

"If we survey the global development scene today, it is clear that most of our developing member countries are caught up in a critical situation.

"Statistically, stagnation means that for a billion people, per capita incomes, in constant prices, will grow from \$ 105 in 1970 to \$ 108 in 1980. The comparable figures for the peoples of the developed world are \$ 3,100 in 1970 to \$ 4,000 in 1980.

"Over an entire decade, a \$ 3 increase versus a \$ 900 increase" Robert S. McNamara President World Bank Group in his Address to the Board of Governors in September 1975,

"Seventy per cent of the world's people get only 30 per cent of the world's income...."

Children in poor countries die of diseases that would not be fatal if the victims had enough to eat...." United Nations background paper on the Seventh Special Session.



Towards a New International Economic Order

The Seventh Special Session of the United Nations General Assembly meeting over the first two weeks of this month (when this issue went to press) can prove momentous for every single nation and particularly for those of the Third World. How far can the Programme of Action for bringing about a New International Economic Order be implemented is the crucial question that will be answered at this Special Session. A clearer understanding of the events and pressures that have led to this meeting should help to place this Session in its true perspective.

The Session is the result of an initiative taken in Algiers in September 1973 by the Fourth Summit Conference of the Non-Aligned countries. It was a significant initiative: it showed that the Third World—even before the decision of the OPEC countries - sought a genuine two way discussion, no longer accepting its *de facto* marginal status in international decision making.

THE SIXTH SESSION

A few months after the decision to convene a Special Session of the U.N. on development and international cooperation, circumstances

led to the meeting of the Special Session—the Sixth—devoted to raw materials and development, at which the non-aligned countries played a major role. The Session adopted a Declaration on the Establishment of a New International Economic Order and approved a Programme of Action to that effect.

The document calling for the Establishment of a New International Economic Order sets out in a crystallised form some of the demands of the Third World Nations. Its companion piece, the Charter of Economic Rights and Duties of States was proposed by President

Luis Echeverria of Mexico. The Charter itself was drafted by a forty nation working group under the auspices of UNCTAD and was adopted by the General Assembly in 1974 by a vote of 124, 6 against with 10 abstentions. The "no" votes were cast by Belgium, Denmark, West Germany, Luxembourg, United States of America and the United Kingdom. Apart from demanding a more just and equitable pattern in international trade, the Declaration and the Charter postulate the right of permanent sovereignty over a nation's wealth and natural resources and the right to control foreign investments. The Declaration was drawn up in the wake of the world's energy and monetary crises and reflects the rising consciousness and militancy of Third World Governments protesting against the growing gap between the rich and the poor countries despite all the talk of "only one earth."

The development of this growing solidarity between the Third World Nations can only be understood in the background of centuries of colonialism and neo-colonialism producing exploitation and poverty, oppression and death, humiliation and misery. It has now become clear to the Third World Nations that the only way by which they could protect their independence and survive is by co-operation among those who have hitherto been merely at the receiving end.

The Declaration is a historic document which we refer to later.

THE SEVENTH SESSION

Finally, last December, the U.N. General Assembly specified the terms of reference of the Seventh Special Session, which was to discuss and act upon:

A comprehensive report on the state of international economic activities; focussing on constraints of a general policy nature which face the implementation of the Programme of Action, as well as the International Development Strategy.

Proposals on structural changes within the United Nations system to make it fully capable of dealing with problems on international development cooperation in a comprehensive manner.

The choice facing the Seventh Special Session is either to set in motion the process of change or to end up with another negotiation on words or with an empty dialogue. The challenge is to achieve a turning point.

The Build up

This Session meets in the midst of a deep crisis of development, of international economic relations and of institutions. It marks the concluding stages of the international discussion whose milestones have been the major conferences held in recent years: Environment (Stockholm, 1972), Raw Materials and Development (New York, 1974), Population (Bucharest, 1974), Food (Rome, 1974),

the Law of the Sea (Caracas, 1974; Geneva, 1975) and Industrialization (Lima, 1975).

The problems brought to the fore were related to environment, raw materials, population, food, energy and economic and monetary matters. They are only the most obvious signs of this "great disorder."

The Human Environment

The sudden crystalization of conscience about the human environment was really nothing new; it had the same salient feature that accompanied the upsurge of anxiety when the developed nations apocalyptically discovered that such phenomena as 'racism' and 'underdevelopment' actually existed. As with these preceding issues the problem of the environment came under the immediate embrace of liberals in the capitalist

democracies. The inevitable upshot of this trend has been a liberal perception and analysis which evades, or deliberately mystifies, the fundamental causes of environmental problems. Consequently, the prescriptions being proposed are only cosmetic. They do not take into consideration such variables as exploitation which are, and must be, of crucial importance to the Third World.

