Chapter - 4.

Third World and the world economic problem.

According to Frantz Fanon, "the fundamental duel which seemed to be that between colonialism and anti-colonialism is losing some of its importance. What counts to-day, the question which is already looming on the horizon is the need for a redistribution of wealth. Humanity must reply to this question, or be shaken to pieces by it". The economic debate is slowly taking the form of a dividing line. Under Art. 55 of the Charter, the UN has the duty to promote higher standards of living, full employment, and conditions of economic and social progress and development; solutions of international economic, social, health and related problems and international cultural and educational co-operation.

As development is a long drawn process, the UNCTAD was established as a permanent organ of the General Assembly in Dec. 1964 on the basis of the recommendations made by the First Conference on Trade & Development held in Geneva in 1964...(1) The conference comprises all states which belong to the UN or its specialized agencies. It is scheduled to convene every three years, and has a 55 member Trade & Development Board. One of its principal aims is to secure remunerative, equitable and stable prices for primary products of developing countries and to improve the access of these products to the markets of the industrialized nations; It's work includes the consideration of ways and means of increasing the net flow of financial resources to developing countries.

Although the Third World's political crusade seems to be over with the discreet ducking of colonialism, the economic one has just started. It is a lot more difficult to extract anything more than piddling sums from the big cheese in international trade. The First World mastodons raised in Edenic splendours, abandoned the 1. Basic Facts about UN - UN. publication N.Y.P. 33.

By development here we mean "a process of induced economic growth and change in an internationally stratified world".
Third World to time. In this chapter twenty two countries were picked up whose under weight egos twined together to accuse the First World of playing too loose with affluence. Economic uncertainties have gnawed dangerously at their confidence. In the post UN era, the much vaunted millennium eluded them and the poor of the World seemed to be experiencing the shock of having slept with an illusion.

No less a person than Dr. Norman Borlaug, the 1970 Nobel Peace Prize winner, maker of the Green Revolution, observed that the luxury in the affluent, developed society was never before experienced by man outside the Garden of Eden, while people in the forgotten world lived in poverty with hunger as a constant companion and fear of famine a continual menace. He also warned, "It is a fundamental biological law that when the life of living organisms is threatened by shortage of food they tend to swarm and use violence to obtain their means of sustenance"... (1) A deserved sense of cynicism has settled in among the lower third of the population, the rural poor and it is because of the timeless patience of these people that more upheaval and more revolutionary violence did not materialize so far. Perched precariously between capitalist and socialist — "millionaires"... (2), the "damned of the earth"... (3) is not basically interested in the power bloc wranglings. To them the major division is that between the rich and poor countries. It is the obverse of their common poverty which is their primary concern. Poverty is a mighty unifier that welds the heterogeneous AALA group together (Asia, Africa, Latin America) - the peoples of the tri-continental south. There are differences of race, religion, societies, languages and stages of economic development - but what is common in them is poverty. And poverty is — degradation, misery,

2. Nyerere.
3. Fanon.
squalor and starvation. With poverty is associated poor medical provision, high infant mortality rates, and a low expectation of life, poor educational facilities and high levels of illiteracy, low levels of energy consumption, and lack of communications and mobility. Another cementing bond, the inevitable corollary of constricted opportunity, is the Third World Socialism which according to Daniel P. Moynihan, was the greatest colonial export of Great Britain. The cause of their penury they attribute to colonialism which bequeathed social backwardness, monocultural economies and foreign ownership of major resources. The gnawing sense of being exploited led them to demand more equitable distribution of the global wealth which was unethically stored in other two worlds. The New International Economic Order (NIEO) could best be achieved through the international organ like the UN. Way back in 1964, Dr. Raul Prebisch developed the argument that equitable prices for raw material should be the foundation of the NIEO. The morbid concentration of purchasing power in North America, Europe and Japan must be corrected and the rationale of world prices re-examined. The General Assembly pleaded for the establishment of a NIEO after the failure of the Intl. Development strategy to boost the over-all annual growth rate of the poor nations. The NIEO implied among other things that the U.N. acknowledged the right of the developing countries to have full and permanent sovereignty over their resources including the right to nationalization, to organize cartels or producers' associations to improve their terms of trade and to be increasingly self-reliant.

On the economic front, whether it is the common fund or price-indexation, challenge is the name of the game. Restructuring of the economy, price-indexation, debt-rescheduling, common fund, international buffer stocks of primary commodities,
transfer of .7% of the developed nations' g.n.p.\(^{(1)}\) to the poor as aid - all are the myriad components of the comprehensive NIEO which are nonetheless formidable. There is a kind of tug of war going on between the world's minuscule super-rich and burgeoning dirt poor nations. Gifted societies of the developed nations, the so-called destiny's children who invented the success ethics and latched or lucked onto opulence consider the pubertal pinings of the newly independent states as perceptible hubris. To them NIEO is a kind of pot-pourri tossed by the proletarian nations at them to liquidate their lucre which was accumulated during their painful plod to plutocracy. There was a complete interest aggregation and articulation among the Third World states and their constant pressure would one day dispel the ostrich-like ignorance of the affluent that ran counter to the growing belief of indispensable economic interdependence. If no man can be an island, no country can be either.

Before the Yom Kippur - Ramadan War of 1973 when the oil price was not quadrupled, the non-communist developed economies were ticking smoothly like a faithful Swiss watch. Not only did the price-spiral drive a chilling recession and a run-away two-digit inflation in the developed countries it also increased the oil import bill of the developing countries to somewhat more than the total amount of concessional aid the Third World received in that year. It also added substantially to the cost of fertilizers and other manufactured products these countries must buy from abroad. This was possible because oil alone constituted 4% of world trade which no other raw material had that practical significance. That the world should be treated as a single economic unit where regional imbalances might impair or cause serious divergencies

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elsewhere was proselytized by the Club of Rome in its newfound slogan of selective growth and one worldism. (1)

Since the economic miasma was the most serious legacy of colonialism that threatened their survival, the Third World drew a mechanical support in the General Assembly. Their areas of interest aggregation — were (i) they were producers of primary products (ii) buyers of manufactured goods (iii) there usually remained an yawning chasm between the prices of primary and manufactured goods (iv) the present economic system was built in favour of the super-rich in which the Third World would not get its dues (v) since for the present undoing, the rich nations were responsible it was their bounden duty to redeem their previous sin; the Third World was more sinned against than sinning (vi) recourse to external aid was inevitable where the internal capital accumulation was painfully slow. All these were reflected in the General Assembly debates.

