countries—OPEC—took that call quite literally, and when they mobilised their resources all hell began to break loose, and it is this action which has really created a possibility for serious bargaining and negotiation by developing countries, and in my view it is this which accounts for the revival in modern dress of lots of ideas which did not get off the ground in previous UNCTADs but which when developing countries have effective power to back their demand, in a context where effective power backed their demand, the whole picture does change. And I would like to go back here again to the Dag Hammarskjöld Report, which I think ought to enjoy wide circulation here, to say exactly what I think it ought to mean. In talking of collective self-reliance they say: "This concept requires will, capacity and power. Will includes not simply desire for change and a vision of a desirable new economic order. It must include a clear conceptualisation of what measures and sequences are necessary to begin serious progress. Capacity includes the ability to work out strategies and policies and to formulate the institutional or bargaining processes necessary to bring them into being. Power is probably the element in which collective self-reliance can offer the greatest ad-

vances beyond national self-reliance and these are the key points”.

It involves the capacity to offer real benefits and to impose real sanctions. Collective self-reliance must be backed by a potential for confrontation damaging to the industrial economies as well as by a potential for providing new relationships of positive value to them. In other words, we are now in the territory of negotiated interdependence, of negotiation from strength, and this is I think the key task of UNCTAD IV. If one looks at UNCTAD IV in this light I think, it has implications both for the content of UNCTAD and for the form of UNCTAD. I do not propose to undertake a *tour d'horizon* of the content of UNCTAD because that might take me beyond my allotted time limit. So I shall try in the available time to telegraph as quickly as possible the broad areas of concern on which I think UNCTAD IV might focus.

These four areas are commodities; other forms of Third World Co-operation—and this is the real meat of collective self-reliance; in development finance which is standard UNCTAD territory but in my view in the future ought to be marginal UNCTAD territory; and finally monetary issues which really creates the framework in which economic growth compatible with self-reliance can proceed. These are the four broad areas that I wanted to flag briefly, but let me focus a little more precisely on commodities to begin with.

### Commodities

As I have just indicated, the current concern with commodities is really nothing more than a compulsion, if you like, to take seriously the concern of developing countries when they begin to argue from a position of strength. And what this particular OPEC action has created for it is a new set of opportunities. The idea was not new. As long ago as 1942 came such a concocted scheme for a separate agency for administering buffer stocks. This lay hidden in the British Treasury archives for a good long while. Dr. Prebisch tried to find it, but by some curious accident I came across it, and what we now have in UNCTAD really in terms of this

integrated commodity programme is nothing more than a detailing out of that particular scheme. But what is new here is the political opportunities that have been created which was absent in 1942, and briefly there are three sets of opportunities which I would like to flag.

### Three sets of opportunities

The first is the possibility of trading off the concern of developed countries with assurances of supply with the concern of developed countries to have reasonable prices. The points of excessive prices can be self-defeating because they promote and accelerate the process of substitution which will leave commodity producers more vulnerable than before. So developing countries and developed countries have a mutuality of interest there in going for reasonable prices.

The second opportunity that the new situation creates is that developing countries are both exporters and importers of commodities. As exporters they would like higher prices. As importers they would naturally want lower prices, and if one is bargaining for the collectivity of the Third World when their common interests rest with not so much cartelisation but a reasonable level of pricing which is what really the buffer stock mechanism seeks to provide.

The third opportunity of course is that one can raid the OPEC cities. The money is there which was never ever possible before. UNCTAD has done a number of calculations on this point and they, I think, frightened the world community to begin with by coming up with a list of 18 commodities which would require prior stabilisation costing something like 10.7 billion dollars, which is really about the magnitude of the total aid flow on official account which Prof. Gunasekera referred to. They have since scaled down that particular estimate to something like 2 or 3 billion, and that implies scaling down of the commodity list from 18 to something like 10. The importance of scaling them down in this way is that you can have a scheme where developing countries would go it alone. In other words, if you start with a smaller corpus of commodities and work out

a sort of arrangement which indicates to OPEC countries that they have a mutuality of interest in supporting such a scheme, then I think one can get to UNCTAD IV with a scheme which is already pre-negotiated and worked out and the developing countries will be in a situation where the rest of the developed countries will have an incentive to join. What I think I have in mind is not a cartel scheme but a realistic scheme to stabilise commodities at prices of about 1974-75 before the peak of the boom and which would be in the interests of OPEC countries to support, and it is this area of interest, I think, which UNCTAD ought to be exploring. The import dependence on primary commodities of OPEC is substantial today. They import something like 4.5% of the world's exports of wheat, something like 7% of the exports of sugar, something like 35% of rice, and something like 8% of tea, and their import bill has expanded pretty substantially during the last year by about 90% in toto.