Those environmental problems which are predominantly the problems that reflect poverty and underdevelopment of Third World nations are obscured, if not totally ignored.

Third World countries face more serious and compelling environmental problems than the developed nations. As will be evident later, these issues are of direct concern not only to them because those

Table 1.
Indicators of Economic Development

Country	Per capita national income in dollars-	Per capita consumption, 1964	
		Energy in kgs. of coal or equivalent	Industrial steel in kgs.
United States	1964 2,700	8,772	615
United Kingdom	1964 1,365	5,079	438
West Germany	1964 1,415	4,230	579
France	1964 1,370	2,933	356
Italy	1964 760	1,659	221
Sweden	1964 2,025	4,320	623
U.S.S.R.	1964 890	3,430	355
German Democratic Rep.	1964 1,205	5,569	424
Czechoslovakia	1964 1,685	5,789	498
Hungary	1964 1,445	2,824	224
Bulgaria	1964 650	2,410	124
Cuba	1964 575	931	29
Pakistan	1963 80	86	11
India	1963 80	161	16
Malaysia	1963 235	373	43
Thailand	1963 95	106	13
Iraq	1963 210	666	28
U.A.R.	1961 130	221	24
Morocco	1964 170	149	93
Zambia	1964 195	431	43
Nigeria	1962 90	38	74
Ghana	1964 250	120	31

Source: United Nations Statistical Yearbook, 1965, various tables.

that have created, and maintain, the fertile conditions under which these problems flourish also have strong vested interests. And these interests are best served by maintaining the status quo. Therefore, the ultimate and definite solution to Third World environmental problems entails a radical reversal of the present.

The primary characteristics of the environmental crisis that confronts the Third World are poverty and underdevelopment. In most underdeveloped countries today there is abject poverty. Both in the countryside and in the towns, the life of the masses is contaminated by pollutants such as poor water, bad housing, lack of sanitation, diseases, hunger, malnutrition and war. All this, when juxtaposed against the priorities of most Western environmental movements, reduces the concept of *Only One Earth* to absurdity. What is at stake in the Third World is not merely "the quality of life", but life itself.

These unequal economic relationships contribute directly to environmental pressures. The cheapness of materials has been one factor in increasing pollution and encouraging waste and the throwaway economy among the rich. And continued poverty in many developing countries has often compelled the people to cultivate marginal lands at great risk of soil erosion or to migrate to the physically degraded and overcrowded cities.

RAW MATERIALS

The sixth Special Session of the U.N. which took up the subject of raw materials produced the Declaration which we have already dealt with. The Session's ultimate importance lies in the realm of what historians like to call "watersheds"—those particular moments in time when ideas, notions and concepts which earlier had led an airy life on the speculative periphery of the main scene, suddenly coalesce into a hard core of systematic thought that is suddenly there, which will not go away, which needs to be dealt with, and which begins by affecting our actions and ends by changing our perceptions. This is

Table 2.
Indicators of Social Development

Country	Number of inhabitants per:				
	Doctor 1960-63	Teacher 1963-64	Registered pupil 1963-64	Books produced* 1964	Radio receiver 1962-64
United States	690	88	3.7	6,753	1.00
United Kingdom	840	153	5.8	2,077	3.39
West Germany	670	158	6.1	2,226	3.21
France	870	112	4.5	3,585	3.23
Italy	610	103	5.9	5,682	4.91
Sweden	690	93	5.4	1,161	2.60
U.S.S.R.	510	118	4.4	2,910	3.15
German Democratic Rep.	—	113	4.7	2,862	2.78
Czechoslovakia	570	95	4.4	1,648	3.80
Hungary	650	10	5.1	2,108	5.05
Bulgaria	620	93	4.2	2,367	4.16
Cuba	1,200	141	4.7	14,120	—
Pakistan	7,000	383	11.3	65,000	183
India	5,800	—	8.3	35,980	110
Malaysia	10,500	144	5.3	18,280	20
Thailand	7,600	193	6.1	7,254	15
Iraq	4,800	164	6.2	24,170	10
U.A.R.	2,500	215	7.0	10,870	13
Morocco	9,700	375	11.0	—	20
Zambia	8,900	—	9.5	—	300
Nigeria	34,000	509	17.4	213,700	94
Ghana	12,000	08	6.1	34,080	13.5
Peru	2,200	149	4.9	11,900	5.5
Argentina	670	89	5.4	6,633	3.6
Brazil	2,700	170	7.0	14,910	10.5
Chile	1,800	—	4.9	5,380	5.4
Colombia	2,000	181	6.7	—	5.5

* Production in number of titles.
- State education only.