This interest aggregation gave vent to interest articulation in the form of the NIEO. True for successful achievement of the NIEO a good deal of co-operation from the two other selfish worlds was a must not only from the point of equity but also from unavoidable economic imperative. Equally true was the fact that there were many hurdles, numerous constraints, insurmountable impediments to the restructuring of the global economic system to be overcome. The only constant in this hydra-headed ordeal is the Third World's position which always stands at the receiving end. Nationally within the country, the poor should increase food production, limit population growth, reform education, encourage entrepreneurs, stabilize export earnings in order to eradicate poverty. But this home task has to be done

1. In “The Limits to Growth”, the club, as “Zero Growth merchants” and “eco-doomsters” argued that as population increases, resources would soon run out if industrial development rushes on unchecked. Later on, the well-heeled posture of the odd doom consciousness was changed to selective growth in the under-developed region by the same eco-freaks.
by themselves. On international level, particularly at the
U.N., The Third World dumps its problems for solution —
problems created by the rich in the wake of the industrial
revolution. If both sides prove unbending, the U.N. might
one day — disintegrate as it would fail to deliver the
goods. The international organization encounters its greatest
threat on the economic score where the interest aggregation of
the Third World reached its pinnacle. Peaceful ideological co-
existence was tolerable but economic imbalances never.
Ideologically, the Third World co-existed with capitalism or
communism but there can be no stability in a world that includes
both stone age people and nuclear powers. Reared in poverty
the Third World has been hungering for a fair deal.

In 1952, The Chilean delegation outlined five manifestations
of the general economic and social crisis in the world. Most
countries then were facing growing inflation and an increase in
the cost of living. There was a serious shortage of raw
materials, which was bringing about a consequent shortage of
consumer and capital goods. There was a serious lack of balance
in terms of trade between the U.S. and Western European countries.
In certain regions there was a food crisis which, particularly in
Asia, approached the verge of famine. Finally, there had been a
decrease in the supplies of equipment available to carry on
programmes of industrialization and mechanization of agriculture
at the necessary rate. That critical situation had particularly
affected the peoples of the under-developed countries whose
economies, being highly dependent on external factors, were
specially vulnerable... (1) Chile then presented some cold statistics
to an awed General Assembly in 1952.

The report of the Director-General of FAO of October 1951 indicated
that since 1938 the world's food supply had increased by 9 per
cent whereas the population of the world had increased by 12 per
cent. Another FAO report showed that the daily per capita food

consumption of protein and calories was less than the pre-war consumption. The World Economic Report, 1949-50, showed that there was greater inequality in the distribution of national income than there had been before the war and that the difference in per capita national income between the industrialized and the under-developed countries was increasing. The political consequences of that fact were obvious. The same report showed that one-third of the world's population had only 4 per cent of the total income and that a minority of less than 10 per cent of the world's population had 81 per cent of the total income of the world. Such figures clearly showed that it was impossible for the under-developed countries to accumulate savings which would enable them to invest sufficient sums to speed up their own economic development. With the expected increase of population in the under-developed countries over the next ten years and in order to bring about a 2 per cent improvement in the standard of living of those countries, some $19,000 million a year would be required, whereas the current rate of saving was barely more than $5,000 million. (1)

In the under-developed territories there dwelled 1,600 million individuals, whose standards of living ranged between $20 and $200 a year, the average being below $60. While the general mortality rate in North America was 10 per thousand per annum, and in Europe 13 per thousand, it was between 28 and 32 per thousand in Asia and 17 per thousand in Latin America. The mortality rate of infants and — adolescents was so great in the under-developed countries that life expectancy, which in North America and in the industrialized countries of Western Europe was over 65 years, averaged 30 years in the under-developed countries for which statistics were available. The great social diseases, such as malaria and tuberculosis, decimated the population in the regions where those diseases were prevalent. Whereas the under-developed countries had only 17 doctors available for every 100,000 inhabitants, the advanced nations had 106. In the matter of diet, the under-developed countries had great

1. 7th Session, 379th Meeting. Dt. 16.10.52 (Official Records)
shortages in calories and proteins. The average number of calories per day and per person was 2,150, as against 3,040 in the developed countries. If 100 was taken as the pre-war index for the food products available, it was found that North America in 1950 showed 125; Europe 89; the Far East 87; and Latin America 70. This meant that the countries of Latin America had in fifteen years experienced in the aggregate a decrease of one-third in their already inadequate diet...(1)

Whereas in the industrial countries at least 90 per cent of the population could read, there were countries, such as Haiti and Egypt, where the rate of illiteracy was 85 per cent, or India and Libya, where only 10 per cent could read. The balance of foreign trade of the under-developed countries had deteriorated heavily in the current year. The statistics for August 1952 showed the following deficits in their balance of trade during 1952 in millions of U.S. dollars: South America 665; Central America, Antilles and Mexico, 385; Middle East 374; Far East 1,972; Africa 1,139. This meant that the under-developed countries were faced with an impoverishment totalling US 4,535 millions during 1952.

