

# THE ILLS OF THE WORLD ECONOMY

The malaise in the world economy is being viewed differently from the perspective of various countries and economic groupings; although there is general agreement that slumping world trade and stagnant production in the western industrial countries has resulted in the growing balance of payments deficits and heavy indebtedness of many developing countries. Reproduced on this page are two views of the situation (top) from the West German monthly "Development and Co-operation" and (below) from the London based monthly "SOUTH".

The crisis that has built up over the past two years is the result of a complex of inter-related factors, which in part reinforce each other. These factors are dealt with at greater length in our Special Report though some of them may be listed as follows:

- The severe international economic disturbances and instability of the 1970's and continued stagnation of the economies of several countries.
- The breakdown of the postwar international economic system and monetary arrangements.
- A complex of national and international inflationary pressures.
- Unemployment through inadequate domestic policies in developed countries.
- The worldwide recession of recent years and the resulting unfavourable developments over slackening demand and poor prices for exports in the developed countries, particularly the sale of commodities that are important to the developing countries.
- The limitations on development assistance and official aid flows (although Sri Lanka is an exception in this instance).
- The increasing debt burden caused by unfavourable credit terms, specifically higher interest rates.
- The debt built up in the oil importing developing countries following the oil price rises of the 1970's.
- Poor debt management by the major debtor countries.
- Inadequate adjustment of the developing countries to adverse changes in the international economy, especially to the shrinking of demand and the changed price relationships.