Source: United Nations Statistical Year Book, 1965, various tables.

what a British delegate may well have had in mind when he said tersely to the press: "Things will never be the same again."

The real impact of the discussion on raw materials at this Session was summed up by UN Secretary General Kurt Waldheim as follows:

"But perhaps the most important effect of this remarkable session lies in the long term-perspective which it established for the future of international co-operation. There is little doubt that some new elements have entered into the fabric of international co-operation. The emergence of scarcities has brought home to the industrial world a degree of awareness of its dependence on the poor raw-material-producing countries. And, the traditional negotiating pattern may thereby have been altered.

"There has, furthermore, emerged a greater practical scope for the solidarity of countries of the Third World, through schemes within their group, to develop investment, trade, and transport which may help to correct some of the new imbalances. And it is encouraging that a common front was maintained between them during this period of the special session where their more immediate interests did necessarily coincide."

POPULATION

One of the themes that have been taken up and pre-occupy the reform movement in the West is population. It is suggested that the root cause of environmental problems and even underdevelopment itself is that the world is 'overpopulated'. Thus population control is demanded as a solution. Some western ecologists prophesy doom and have con-

vincingly and with some impact, offered as a solution to the ills of the world a Zero World Population Growth. Notable among them is the American biologist Paul Erlich who sees population growth not only as the sole cause of underdevelopment, but also predicts that it will cause a thermonuclear war. Invariably, population growth is thought of in racial terms, and all the demands and measures for its arrest are directed towards Third World countries.

It is apparent that human population growth cannot continue indefinitely in a finite environment with finite resources. But it is also obvious that population is not the most important or the most important factor affecting the environment. In fact, the question of population is intrinsically inseparable from the question of access to resources. A qualitative improvement in the material conditions of the masses of the people of the Third World would go further in stabilizing population growth than any other measures. Thus, population is not single global or biological problem, but one which has a complex interrelationship with the social, economic, natural and political environments of man. Population may be too small or too large at a given time depending on the availability of natural resources.

Thus, population is not a single global or biological problem, but one which has complex interrelationships with the social, economic, political and natural environments of man. Population may be too small or too large at a given time depending on the availability of natural resources and the stresses on the environment. This ecological principle is equally applicable to animal and human populations. However, in human populations social organization is such that massive maldistributions of essential resources are practiced.

This does not deny that there may be an eventual need to stabilize population growth. But the emphasis must be placed on generating a consciousness among people to relate their immediate interests to the broader and long term interests of the community as a whole. This consciousness, of course, can only

materialise in a struggle for the reorganization of society and the system of production towards an equitable distribution of resources.

FOOD

Conservative estimates submitted to the World Food Conference in Rome last November indicate that close to half a billion people suffer from hunger and malnutrition. Other estimates mention a full billion and sometimes one and a half billion.

A report prepared by the Dag Hammarskjöld Foundation sums up the Third world's viewpoint thus:

The means are available to satisfy basic needs: it is a question of distributing them more equitably. Hunger and malnutrition are indeed due to the fact that the poor are deprived of the means either to produce or to purchase their food, the socio-economic mechanisms being so organized as to ensure that the lion's share goes to the rich and the powerful. The satisfaction of the need for food and its production cannot, therefore, be set apart from a transformation of political and socio-economic structures.

This is true both nationally and internationally; there is no absolute shortage of cereals (although reserves have dwindled dramatically), but price increases force the most deprived countries into a choice—to reduce imports either of food or of capital goods, thus mortgaging their future in one way or another. It is not the shortage of fertilizers, but their price, aggravated by a political decision, which cuts off the supply to countries that do not produce them; the decision of the United States Government to limit exports led to a Third World estimated deficit of 2 million tons in 1974/75, thus, preventing the production of 20 million tons of cereals. The fact that during this period 3 million tons of fertilizer were used on the cemeteries, lawns and golf-courses of the greatest world power could be condemned on moral grounds, but what is more serious is that the dependence of many Third World countries has been increased

by technological solutions isolated from the economic, social and ecological context to which they apply; the 'green revolution', which entails the use of large quantities of chemical fertilizers, is a case in point.

Struggle for the Sea and Seabed

It is estimated that vast amounts of money have been spent by the various United Nations Committees on the Law of the Sea Conferences in Caracas, Geneva and elsewhere costing nearly 150 million dollars and may be a good example of bureaucratic waste at the cost of substantive progress. The fact remains, however, that the wealth of the sea, particularly that beyond the area of national jurisdiction to be found in copper, nickel and manganese nodules is a big enough resource for the nations of the world to share equitably.