The experts' report also stated that the total income of Western Europe, Australia, the U.S. and Canada, was $ 350,000 million a year. If 2 per cent of that amount were transferred to the under-developed countries, the latter would receive $ 7,000 million a year. That would not be a very high target since, between 1905 and 1913, the U.K. had exported capital averaging annually 143 million pounds or 7 per cent of its national income... (2)


The world was then devoting to the solution of the colossal problem of economic development by spending a little more than $1,000 million a year, a sum much less than the annual income received by the industrialized countries and scarcely one per cent of what the nations of the North Atlantic Treaty Organization were spending for their defence programmes... (1)

Chile stated that the under-developed countries had the following percentages of reserves of the raw materials named: manganese, 90 per cent; copper, 85 per cent (Chile alone had about 40 per cent); tin, 97 per cent; aluminium 85 per cent; petroleum 67 per cent.

These materials were naturally consumed to the extent of more than 90 per cent in the industrial nations; they were fundamental to the industry of these nations and therefore of the standard of living of their inhabitants. Chile calculated that in the next twenty-five years the consumption requirements of raw materials would increase in the following manner: tin 68 per cent; copper 97 per cent; zinc 100 per cent; iron 127 per cent; petroleum 384 per cent; aluminium, 706 per cent. These figures showed that the world, and especially the industrial countries would depend to a growing extent upon the raw materials emanating from the under-developed countries. (2)

Chile drew certain general conclusions from those figures. In the first place, the under-developed countries had become poorer over the last ten years. During that period the disequilibrium in wealth between the two sectors of the world had continued to increase. The under-developed countries currently had less food than they had ten years ago.

Chile maintained that the economic development of the under-developed countries was the key to world economic stability, the

most important factor in the maintenance of full employment in the industrial countries and the only means of preventing a world depression if, as everybody hoped, mankind could put an end to rearmament. But in the words of Professor Gunnar Myrdal, all our efforts to extend progress to the under-developed regions were homeopathic.

Chile noted that the under-developed countries were conscious of the fact that their natural wealth was just as vital to the industrial countries as were the equipment, machinery, technical knowledge and capital of the latter countries to themselves. The LDCs were aware of their strength.

The Western countries required both the material and the moral support of all peace-loving nations, for if they did not receive raw materials from the latter, they could not physically survive; moreover without their moral support, a collective struggle against aggression in the name of high principles would become a mere fight in the defence of political and economic interests.

Chile also opined that nothing could be achieved by economic and technical assistance if the under-developed countries had to go on exhausting themselves as a result of the prevailing policies of control and establishment of the prices of raw materials by a few purchasing countries, as well as of the present pattern of international trade which impoverished them more every day. To think otherwise would be a childish illusion.

General agreements should be concluded in which the under-developed countries could participate on an equal footing with the industrialized countries and in which the interests of both sides were safeguarded, so that all types of resources—raw materials, labour, technical processes, equipment, machinery and capital might be used co-operatively.
It was impossible to draw up a programme of economic development without changing existing production methods and the distribution and fixing of the prices of raw materials, which were the main resources of the under-developed countries. The problem of raw materials was of supreme importance to producing as well as to buying countries - with those words Chile concluded. The picture did not change materially much even in the 1970s except the figures in order to suggest that the chasm had widened.

Egypt remarked that the disequilibrium in the international balance of payments reflected a fundamental defect in trade relations between the developed and under-developed countries. In order to remedy that situation, an equitable relationship must be established between the prices of raw materials and the prices of industrial products; the under-developed countries with foreign currency at their disposal must be guaranteed a stable purchasing power for such currency; inflationary pressure must be reduced immediately and the under-developed countries must be allowed to obtain credits and convert them into capital equipment and other goods... (1)

According to Egypt prices of primary products and those of manufactured were to be stabilized simultaneously. The under-developed countries had naturally objected to any attempts to stabilize primary products without provision for a fair relation between the prices of those products and the prices of manufactured products which they needed for economic development. Parity of prices, known commonly as price indexation, was sought not only to get a better deal but also to fend off imported inflation. The inadequacy of national savings required for development programme was to be met up by foreign investment which could take three distinct forms; private capital, governmental and international loans, and international subsidies. International loans, when derived from govts., either directly bilaterally or through

1. Official Records, 147th Meeting, Date: 20.11.1952, Page: 19
international agencies, multilaterally are known as Official Development Assistance (ODA). ODA together with grants from voluntary agencies are labelled as "aid". Since this method of distribution generally prevents the tying of expenditure to any country reduces the prospect of political meddling it is therefore preferred by LDCs and recommended within the UN. But according to Peter Bauer, "if foreign aid were indispensable for emergence from poverty, the rich countries of today could not have developed because they did not receive foreign aid".

India opined that at the national level the most formidable obstacle was shortage of capital due to low levels of savings. It was, in fact, impossible to raise the volume of savings unless the economy was developed. That vicious circle could only be broken by external aid. Hitherto the under-developed countries had been the "Cinderellas" of the family of nations. After the war, priority had been given to European recovery and the under-developed countries had been neglected, presumably on the ground that, as they were accustomed to poverty, they could wait. Now that the demand for war material was being given first priority, it could be feared that aid to under-developed countries would remain inadequate... (1)

India called for "a world plan of development". It was not only a question of the special fund or the technical aid, or this or that other thing, but how the world was going to subsist with five thousand million people at the end of the century. On the one hand the per capita income of a prosperous country was somewhere about $1800 per head while in other cases it was $58 per head. A world of peace could not be a world of imbalance. A world of imbalance would be a world that was not at peace. The Indian delegation declared in the 823rd Plenary Meeting dated 6-10-1959 that it would submit a blue-print of a world plan. No under-developed country was prepared to take imperialism in reverse.

It was not then as in the 19th century where some people were hewers of wood and drawers of water and some people produced raw materials and other people produced finished goods. The problem of feeding, housing and of establishing a balance between communities and social developments would become the world problem. This could not be solved either by loans schemes or charity schemes. They could only be solved in the context of a co-operative world where each party, big or small, poor or rich, made his own contribution, where the world was taken as one picture, where there were no — communities outside the U.N., where production had to match the requirements of the community, and the conception, as regards under-developed countries, of profit making loans, would be regarded as an anchronism.