### A vested interest in stabilisation scheme

So any group of countries in that sort of position with a heavy import commitment expected over the years is really in the position of having a vested interest in a stabilisation scheme where one can draw from international stocks rather than raise market prices to astronomical levels. And this ought to suit the developing countries as well because of the obverse of prices shooting up to excessive levels with the slump that follows. So if one can work out a scheme of mutually acceptable prices which gives OPEC a profitable avenue for investing money—and the tin buffer stock has shown that buffer stock operations can be very profitable; over 19 years they realised something like £27 million profit on the operation—then I think developing countries can get to UNCTAD with a realistic prospect of “talking turkey” about buffer stocks. I am saying this because as a result of OPEC action on commodities one has had initiatives from the developed countries. But when one probes these initiatives one is a little unclear about the exact content of these initiatives.

## Not transfers of money but a reasonable price

I have already mentioned Dr. Kissinger's Development Security Facility. That really is nothing more than the old UNCTAD supplementary scheme given a new label, and it does nothing more than transfer money to developing countries. What developing countries are now looking for, if I understand the mood aright, is not transfers of money but a reasonable price for their products which they are in a position to obtain by unilateral action; and when one talks of that action one again goes back to the second initiative which was taken by Prime Minister Wilson at the last Commonwealth Prime Ministers' Meeting. He has a principle which I have already alluded to. The principle is that producer countries should undertake to maintain adequate and secure supplies to consumer countries and he is proposing here a generation after the General Agreement on Tariffs and Trade, which is GATT, a great deal more at the level of individual action on commodities.

I have got the document that H.M.G. has provided as a result of the Jamaican Conference. What it comes down to is nothing more than a return to the old approach which has failed to yield dividends, which is the commodity-by-commodity approach. Everybody talks a great deal about how Commodity 'A' is different from Commodity 'B' and how the approach for Commodity 'A' therefore has to be different, and one result of this is that for the last 10 years no more than two or three agreements have been worked out. So that, to my mind, is the wrong road to take. What is perhaps the right road is what UNCTAD has in mind which is the simultaneous negotiation of buffer stocks for a number of commodities.

There is no such thing as a commodity-by-commodity approach here. It is a straight across-the-board approach which has really a number of advantages to members. If you have a single authority running it, that means that that authority can take account of the inter-relationships between commodities. It can make sure that the prices set for tea as a norm are such as not to torpedo or

undermine the livelihood of coffee producers. It can take a longer term perspective of prices. If you think of a price at which it is desirable to stabilise commodities, it is also a price at which it is desirable to promote the right sort of investment attitudes. What has happened to commodities in the past is that when prices shoot up excessively in a boom you have over-investment taking place and then prices fall and acreages have to be cut back. So, that cycle can be broken if you have a single body looking into commodity price trends taken together.

## Arresting the vagaries of the business cycle

Then you can have a way of arresting the vagaries of the business cycle. At a time of world inflation, boom in developed countries and rising commodity prices, the buffer stock authority can intervene in the market and sell commodities so as to moderate the impact of inflation. And similarly at a time of recession, one can intervene to buy commodities. All of this would not be possible unless you had an across-the-board approach with enough finance to back it that would carry conviction in the market as regard intervention by a single buffer stock authority which no single commodity can command. Ten commodities can command that degree of confidence in the market and 3 to 4 billion dollars, but not one commodity and 200 million dollars. That is the order of difference which an across-the-board approach makes. So I would suggest in all seriousness that if UNCTAD IV is to come up with something concrete on commodities, it should come to the negotiating table with a concrete scheme which can get off the ground with the support of developing countries alone, and the moment a sufficiently detailed scheme is worked out along these lines, the probability is that it will be in the interests of everybody else to join such a scheme.

## Gap in prices of producer and consumer

I have one more point to make on commodities before I end on that particular part, and that is something which UNCTAD has so far not really done as much as it

perhaps ought to do. What I am referring here to is the price which the producer receives for a commodity and the price which a consumer pays for it, and the gap between the two. The only study that I know which has gone into this question is an UNCTAD study on bananas and that shows that as little as 10% of the final consumer price is what gets to the producer. The balance is trapped among a whole range of middlemen, usurers, shippers, wholesalers, and it is this particular gap which OPEC action has bridged on the basis of its unilateral effort in respect of oil. Some of the differences between the price of the consumer and the measly 2 or 3 dollars per barrel that OPEC countries got was absorbed by way of taxes by the developed countries. This provided revenue for their budgets, and what the whole bargaining process in OPEC has achieved has been to really bring back to their coffers money which would otherwise have gone to developed country exchequers. That same sort of exercise ought to be done or can be done for a whole range of other commodities; and it would be very helpful if UNCTAD had half a sheet of paper which for every single commodity of significance gives the world at large the difference between the final price and the producer price. What I do have is a set of calculations made by a friend of mine and colleague, Dr. Mahabub ul Haq, in the World Bank globally, and that shows a very interesting story. Of the 200 billion that a whole list of commodities that he has compiled fetches in the world market, only as little as 30 billion gets to the developing countries. The rest of the swag is apportioned out elsewhere. If this dramatisation of facts and statistics were placed upon the table, the bargaining task for the developing countries would become considerably easier.