Despite massive documentation and preparation there has so far been no agreement on any final text or any single subject.

The Conference is presided over by Sri Lanka's Shirley Amerasinghe. The almost unanimous agreement among the Big Powers to prevent the Third World countries from gaining access to this wealth combined with trivial differences of opinion between littoral and landlocked states have prevented progress. Though the attempts to expand the territorial sea to a distance of 12 miles from the coast has a measure of agreement there is unending dispute about the next 200 miles (economic zone) and no agreement at all on the area beyond national jurisdiction. The attempt by the Third World countries to set up an international authority for the division of the wealth of the sea among all nations is opposed by those merely having the technological ability to do so. This shows very clearly that we are a long way away from international co-operation. It is in the long term interest of all states to seek to realize the goal of establishing the principle of international co-operation. It is in the immediate interest of all Third World Nations to establish a new regime for ocean space. The creation of machinery to administer ocean

space beyond national jurisdiction and its resources would be an important institutional step in the direction of the new economic order.

INDUSTRIALISATION

The last of the Conferences was that on industrialisation held in Lima in March this year where during a marathon final meeting that began on March 26 an hour before midnight and ended the next morning, there were no less than ten roll-call votes, as weary delegates recorded their "differences on fundamental points of principle". And the adoption of the Lima Declaration and Plan of Action on Industrial Development and Co-operation was also by a vote of 82 in favour, one against and seven abstentions. The United States voted against; Belgium, Canada, the Federal Republic of Germany, Israel, Italy, Japan and the United Kingdom abstained.

The main theme of the Third World countries was that the existing forms and level of international co-operation were not sufficient to cause the major changes they wanted in the industrial map of the world. If their seven per cent shares of world industry was to be raised to 25 per cent in as many years, there would have to be radical changes, in traditional concepts. Economic growth in poor countries could no longer be seen as an appendage to growth in the richer ones, for this would lead to a widening gap between them.

To close the gap, the economies of developing countries would have to grow faster than those of the developed countries. With this end in mind, the Lima Declaration set out "the main principles of industrialization" and defined "means by which the international community as a whole might take broad action" to establish a new international economic order. It envisages a process of "continuous consultations" in redeploing world industry and bringing about a new international division of labour. And it recommended that UNIDO be made a United Nations Specialized Agency with a new "industrial development fund" and undertake the central co-ordinating role in this.

THE ECONOMIC REVIEW AND THE NEW ECONOMIC ORDER

This is sixth issue of the *Economic Review* and this month's cover story allows us the opportunity of explicitly recording the *Review's* outlook which is one of an identity of views with the aspirations of the New Economic Order.

Since the early 1970s there has been a radical awareness of their plight by the Third World nations as was evidenced in their strong positions in several conferences like the UN Conference on the Environment in Stockholm, the UN Population Conference in Bucharest, the UN Food Conference in Rome, the Non-aligned Conference in Algiers, the Conference on the Law of the Sea and the UN call for a New Economic Order. Sri Lanka not only voted for the Third World position at all these conferences but was an active participant.

From its first issue, the *Review* has emphasised the new mood of urgency and militancy of the Third World starting with Professor Helleiner's article "The New Mood of the Third World."

It has been our consistent aim to place before our readers all the facts pertaining to these issues. Our aim has been to de-mystify and de-clitise complex issues by providing material drawn from UN and Third World documents.

Another important facet that guides the *Review* is the realisation in many centres of academia that the tools of socio-economic analysis are themselves changing. We are witnessing the process of the old analytical tools collapsing and new ones being born, and the *Review* will strive to bring to its readers these new concepts and ideas. For, we believe that Sri Lanka should be in the forefront of not only the emerging New Economic Order but the emerging New Academic Order.

A third over-riding factor that governs the *Review* is to provide facts and interpretations as and when they emerge in various centres of analysis in the world. It is our firm belief that our readers should have access to this information at the same time as their brethren in the rich countries and not many years later as happens in the existing division of labour in the world.

The Background

The international debate fostered by these conferences brought to the fore the problems related to food, population, environment, raw material resources, industrialisation and technology, and economic and monetary matters. But underlying them all were the need to come face to face with the international crisis—namely, that of a system of unequal economic relations between a few dominant countries and the majority of dominated countries. The current Seventh Special Session was thus the

logical outcome. The background to this session is best stated in these few bare statistics.

- A banana exporting country gets only 70 cents of the \$6 price paid abroad for a box of its produce....
- Seventy per cent of the world's people get only 30 per cent of the world's income....
- The net transfer of financial resources from rich to poor countries amounts to about che-thirtieth of the world's annual military expenditure....