There was also room for the fear that the only object of the development programmes was to endow the under-developed countries with the means of producing the raw materials necessary to feed the industries of the advanced countries, whereas the main thing was to achieve, in balanced measure, the expansion and diversification of the national economy on the other, thus leading to full employment.

Argentine delegation argued that the economic development resulting from the industrial revolution of the last century had not brought about contrary to predictions based on theory - that general prosperity which was to benefit every country within a system of division of labour, between raw-material producing and industrial countries. The result of that division of labour had been that the industrialized countries continued to expand their industry while the countries producing raw materials were prevented from doing anything else.

According to Argentina, there were three chief reasons for the existing situation. In the first place the industrial centres had monopolized the benefits of technical progress because of the progressive deterioration in the terms of trade; secondly,
savings and capital investment had likewise been concentrated in the highly-industrialized countries; thirdly, the distortion of world economic trends had compelled the under-developed countries to support a growing surplus of population for which they could not provide work, thus causing hunger and poverty.

Argentina noted that between 1876 and 1938 the terms of trade of raw materials and manufactured products had shown a deterioration of some 50 points to the disadvantage of the countries producing raw materials. The result had been a decrease in the purchasing power of the countries producing raw materials, so that their population rapidly increased while their income declined. That trend was growing stronger and was causing a steady regression for most of the world population. (1)

With regard to the tendency to concentrate capital investment in the highly-developed countries, the Argentine delegate believed that the financial resources of the world could have been better distributed only by progressive and sound industrialization of the under-developed countries. That had only occurred in exceptional cases.

The gradual impoverishment of the under-developed areas had been caused by the steady deterioration in the terms of trade with relation to the prices of raw material and of manufactured products and the best way to remedy that situation was to industrialize those areas and thus to free them from economic dependence and enable them to create the necessary conditions for their welfare and progress. In the 1970s, such was the view of the Club of Rome... (2) which first pleaded no growth but later on advocated selective growth in the underdeveloped region of the world. The Japanese conglomerate, Marubeni, started farming in the fallow

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1. Official Records, 200th Meeting dt. 31.10.52 Page : 42
2. Club of Rome - an elite and trendy organization of the First World composed of nearly 200 members - scientists, economists, industrialists, financiers. Their "Limits to Growth" sparked off wide controversies.
Brazilian savanas in the early 1970s. They expected a bumper Soyabean production in 1980, even surpassing the per acre U.S. yield - 36 bushels per acre against the US. 30 bushels. (1)

The industrial countries, on the pretext of international defence or the need to resolve their own domestic problems, were enforcing measures calculated to bring down the price of raw materials. Their attitude was self-contradictory; they proclaimed a desire to promote the economic development of under-developed countries, but at the same time they fettered economic activity with all manner of controls and restrictions, thus aggravating at a growing speed the inequality in the terms of trade.

At that time the national and international activities of the great industrial Powers had been designed to consolidate and develop the economic systems of the developed at the expense of the under-developed countries. The Argentina delegate criticised the work of the International Raw Materials Conference, which had based itself on that discriminatory concept.

The substitution of nationally-manufactured — synthetic products for imported raw materials was another development which vitiated in practice the theoretical concept of international division of labour suppoed by the — industrialized countries. An example was the effort being made by the Government of the U.S. to encourage the production of synthetic fibres to replace wool. While it was true that technical progress could not be hampered it was equally true that the legitimate interests of countries producing raw materials should be considered. These methods, together with high customs tariffs, (in a policy of self-sufficiency which) were in complete contradiction with the theoretical postulates of free international trade and of assistance to the under-developed countries. Protective tariffs, it should be noted, have been a

major hindrance because the poor countries are unable to offer reciprocal concessions which would compensate the rich for allowing imports which would compete with their own industries.

Argentine delegate's conclusions were that the industrialization of the under-developed countries should be encouraged, that measures should be adopted to ensure a fair balance of prices, and that equitable prices should be fixed for raw materials in order to enable the producing countries to obtain the financial resources they needed for their industrialization. About 60 per cent of world trade consisted of the trade in raw materials. Steps should also be taken to prevent profits derived from exports in those countries from being transferred to industrial countries, which should also abandon national and international practices leading to deterioration in the terms of trade...(1)

Costa Rica, while speaking of the role of foreign capital in the under-developed country, conceded that private investment should be protected against fiscal or other -- recriminations. But the guarantees had to be reciprocal because history showed that the interests of foreign investors had not always coincided with the under-developed peoples' material and moral well-being...(2)

The revolution of rising expectations in the under-developed countries would not die down unless the world as a whole took steps to meet the challenge possibly by diverting a part of what was spent on armaments to more productive purposes.

Costa Rica grumbled that under prevailing systems the factors which created economic differences operated in such a way as to make the rich richer and the poor poorer. The standard of living of workers in the economically developed countries was steadily rising while that in the less developed countries was getting lower, creating a contrast between the wealth of the former and the poverty of the latter. Wages depended on the prices fixed on the market for manufactured goods, which tended to go up in response to a demand for wage increases. The agricultural, under-developed countries, which had also fixed the prices of their commodities on the basis of wages, felt the impact of the reduction in prices determined by the more developed countries. The price of Costa Rican coffee was going down dragging with it wages that were already low, and bringing about ruin, despair and desolation. The answer to the problem was not aid but equity. The prices of essential commodities should be respected. In order to protect their foreign exchange, Costa Rica set up high tariff barriers; the resultant exorbitant prices prevented people from buying automobiles, refrigerators, radios and many other luxury goods. The peoples of the economically more developed nations could have all these things because they manufactured them and what was more they could get their coffee at prices even lower than what they, who produced coffee, had to pay for it. This was an economic anomaly.