## Monetary Issues

In order to draw this to a close within the time-table I have had to set myself, I only want to touch on international monetary issues. The arguments, I think, can be discussed in seminar-type intervention when the occasion arises, and as I have already said clearly development finance is in my view marginal in terms of a realistic capacity for countries to

come up with that; so I do not propose to go into that. But marginal issues are important and this is for a single reason, and that is that the world inflationary process that Prof. Gunasekera alluded to is entirely the result of a malfunctioning international monetary system. If you take the magnitudes you get a very revealing picture.

Between 1949 and 1969—a span of 20 years—the stock of international money which is reserved—gold, dollars, mostly dollars actually—grew only by something like 32 billion or at an average rate of 2.7% per year. Between 1970 and 1972 you had literally an explosion of liquidity when as a result of a range of factors which sometimes people rush under the table—commitments to international diplomacy and so forth; the Vietnam war comes into this at some time—there was a major injection of dollars into the world economy. The result was that reserves which had been growing by 2.7% per year jumped to an annual rate of 27% in 1970-72; annual rate of international money growing by 27% as against international output growing by about 4.5%. That is the root cause of world inflation, the fact of very simply too much money chasing too few goods. And that was because the whole international mechanism for liquidity creation went awry at this very crucial juncture in world history. What resulted is that in the period since 1970, between 1970 and 1975, the total addition to international liquidity was about 100 billion S.D.R. But 97% of that went to the developed countries, and 3%, i.e. 3 billion only to the developing countries. This is the measure of maldistribution of world liquidity that has been witnessed in the past few years.

### A rational design

In that situation there is clearly a rational design for the world to return to, and that again is nothing new. Someone I propose to quote in a few minutes has been writing a great deal about it—Prof. Triffin of the Yale University—and his ideas are really basically very simple: Replace this arbitrary business of using one nation's currency as international money by deliberately created inter-

national money, taking into account the rate of growth of world output. In other words, this is the only fool-proof way of making sure that excessive money and inflation is avoided. And as an adjunct to that one would see the International Monetary Fund being converted into a genuine international central bank. What Prof. Triffin says is extremely interesting in this regard because he sees some way of using OPEC bargaining strength in this process, and I would like to quote from that: "If this design had been in existence" (i.e. if the Triffin design had been in place before the oil crisis erupted) "all countries would have been committed to accumulate most of their future surpluses in reserve accounts with the Fund in S.D.Rs to be recycled or sterilised by it in the light of internationally agreed criteria and objectives rather than left free to invest such surpluses as they wished and to trigger currency crises by switching them at any time from one national currency or Eurocurrency into another for political as well as for speculative reasons. The OPEC countries may admittedly be even less willing today to negotiate such a commitment than they might have been at a time when it would not have singled them out as the major countries expected to relinquish their sovereign right to invest their reserves as they pleased. Yet the agreement of other countries to such a commitment with appropriate guarantees and earning might make it more acceptable to all, to reduce in fact the huge exchange

risks now inseparable from reserve accumulation and strengthen the ability of the international community to meet other yet unforeseen crises certain to emerge in the future as in the past". He is describing here a design that might have been operative had the system been in place before the oil crisis. But the fact that there is leverage within the Third World so long as the Third World remains united plus the need to apply a certain measure of technical expertise into working out details of this sort does permit some thinking along these lines to come up on the UNCTAD agenda very squarely. I am saying this advisedly because financiers are notoriously very conservative people, and when one was talking about an international central bank and a world central bank as recently as six months ago one was sort of being laughed out of court I think. But I came across, in the "London Times", the other day the Managing Director of the Fund, Johannes Witteveen, talking very much in these terms. He was talking about over the longer term the International Monetary Fund could become an international central bank. It already performs central banking functions in a limited way since it has created S.D.Rs or paper gold, monetary reserves etc. So UNCTAD can play the role, in my view, of using the leverage that the Third World has today to bring about an ideal monetary design on mutually acceptable terms.

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*"Experience has shown that Third World countries—when co-operating among themselves—are capable of implementing many of the egalitarian principles for which they are fighting at the international level. The most notable recent example is the amount of financial co-operation which oil producing countries have channelled to other Third World countries.*

*But experience has also shown that it is much easier to approve a declaration setting out the intention and the political resolve to move forwards in an ambitious programme of action of mutual co-operation than actually to implement it".*

The 1975 Dag Hammarskjöld Report