THE EXISTING ECONOMIC ORDER: Some significant facts.

Within the existing Economic Order of exploitation, the world distribution of population and income changed drastically between 1850 and 1960. The world population increased 2½ times but world output increased nine fold. However, while output of the industrialised countries increased by 2000%, the output of pre-industrial countries increased only 300%. The now industrial countries with a quarter of the population produced only 1/3rd of the world output, in 1850 whereas by 1960 they accounted for four-fifths of world income. World distribution of population and income 1850-1960

Areas	Population share%		Income share%	
	1950	1960	1850	1960
Industrial economies	26%	28%	35	78
Pre-industrial economies	74%	72%	65	22

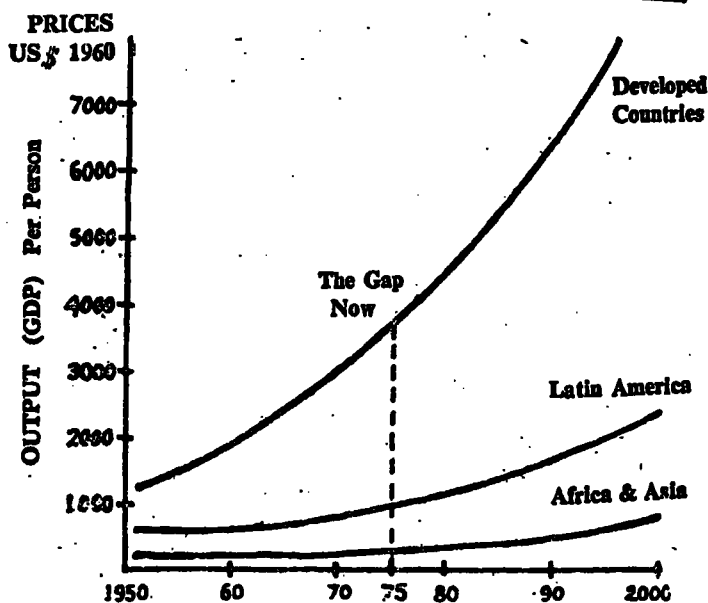
Source: Patel, The Economic Distance between Nations,

The gaps between rich and poor nations continue to diverge and under the present Economic Order, the poor countries will never catch up. The United Nations has estimated that the rate of growth per head in African developing countries at only 1% per annum for the period 1960 to 1966. This means that for these countries to reach present British levels of per capita income, it will take 273 years and to reach present U.S. levels it will take 343 years. During that time the rich countries would not have been standing still, they would have been growing and at a faster rate.

Dr. A. P. Thirlwall (University of Kent) has produced some interesting statistics on the problem of "catching up". For the majority of developing countries "catching up" is unrealistic as their growth rates are less than those of the rich countries. But even for those economies with faster growth rates, the outlook is dismal. For instance on the basis of recent growth rates it would take 194 years for Malaysia to close the gap between itself and U.S. For Malawi 727 years and for Pakistan 1760 years. It should be emphasised that these figures relate to a future based on the Old Economic Order existing.

Dr. Richard Jolly of the Institute of Development Studies has quantified some of these trends and the graph below gives a full picture of the growing gaps.

THE WIDENING GAP



The Position of Developing Countries

There is one overwhelming problem the poorer countries of the world have declared they have in common, and this is the prevailing system of international economic relations which operates consistently against their interests.

This system sets at naught all attempts to close the gap between the rich and poor countries of the world; instead, it encourages the gap to widen. Under the existing system, developing countries have little control over matters of vital concern to them. Global monetary and trade policies are decided without enough attention to their interests. Their natural resources are exploited with minimal benefit to their own. Foreign markets for their products are limited, and their main export commodities subject to unpredictable price fluctuations. The forces of science and technology in the world are concentrated on raising the living standards of the rich, and even when they could be applied to the problems of the poor the cost is set prohibitively high.

The developed countries have benefited from centuries of exploitation of the labour and natural resources of other nations. Much of the progress of developed countries was, and is still, being paid for by poor countries, and it is time, for the debt to be repaid. And repaid not by aid alone, but by changing the outdated and unfair rules of the game. Under the existing system, as Nigeria's representative in the United Nations Conference on Trade and Development (UNCTAD), Mr. Akporode Clerk pointed out, that the "aid" given to developing countries was more than offset by the underpricing of their commodities sold to developed countries. "The developing countries cannot continue to aid the developed countries to live above their means", he said.