South America was working intensively to create a common market and Central America to a lesser extent Economic integration of Central America. It would mean that this territory, inhabited by people of similar origin, language and customs, would be free of tariff barriers and that the various geographical areas with a large consumer demand would
be industrialized on a rational basis. Costa Rica endeavoured diversification of production so as to free themselves from the bondage of a single crop economy and offer price support to their basic commodity, coffee, when its price was falling. The price support was given by the developed countries — when needed. The economic battle between the developed and under-developed countries was an unequal battle and what the under-developed countries needed was not assistance, not charity but justice...

If the housewives of the highly developed countries knew what great evils a reduction of a few cents in the price of a pound of coffee caused, if they knew that it meant greater hunger, less housing, greater poverty for their fellowmen over the seas, they would certainly not accept the few cents they gained — which in any event could not improve their family budget... Thus spake Costa Rica.

Guatemala cited bitter experiences with foreign capital. Foreign investors raised a wave of indignation in many Latin-American countries, whose wealth they had exploited for the exclusive benefit of their shareholders without even paying a fair share of taxes to the country concerned. This history of investment in bananas, oil, copper, tin, etc., in Latin America was very similar to the lamentable history of colonial exploitation in some parts of the world. Companies of this kind took everything for themselves; they sucked dry the wealth of the soil, paid high taxes in their home countries and accumulated millions for a handful of shareholders who never knew that their fat dividends were the fruit of the sweat and poverty of thousands of workers crushed by ignorance, sickness and hunger...

1. Official Records 809 P.M., Date: 25.9.1959
2. Official Records 1034 P.M., Date: 11.10.1961
3. Official Records 442nd Meeting, Date: 23.9.1953
Liberia welcomed foreign capital investment which conformed in size of tempo to its existing requirement. It also demanded a general agreement on prices for world product in order to create favourable marketing condition... (1)

Peru favoured an effective policy of international investment... (2)

Burma never wanted foreign capital to become an instrument of foreign domination. Newly independent countries were more anxious to preserve their independence, both political and economic. As a matter of fact disbursement of aid enables the donor countries to influence policy on recipient countries. Aid from the US is not available under the Hickenlooper Amendment to countries which nationalise US-owned assets and fail to rectify the situation within six months. It is also noticeable that French aid is particularly directed towards her former colonies in the Franc Zone as is British within the former sterling area. Burmese policy, since independence, has been to minimise external assistance. Burma suggested that in order to avoid "economic occupation" foreign investors were to obey certain rules... (3) Rules, however, were not laid down.

Bolivia alleged that the price of primary commodity was kept at an artificial level on the pretext of world crisis. Producers of primary commodities had to obtain the manufactured goods they needed on the free market, at prices swollen by inflation. The price of tin, the basis of Bolivian economy, had been subjected to the unilateral criterion of a purchaser against whom that country was defenceless. It complained that an attempt was being made to force upon it, by the methods used by the strong against the weak, a price which bore no relation to equity or to

1. Official Records 442nd Meeting Date: 23.9.53 Page: 88
2. Official Records 8th Session Date: 21.9.1953, Page: 69
the spirit of co-operation. Whereas the manufactured goods sold to Bolivia and the other nonferrous metals, rose in price by from 40 to 60 per cent in 1950, the price offered for tin was, within a few cents of that of 1945. If a fair and reasonable solution was not found by direct negotiation, there was a danger of a far-reaching economic and social crisis. Bolivia demanded a more equitable relationship between the prices of manufactured goods and the prices of primary products... (1)

Talking on the problem of fixing the prices of various primary commodities, El-Salvador referred to certain factors which were to be considered to arrive at the level at which the prices were to be fixed. The most important factor to be taken into account was the latent depreciation to which primary commodities were subject, as the result either of indirect action by the industrial countries or of a policy of price compression openly pursued by those countries. Most of the primary producing countries had derived very limited benefit from the recent rise in the price of raw materials in 1951... (2)

Colombia discussed the effect of price fluctuation on the economy of those countries who were largely dependent upon the production and export of a limited number of basic product or even a single product. In Latin America a single commodity at times represented almost 90 per cent of the total value of a given country's exports, and the financing of a quarter of all imports of commodities and various services could depend upon the proceeds of the sale of that product. That detail was sufficient to show how serious

1. official Records  339th Meeting,  Date : 12.11.1951
               Page : 54
2. Official Records  218th Meeting,  Date : 24.11.1952
               Page : 170
the consequences of fluctuations in the price of basic commodities could be for the economic development of the countries concerned and for the welfare of their inhabitants. (1)

Secondly, price movements in the world market had an unfavourable effect on the terms of trade of the underdeveloped countries.

Thirdly, in order to attain the goal which the U.N. had set for itself and help it to contribute towards the economic development of the under-developed countries, it was important that governments which found it necessary to adopt measures affecting the price of primary commodities, should pay due attention to the possible effects of those measures on the terms of trade of the countries in the process of development.

Because the countries supplying raw materials failed to present the problem with sufficient insistence Ecuador wanted them to adopt the collective economic defence measures called for by the circumstances and the indifference of some industrialized countries... (2)

Ecuador apprehended the formation of economic blocs among the highly industrialized nations. In the past there was notorious Holy Alliance, allegedly formed to defend the colonial interests of the great nations on the American continent. The forming of the economic blocs would impede the free movements of goods. Europe must understand that it could not consider or regard itself as a water-tight island of democracy. Democracy in the world could be maintained by the prosperity, advancement and progress of the 200 million people of Latin America and many millions of Asians and Africans... (3) Gradually the economic czars realized the interdependence of the global trade, particularly after the 1973 oil crunch.