Two Different Approaches

The response of countries to the call for a New International Economic Order has been varied, but two

broad approaches can be identified. One argues that the existing economic situation is worth preserving because it has, over the past quarter century, served the world enormously well. The growth of the world economy after the Second World War is unprecedented. This growth has been based on four essential elements, it is argued: (1) Open and expanding trade; (2) Free movement of investment, capital and technology; (3) Readily available supplies of raw materials; and (4) Institutions and practices of international co-operation. Changes that would restrict the capacity of any of these elements to contribute to growth would, according to this view, only retard global development.

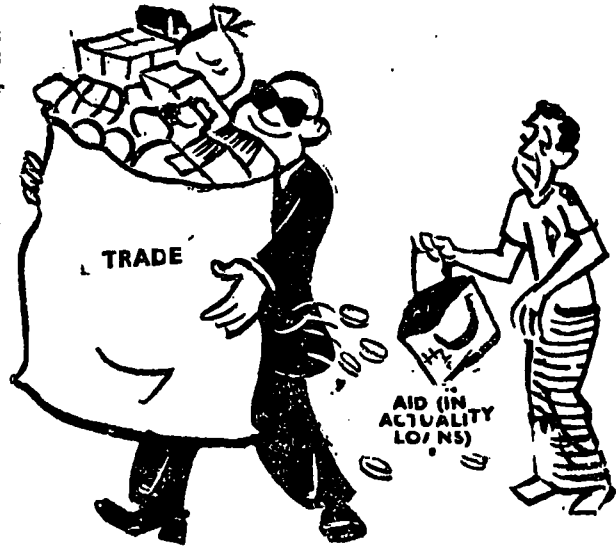
Those who hold this view also contend that much more than global economic development is at issue. As Mr. Kissinger told the Ministerial meeting of the Organization for Economic Co-operation and Development (OECD) in Paris in May 1975, "these issues go far beyond economic considerations. Economic stagnation breeds political instability. For the nations of the industrialized world the economic crisis has posed a threat to much more than our national income. It has threatened the stability of our institutions and the fabric of our co-operation on the range of political and security problems. Governments cannot act with assurance while their economies stagnate and they confront increasing domestic and international pressures over the distribution of economic benefit. In such conditions the ability to act with purpose — to address either our national or international problems—will falter."

The other approach was summed up by the Netherlands, Prime Minister, Mr. J. den Uyl, in an address to an international symposium on the Seventh Special Session (23 May 1975). "One cannot but agree that the growth of the gross world product over the last three decades has been enormous", he said. "But at the same time we have witnessed failures as a result of today's system...the uneven distribution of income between States and within countries. . .in-

TRADE NOT AID

Adverse trade terms offset 'Aid' benefits

Over the period of nine years from 1963 to 1971 the loss of foreign exchange earnings due to the adverse terms of trade calculated on the same basis of the price received in 1962 was approximately £ 110 million. Figures for British aid to Sri Lanka are not available for 1963 but between 1966 and 1971 Britain gave Sri Lanka "aid" in the form of loans to the value of £ 24.9 million.



creasing destruction of our environment... and a threatening scarcity of resources, caused by unlimited exploitation."

"Our system is not one of pure free enterprise and free markets—it is guided and manipulated in many respects.

"Against the principle of open and expanding trade we witness a tariff system with low tariffs for raw materials and high tariffs for industrial products, blocking the industrialization of the poor countries.

"Against free movement of capital we know at the same time that capital creation and credit systems are dominated by the United States and Europe, today joined by some oil producing countries.

"Against free movement of technology there is a system of regulations for ownership of patents, in fact restricting the use of these patents to rich countries.

"Against the notion of readily available raw materials we witness threatening scarcity.

"This illustrates that the international economic system is not as free as is often said, and that our choice is not one between a free

system based on free enterprise and a completely planned economy. Our real choice is between our present system which is largely guided and manipulated for the benefit of the rich countries and a system directed towards solving the problems of division of income and property, of scarcity of natural resources, and of the despoiled environment".

The Issues

In preparing for the Seventh Special Session, there was a general attempt to focus on important issues on which practical agreements were possible. Six broad topics were identified for discussion during the two-week session. They were:

- International trade;
- Industrialization;
- Transfer of resources to finance development and Monetary Reform;
- Science and technology;
- Agricultural Development; and
- Restructuring of the United Nations system.

International Trade

Most developing countries depend heavily on the trading of their raw materials and commodities to

finance their development. Few of them produce oil or other materials highly priced in the international market. Most cannot be certain from day to day whether their exports will fetch reasonable prices or will be subject to weak demand and falling prices. One of the key objectives of the Programme of Action is to redress this situation and to link (or "index") the prices of exports from developing countries to the prices of their imports. This is a major issue between developed and developing countries.