2. Official Records 219th Meeting, Date: 25.11.1952 Page: 174
All the under-developed countries naturally wanted steady markets and fair prices. Pakistan, which relied on the export of five commodities only - jute, cotton, wool, hides and skins, and tea - to obtain foreign exchange, would welcome any measure which had a reasonable chance of success in maintaining the prices of those products. Pakistan delegate pointed out, in that connexion that the underdeveloped countries had to defend themselves against two-fold action by the industrialized countries; when the prices of raw materials rose, the industrialized countries encouraged the production of substitute material; when the prices of raw materials fell, the industrialized countries not only did not come to the assistance of the primary producing countries but they gave way to the protectionist clamour of their producers of substitute materials. The establishment of an adequate, just and equitable relationship between the prices of primary commodities and those of capital goods and other manufactured articles was an ideal which could not be attained in the existing circumstances... (1)

According to Pakistan there were two main factors which militated against the raising of the standard of living in the under-developed countries. The first was the rate of population growth. The second concerned the fluctuation in the primary commodity market. The price index of primary commodity fell in the last few years, resulting in the reduction of export earnings by 7% to 8%. This drop, coinciding with the rise in the import prices of manufactured goods, represented a loss in the import capacity of the underdeveloped countries equivalent to about 1/6th of the official gold and foreign exchange holdings of these countries i.e. about 6 years' lending to them by the international bank... (2)

2. Official Records 808th P.M. Date: 25.9.1959 Page: 180
To Panama, "it is not the task of a few countries only but a collective responsibility. Peace is not something which comes about by itself. It is not a problem which can be rapidly solved. In order to achieve it we require great patience and great faith"…(1)

Ethiopia believed unless economic development was brought to the countries with low standards of living there could be no collective security in the political field…(2)

Like its predecessors, Chile and Argentina, Brazil traced the historical origin of the inadequate economic development of the under-developed countries. The industrialized countries had achieved their development because of and concurrently with the industrial revolution, while the under-developed countries had remained in a backward colonial position even after gaining political independence. That had hindered the normal development of public utilities, which were not fundamentally intended to be utilized for the export of food-stuffs and raw materials and had also prevented the expansion of the domestic market. As a result of modern means of communication the peoples of under-developed countries had become aware of their low standard of living, and had asked their governments to take measures to improve it. Governments had thereupon directed their attention to the speeding up of economic development, which was the only solution to situations of political instability.

On the other hand, foreign private capital was more interested in obtaining maximum profits in the minimum time than in assisting essential development projects. Domestic private capital had generally been scarce in the under-developed countries and it too had been primarily interested in maximum profit. In order therefore to meet the requirements of economic

2. Official Records 8th Session P.M. 442nd Meeting, Date: 23.9.1953 Page:108
development, the governments of under-developed countries had themselves been obliged to act as entrepreneurs. Everyone was aware of the economic, financial and technical difficulties that such a situation had created for governments...(1)

The immense contrast between the North and South could be reduced only by planned action for effective aid by the developed countries of the North to the under-developed countries of the South. The logic of the economic development process itself, including the result of the action of the regional trade organizations grouping the developed countries meant that the LDCs which were not parties to such agreements, had no choice but to stand by and witness a gradual decline in the value of their raw materials and commodities on the international market, so that they were forced to work ever harder only to earn less. Brazil also demanded the elimination of the dangerous duality of the "aid policy" formerly recognized by all as essential to a better international equilibrium and the "trade policy" adopted by certain countries through preferential tariffs. Otherwise, the under-developed countries might become real international pensioners. "Peace was based on disarmament and prosperity depended on technical and financial assistance to the under-developed countries. Neither disarmament nor development could really be achieved on the basis of the Cold War and competition between ideologically hostile blocs," declared Brazil...(2) It is true that the volume of trade between the DCs (Developed Countries) and the LDCs is increasing at an accelerating rate. But the pace is not as rapid as that between the DCs themselves.

Mexico favoured the strict observance of resolution 626 (VII) approved by the General Assembly at the 7th session. Under that resolution, any attempt to promote economic development

internationally must be based on respect for the political and economic independence of countries receiving aid, so that under-developed nations might not be obliged to accept, as the price of progress, economic subjection, the undermining of their democratic systems or perpetual threats to their national sovereignty... (1)

In a single year, 1957, Mexico experienced a loss of about 15% of the total value of its exports in its sales abroad of five of its main primary commodities - cotton, coffee, lead, zinc and copper - as a result of the decline in the prices of those commodities. Fluctuations ranged from 20% in the case of cotton to 55% in the case of copper. The case of Mexico was far from exceptional. Other raw material producers had the same experience. The need of the hour was to find ways of eliminating excessive and violent price fluctuations. Fluctuations were sometimes aggravated by restricted customs practices or the uncontrolled dumping of accumulated surpluses. Loans to be repayable in convertible currencies gave rise in some cases, to a overproduction of certain primary commodities such as lead, zinc, and copper. Loans should be directed towards strengthening the economic infra-structure of states... (2) Any international economic development programme must fully respect the economic and political independence of the countries receiving aid, thus avoiding the danger that the under-developed countries might be forced to accept, as the price of their progress, economic subordination. According to W.T.W. Morgan, by far the largest supplier of official Development Assistance (ODA) has been the US, providing 32 percent of the total in 1977. (3) Mexico knew pretty well the Big Brotherly tactics of the colossus of the North."

Philippines noted that the general debate on the economic development of under-developed countries had revealed the existence of two opposite concepts. In the opinion of many representatives, the economic development of under-developed countries was an international problem that could only be solved through the U.N. and the specialized agencies within the framework of the Expanded Programme of Technical Assistance. That was the view held by the governments of the highly industrialized countries of the West and the governments of the under-developed countries. That view was in contrast to that of countries with centrally planned economies. The representatives of those countries, although affirming that economic development was a desirable goal, maintained that the solution lay elsewhere. Thus, the representative of the USSR, who had advocated the second point of view, had said that a solution would seem to lie, not in grants and loans, but in domestic effort.

Mr. Madrigal agreed that domestic effort could play a large part in economic development. He stressed that the under-developed countries were already doing all they could, but owing to the comparatively low rate of capital formation they were unable to finance their development programmes under the best possible conditions. Loans and grants were therefore necessary as catalysts of economic development. What the under-developed countries needed was concrete assistance, not advice, sniped Philippines at the USSR...

Federation of Malaya hoped that in the over-all consideration of the economic development of developing countries more attention should be given to the commodity problem. Not only should studies be made to find out ways and means of securing fair and stable prices, but the countries consuming primary products should alert themselves to the fact that their

1. Official Records 7th Session, 208th Meeting, Date: 11.11.1952
Page: 99

(1) Official Records 7th Session, 208th Meeting,
co-operation in this respect was as much in their own interest as it was in the interest of the producing countries. For even in purely economic terms the extent of the sale of manufactured goods which formed the earnings of the industrialized countries must depend in the long-run on the capacity of the primary-producing countries to import them, which in turn depended on the prices they were able to fetch for their commodities in the world market. But more important than those purely commercial considerations was the moral obligation of all countries to contribute in every way they could towards the general welfare of mankind, as a basis for a just and enduring peace...

The under-developed countries must concentrate, Guinea insisted, on ensuring that the international prices of raw materials and primary commodities were preserved from speculation of any kind by the establishment of a guaranteed base price which would effectively reflect production cost and would be automatically re-evaluated in conformity with increases in prices of industrial products on the world market. The establishment of sliding scale to determine minimum international prices for raw materials and primary commodities must be supplemented by the establishment of an international equalization fund which, in the initial stage, would help to take care of the bottle-necks that cropped in unpredictable fashion on the various markets and were inherent in the anarchy that characterized the development of the world's economy...

Haiti described the nature of capitalist economy. To be sound, it must have constant means of expansion and this could best be ensured by the easy circulation of wealth. There must be ready access to it through a high degree of purchasing power,

1. Official Records 1140 P.M., Date: 3.10.1962, Page: 283
2. Official Records 1148th P.M., Date: 9.10.1962, Page: 428
and extension of credit, and investment policy leading to
more employment, and lastly, international trade free from
any restrictions based on the rigid economic nationalism
which had done so much harm in the past. Of the 82 countries
which made up the great international community, approxi­
ately 2/3 rds - 60 to be exact in 1959 - were classified, technically
speaking as less developed and under-developed. The fact
that only 22 out of a community of 82 members could pride
themselves on not being a prey to the economic anxiety was
irrefutable proof that under-development was not a subjective
condition, existing in a different country or race, but rather
an almost universal one. This never meant that another type
of economy should be sought; it meant that world economy was
sick and must be cured as soon as possible... (1)

The NIEO was conceived to rectify all these ills.

To the Third World NIEO means changing the ground rules of the
international economic and monetary system so that their
interests are in future automatically protected. They are no
longer prepared to rely on the goodwill of the richer countries
for their development. They want change in three main fields—
debt relief, commodity trade and the whole area of their
industrialization.

They demand to make some automatic provisions for debt relief
before a country reaches the verge of bankruptcy. The indus­
trial countries, while still insisting that debt must be
treated on a "case-by-case" basis, have made some effort to
agree to new procedures for examining the problems of those
most in need. But they have consistently rejected the Third
World's other demand of a widespread debt moratorium or
rescheduling. A large number of middle income developing
countries who are heavily dependent on commercial bank lending,
would regard such a "generalized" solution as a major blow to
their credit worthiness.

1. Official Records 819 P.M., Date: 2.9.1959
Page: 339
The essential ingredient of the integrated programme for commodities under which some 18 primary products... would be subject of new pricing arrangement, was the creation of a Common Fund. Any commodity pact should be placed firmly under the supervision of a politically and financially virile Common Fund. If each country had a vote in the running of the fund, the developed ones apprehend, the numerical strength of the Third World would take controls out of the hands of the rich nations, in contrast to the situation at the World Bank or the IMF. It would in effect be an institution controlled by the developing countries on behalf of the developing countries with money from the rich countries. Moreover, to the First World such a scheme would be a receipt for chaos in the commodity markets. However, there are considerable differences of opinion between the developed states themselves about how far they should go in meeting the Third World demands.

At one extreme stand the Scandinavian and Benelux states which are prepared to accept a considerable degree of price regulation in the commodity markets. At the other extreme are West Germany, the U.S., and Japan which are ideologically committed to free markets. To some of the EEC countries the Common Fund would be little more than a clearing house or pooling arrangement, whereby money could be transferred between individually managed commodity pacts. Thus if one commodity administration found itself temporarily stashed with surplus, it would channel the money to another administration that might have insufficient.

1. These include - cocoa, coffee, tea, sugar, copper, tin, rubber, cotton, jute, hard fibres, bananas, vegetable oils, meat, tropical timber, iron-ore, bauxite, manganese and phosphates.- Melryn Westlake, The Times, London, The EEC its overseas associates made arrangements, through Stabex for compensation in respect of twelve primary products. Any LDC can claim compensation if its earnings drop below certain agreed levels. A number of ACP (African, Caribbean & Pacific) countries have already benefited from the Stabex Plan.
In this way, the total financial resources needed to operate several commodity agreements might be less than that for the sum of individual agreements without a pooling arrangement. But this assumes that all commodities do not share the same price cycle. Indeed, there is some evidence that industrial raw materials have a different cycle to agricultural crops. It should be noted in this connexion that World Commodity prices, particularly in the field of primary raw materials have always been subject to violent fluctuations. In the mid 1960s Ghana was producing one third of the world's cocoa. In order to fetch a better price of cocoa in the international market it withheld supplies. Ghana's action had no impact on World prices. The Third World Coffee Market, despite the existence of the International Coffee Organizatin, displayed continued competition and conflict between producers of Brazilian "Arabica" variety and the African "Robusta". The fixing of Quotas and prices also caused conflict and stress between the LDCs involved. In 1977, a combined Brazil and Columbia tried to regulate the flow of coffee on to the world market and so maintain the price level but African producers were far from unanimous in supporting export cut backs of this kind. Moreover, in the interest of diversification many LDCs want to develop new cash crops and may well find the quota system operating against them. (1)

The next major sticking point is that any new -- arrangements for commodities should be designed to smooth out cyclical fluctuations around the secular price trend. That means that prices of raw materials should not be raised above a "trans-cyclical" equilibrium level which is high enough to encourage new investment, but no so high as to cause loss of markets through substitution.