Industrialization

Only 7 per cent of the world's industry now exists in the developing countries of the world. The rest is concentrated in the richer countries where, as a result, the pollution of the environment is a major and growing concern. Under this system, the developing countries export most of their raw materials to be processed in the developed countries, losing for their own people the employment and the affluence that manufacturing industries provide. A call for change was made in March 1975 when the Second General Conference of the United Nations Industrial Development Organization (UNIDO), meeting in Lima, issued a Declaration and World Plan of Action.

The Lima Declaration calls upon the developed countries to eliminate barriers to trade with developing countries and encourage their manufactured exports. They are asked to "restructure" their industries in order to deploy production capacity to developing countries and to expand technical assistance programmes. They are also asked to co-operate in ensuring that the activities of transnational corporations conform to the economic and social aims of developing countries in which they operate. They are further asked to avoid discriminatory and aggressive acts against States which exercise sovereign rights over their own natural resources. All these recommendations are, in differing degrees, matters of controversy. But encouragingly, there is no questioning of the general direction of change recommended — that of

industrializing the poorer countries.

Transfer of Resources and Monetary Reform

The Charter of Economic Rights and Duties of States urges all States to respond to the development needs of developing countries by promoting increased net flows of real resources. It proclaims all States juridically equal, having the right to participate fully and effectively in the international decision-making process in the solution of world economic, financial and monetary problems. Under the Charter, all States have the duty to promote general and complete disarmament under effective international control and to utilize the resources freed by disarmament measures for development allocating a substantial portion of such resources as additional means for developing countries. The international community is asked to pay special attention to the particular needs and problems of the least developed, land-locked and island developing countries.

Science and Technology

The Programme of Action declares that all efforts should be made to formulate an international code of conduct for the transfer of technology corresponding to needs and conditions in developing countries, to improve their access to modern technology adapted to local conditions, and "to expand significantly the assistance from developed to developing countries in research and development programmes and in the creation of suitable indigenous technology". Commercial practices governing transfer of technology also must be adapted to requirements of developing countries, the Programme adds.

Agricultural Development

The agricultural sector lies at the heart of the development problems of many countries. It accounts for the production and income of the bulk of their populations; it is the source of food supply and raw materials for industry; and in most developing countries it is a

major earner of foreign exchange and source of domestic savings. A vicious circle of poverty, under-employment, ignorance and ill health characterize the rural sector in many developing countries, preventing the increase in production necessary to fuel strong and continued economic growth.

Solutions to the problems of agricultural development lie predominantly in the domestic area of national policy but, as was evident at the World Food Conference in Rome last year, there are unavoidable international aspects. The agricultural situation is complex not only in technical terms but in terms of its human and institutional aspects, and in its relationships with other sectors of the national and international economy. While each country has its own unique combination of resources, problems and objectives, the rest of the world can provide vital support not only in the technical field but in accommodating for pressures on the country's balance of payments and in planning agricultural policies for general benefit. It is evident now that national policies of both developed and developing countries would gain from a systematic international consideration, at least in respect to the implications for trade in agricultural inputs and output.

Restructuring the United Nations System

Proposals for re-ordering the economic and social aspects of the United Nations structure have been made by an international group of 25 experts who were nominated by governments but acted in their individual capacity. Their report, entitled "A New United Nations Structure for Global Economic Cooperation", will form the basis of discussions on the structure of the United Nations system.

The expert group made two kinds of proposals for change. One set of proposals deals with the way the General Assembly, its committees and the Economic and Social Council conduct their deliberative and policy-making work. The other set of proposals

deals with the implementation of the U.N. system's action programmes.

TOWARDS THE NEW

The demand for a new international economic order must be seen, however, in its proper historical perspective. On one level of reasoning it is a natural evolution of the philosophy already accepted at the national level: that governments must actively intervene on behalf of the poorest segments of their populations (the bottom 40 per cent) who will otherwise be bypassed by economic development.

On yet another level the search for a new economic order is a natural second stage in the liberation of the developing countries. The first stage was marked by movements of political liberation from the 1940's to the 1960's; the second stage constitutes a struggle for not only political but economic equality, since the former is unattainable and meaningless without the latter. The demand for a new international economic order must be seen, therefore, as part of a historical process.

Much of the world has not yet emerged from the historical consequences of almost five centuries of colonial control which concentrated economic power so overwhelmingly in the hands of a small group of nations. To this day, at least three quarters of the world's income, investment, services and almost all of the world's research are in the hands of one quarter of its people.

The solution of these problems cannot be left to the automatic operation of market mechanisms.