President Nyerere of Tanzania once pointed out that he needed to sell 17.25 tons of sisal to buy a tractor in 1965. By 1975 he needed to sell 42 tons. Even in the commodity boom of 1974 the same tractor still accounted for 57 percent more.

1. David Hilling, Trade Growth for Development — The Third World Problems & Perspectives edited by Alan B. Mountjoy. P. 140
sisal than nine years before and since then the sisal price plummeted and the tractor price hiked up. Two decades ago a jeep manufactured in a DC (Developed Country) cost the equivalent of 124 bags of coffee to a Latin American buyer; in the 1970s the cost was 344 bags. From 1948 to 1972 the oil price went up by about 30 percent whereas the general price level nearly doubled so much so that in terms of real dollars oil prices slumped down during this period. It is hard facts like these that lie behind the LDCs' demands for the indexation of raw material prices to the price of manufactured imports. The idea of indexation was put forth by Iran with the support of Algeria. But it did not gain much ground anywhere as the wholesale price index of all manufactured goods taken together is not indicative of anything. Clubbing together of all raw materials to estimate changes of their prices is also indicative of nothing because each one of them is under the spell of a different elasticity of demand and supply. The UNCTAD tried to compute the index but the attempt failed in regard to the selection of goods in the basket.

Third World's third move to cope with poverty is through industrialization and development aid, although aid arouses resentment at the supplicatory status that it confers on the recipient. The LDCs' quickest route to First World capital, technology, research and marketing skills is probably through the local branch of a multinational Corporation (MNC). It is true that technology in use in advanced societies can not be transposed into any other society that has not had some ingredients to absorb it. Unimaginative and mechanical transfer of western technology led to high costs, infiltration of inappropriate technology, perpetuation of technical dependence undermining of indigenous innovative potential, increasing unemployment and deepening of income inequality. What suits the needs and circumstances of most of the LDCs is "adaptive technology", the basic ingredients of which are (i) labour
intensive production methods and / or labour intensive industries (ii) simple production methods with simple tools (iii) the use of indigenous materials and labour (iv) small scale in size. It is now empirically confirmed that technical progress rather than capital accumulation played the most important role in the economic growth of advanced countries. Technological progress ensures the best hope of economic development for capital scarce underdeveloped countries of the Third World. Japan, for instance, achieved rapid economic progress in the initial period through technology inspite of low level of capital formation. It avoided the low level economic trap by copying western technology with suitable modifications. The scope for labour-intensive technology is highest in agriculture which employees 70 to 80 percent of the population and contributes 50 percent to the national income of most of the Third World nations. Ironically, the larger, wealthier farmers nearly monopolized the technical services and cheap credit offered by most of the Third World governments and virtually excluded the bottom third of the population from taking advantage of technological improvements. Labour intensive technology involves minimization of capital output ratio. The developing countries should adopt both traditional and modern technology to suit their needs and resources by upgrading the former and downgrading the latter.

But technology has a price. Most of the technology is developed in private sector in the West. The Government does not produce technology. It is usually the private entrepreneur who charges an extremely high price for his ideas. The NICs should try to find a way to get cheap technology. But LDC rhetoric has already made MNC a pariah. But LDC rhetoric has already made MNC a pariah. Many corporation executives believe that laws like submission of advance information on take-over plans, holding regular consultations with local

1. There is saying that has gained currency lately, "every nation for itself and the transnationals take the LDCs".
workers, renunciation of price fixation and formation of cartels, non-interference in local politics through private or illegal payments, production of detailed annual reports, furnishing — information on taxes paid and the MNCs' investment and employment policies could be enacted making the multi-national responsive to local government without necessarily creating an environment hostile to foreign capital. Since the Third World countries need First World capital investment badly it was decided at the 1970 UNCTAD that the aid target of 0.7% of g.n.p. of the industrial countries should be reached in the coming years. Not only was the target unattained, levels of development assistance for the poorer countries were disgracefully inadequate. The aid statistics show that the USA, Japan and West Germany did less well than many smaller industrial countries.

Meanwhile, to pay soaring energy costs, many Third World countries were forced to borrow voraciously from First World big banks. That rising mountain of debt cast an ominous shadow across the international banking scene. The ability of some of the LDCs to pay off became a growing concern because a series of defaults could seriously jolt the banking systems of the First World and perhaps imperil the Western economies. The borrowings were uncomfortably large in relation to debt-servicing capabilities of many countries. The surge in lending was spurred by the vast balance of payments surpluses piled by members of the OPEC oil cartel, commonly known as "petro dollar overhang".

Those were the moves initiated and aired by the Third World nations for a fairer distribution of wealth between nations and not inside them. It is unrealistic for the Group of 77 to expect the First World voluntarily to dismantle the existing economic order and slash the living standards of its citizens. It is even questionable whether most First World electorates would tolerate a major increase in foreign aid
or whether trade Unions would allow unrestricted competition for goods produced by cheap labour in developing lands. In one recent survey, Americans ranked economic aid loans to the poor no higher than 20th on a list of 23 areas in which they would like to see their tax money spent.

The Third World has realized that in division it can not face the industrialized nations on equal terms. The poor nations are the product of the same struggle against exploitation by foreign interests. That sense of identity among the three continents would be likely to galvanize them into a cohesive force. The rich should know that the quintessence of the NIEO is an ideal combination of industrial world's technology and the agricultural one's resources. For technology the sky might be the limit but the supply of raw materials is finite. One is complementary to the other. To deny an equitable distribution of the wealth which is made up of such a combination would be to commit a political harakiri in the long run.

The NIEO, it may be said, is born out of the interest aggregation of the Third World States that is a signal achievement of the Third World in building a New World. But incidentally it did not incorporate the so-called, "disarmament dividends" - the funds released from disarmament and channelled for economic development of the poorer nations of the Third World.