In the international system the powerful nations have secured the poor countries' raw materials at low prices (for example, the price of petroleum fell decisively between 1950 and 1960), they have engrossed all the value added from processing the materials and they have sold the manufactures back, often at monopoly prices.

At the same time, the very cheapness of the materials was one element in encouraging the industrialized nations to indulge in careless and extravagant use of the imported

materials. Once again, energy is the best example. Oil at just over a dollar a barrel stimulated a growth in energy use of between six and eleven per cent a year. In Europe the annual increase in car registrations reached twenty per cent.

Indeed pre-emption by the rich of a disproportionate share of key resources conflicts directly with the longer term interests of the poor by impairing their ultimate access to resources necessary to their development and by increasing their cost.

These unequal economic relationships contribute directly to environmental pressures. The cheapness of materials has been one factor in increasing pollution and encouraging waste and the throw away economy among the rich. And continued poverty in many developing countries has often compelled the people to cultivate marginal lands at great risk of soil erosion or to migrate to the physically degraded and overcrowded cities.

Exploitation has been in existence for thousands of years and its modern forms have evolved through centuries. But *two new elements* now give a political dimension to the hope for change:

The decision of OPEC to multiply the price of oil, if seen in the proper perspective. Its importance lies—more than in the price increases—in its character as a historic reversal. In October 1973, the oil-exporting countries put an end to an era which had begun with what the West calls the 'great discoveries'. For the first time since Vasco da Gama, mastery over a fundamental decision in a crucial area of the economic policy of the centre countries escaped their grasp as certain peripheral countries wrested it from them.

The outcome of the events in Indochina, where the peasants, spurred on by their will for independence, organized and freed themselves from the most formidable military and technological power that the world has ever known.

In these circumstances, the basic question is obvious, 'either cooper-

ation or chaos', as stated by the Mexican President Echeverria.

WORLD BANK VIEWS THE DISPARITIES

Robert McNamara in his September 1975 annual presidential address to the Board of Governors of the World Bank, made this point strongly when he said:

"Last year within this forum I outlined the problems imposed upon the developing countries by worldwide inflation, deterioration in their terms of trade, and stagnation in their export markets. In the intervening months these threats to development have not abated. They have grown more ominous.

"The one billion people of the low-income nations have become the principal victims of the current economic turbulence. They did not cause it. By themselves they cannot change it. And they have little margin to adjust to it. Granted all they can and must do to work out their own problems, they desperately need additional external assistance.

"But underlying this emergency situation—and partially obscured by it—lies the more fundamental problem of poverty itself, and the need to shape an effective strategy to deal with it.

"What is required is a strategy that will attack absolute poverty and substantially reduce income inequities, not merely through programs of welfare, or simply through redistribution of already inadequate national wealth, but rather through measures designed specially to increase the productivity of the poor.

"If we survey the global development scene today, it is clear that most of our developing member countries are caught up in a critical situation. The consequences of the continuing worldwide inflation, the sudden surge in the cost of oil, the deterioration of their terms of trade, and the prolonged recession in their export markets have combined to endanger their economic future. The net effect of these external forces has been to reduce

their prospective rates of economic growth, while increasing their foreign exchange requirements.

"And it is the very poorest countries, countries that collectively contain a billion human beings, which face the bleakest prospects—the prospects of virtually no increase at all in their desperately low per capita incomes for the rest of the decade.

"It is important to comprehend what this stagnation really means in the life of an average individual in a poor country. It does not mean inconvenience, or a minor sacrifice of comfort, or the simple postponement of a consumer satisfaction.

"It means struggling to survive at the very margin of life itself.

"Statistically, the stagnation means that for a billion people, per capita incomes, in constant prices, will grow from \$105 in 1970 to \$108 in 1980. The comparable figures for the peoples of the developed world are \$3,100 in 1970 to \$4,000 in 1980.

"Over an entire decade, a \$3 increase versus a \$900 increase.

"Over an entire decade, a \$3 increase versus a \$900 increase.

"The 725 million human beings in the middle-income developing countries are also facing a far more difficult situation than we anticipated a year ago. Unless the foreign exchange available to them can be substantially increased, their per capita incomes too will inch forward at a wholly unacceptable pace.

"Are those in the developed world going to conclude that they cannot find it within their collective capacity to make a modestly greater effort to help save several hundred million people from a degree of deprivation beyond the power of any set of statistics even remotely to convey?

I cannot believe so.

"I cannot believe so because what is involved for the developed nations is not the diminution of their already towering standard of life. All that is required in order to assist these peoples so immensely less privileged is a simple willingness to dedicate a tiny percentage of the additional wealth that will accrue to the developed nations over the next five years."