CHAPTER VIII
An international economic order that discriminates systematically against one group of countries can give rise to confrontations and conflicts and to negative sum games in which all lose. But the appeal to correcting iniquities need not be wholly an appeal to national self-interest. There is an independent moral case for a just world order. Countries should be willing to cooperate in correcting biases in market structures and government policies that are damaging to the developing countries. Such corrections would contribute to a more equitable and therefore acceptable world order and, by reducing frictions and conflicts can be seen to be also in the long-term interest of the developed countries.

A response along such lines would meet the demands of both efficiency and distributive justice. Not only are the specific proposals more in line with the canons of economic efficiency, but, by accommodating the developing countries' call for a fairer international order, they would prevent the recriminations and conflicts that are bound to cause international disorder, one of the greatest sources of inefficiency.

VIII.1 REDUCING THE GAP BETWEEN RICH AND POOR NATIONS

At the national level, governments attempt to provide macroeconomic stability through monetary and fiscal policies, to redistribute income through progressive taxes and social services, to guarantee farmers an adequate income, to correct for
the worst features of free competitive markets, and to cushion
victims against the damage of change. All these government
actions are in the nature of public goods. There is no
international government to do any of these things on a global
scale. The international organisations have been too weak to
fulfill the required functions. International organisations are
needed to provide a internationally the public goods of stability
and equity that civilised national governments provide as a
matter of course for their citizens. The implementation of such
reforms would be a contributions to the foundation of a stable,
equitable and prosperous economic world order. There are
imperfections in access to market information. The ability to
buy cheap and sell dear depends upon full market information.
The large transnational firms possess this but firms in poor
developing countries do not. The disadvantage is cumulative;
ignorance about how to acquire information about production
processes reinforces the absence of information about these
products or processes themselves. There are imperfections in
access to knowledge and technology. Several measures have been
proposed to correct this bias. They involve reforms of the patent
law, in the market for technology and in the thrust of Research
and Development expenditure. There is a bias in the developing
countries' access to capital markets. There may be no shortage of
finance in Eurocurrency markets, suppliers' credits or through
the World Bank, but there may be a bias in the markets for new
bonds and capital issues. Much needs to be done in order to
reduce imperfections and other obstacles in the way of access to
the world's capital markets.
Measures will be needed to reduce, and eventually eliminate, the economic dependence of developing countries on developed country enterprises in the production and trade of developing countries, thus allowing these countries to exercise full control over their natural resources. A second aim should be to promote the accelerated development of the economies of developing countries on the basis of the principle of self-reliance. Thirdly, appropriate institutional changes are required to introduce some measure of global management of resources in the long-term interests of mankind as a whole.

A simultaneous effort needs to be mounted by the developing countries themselves to build up their economies mainly on the basis of their own resources. Such a policy of self-reliance implies the full utilization of the domestic resources of the developing countries and close economic cooperation among them to achieve agreed objectives. What is now required is the elaboration by the developing countries of a comprehensive strategy for strengthening their mutual cooperation in all aspects of their economic relations. Such a comprehensive strategy would include *inter alia* measures designed specifically to promote the flows of trade and finance among developing countries, to encourage joint ventures to build up an independent and viable scientific and technological base, and to take the first steps towards harmonizing their respective economic development programmes.

A self-reliant approach to economic development could also lay the basis for a new orientation in development strategy, one that laid central emphasis on meeting the basic needs of the
majority of the population of the Third World. This would imply an unprecedented expansion in the production of foodstuffs and of simple manufactured goods, using technology appropriate to the resource endowments of the developing countries themselves. Since the pattern of basic needs in developing countries is quite different from the pattern of import demand by developed countries. The adoption of a basic needs strategy of development would mean the emergence of a new pattern of industrialization in developing countries. A self-reliant development policy could give a much-needed impetus to the economies of Third World countries, and, in this sense, it could constitute the most dynamic element in the global strategy for development implied in the concept of a new international economic order. Finally, the introduction of the concept of global management of resources implies that the regulation of world market forces in the interests of the development process should become an essential element of a new international economic order.

In addition, more extensive economic co-operation among developing countries and between developing countries and socialist countries could be a means of introducing new elements of stability into international trade, insofar as such co-operation involved long-term agreements covering production and trade of specific products. In a wider economic context, the application of the global management approach would also imply a thoroughgoing reform of the international monetary system to make it more supportive of the development of the Third World, as well as more productive to an orderly adjustment process in the world economy.
First, in recognition of the widespread impact of maladjustments in the world economy on the external debts of developing countries, there is need to adopt a broad approach by considering the debt problems of individual countries in the framework of a set of agreed principles of debt relief in relation to their development requirements. These principles should, however, be flexible enough to distinguish between countries with distinct types of debt problems. In particular, special consideration needs to be given to the possibility of waiving interest payments on official development assistance loans to the least developed and the "most seriously affected" countries.

Secondly, new or revised institutional arrangements are needed to improve the access of developing countries to capital markets and to increase substantially the flow of official development assistance in the form of grants and low-interest loans, particularly to the more disadvantaged developing countries.

Measures to regulate the operations of transnational corporations and other enterprises of developed countries need to be envisaged as part of a wider strategy of industrialization oriented to meet the elementary needs of the majority of the population of developing countries, and based on an increasingly independent technological capability.

A more self-reliant industrialization policy, and an increased emphasis on meeting basic human needs, will result in significant shifts in the pattern of industrial production and in an increased use of indigenous technologies. Moreover, both new
opportunities and new requirements for greatly expanded trade among the developing countries themselves would be created by such an industrialization policy. A broadening of the range of goods produced and of the opportunities for specialization would increase the scope for the operation of genuine comparative advantage in the mutual trade of developing countries. A greatly expanded and more diversified industrial structure would also improve the ability of developing countries to export industrial products to the markets of developed countries.

However, an expansion of the trade of developing countries of the magnitude required is unlikely to come about of its own accord. A comprehensive strategy to achieve this objective needs to be elaborated and implemented as an essential supporting element of efforts to reach the industrial growth target set out in the Lima Declaration. An agreed strategy for the control of restrictive business practices as a common effort by both developed and developing countries has to be developed. The strategy could include the elaboration of a code of conduct, arrangements for the collection and exchange of information, and the establishment of consultation procedures whereby the adverse effects on their economies of restrictive business practices engaged in by a firm or firms of a developed country can be discussed by the host country with the developed country concerned with a view to taking agreed remedial action.

Closer economic link between developing countries and the socialist countries of Eastern Europe would require co-operation at the enterprise level also, including the establishment of joint projects in developing countries, covering
the provision of technology, managerial and marketing expertise, research and finance from the socialist countries, combined with guarantees for the purchase of some agreed portion of the future output of the projects. In addition, triangular agreements could be elaborated, where appropriate, involving the supply of technology and know-how by enterprises of developed market economy countries, to supplement resources of developing and socialist countries in specific projects.

The socialist countries of Eastern Europe could also consider additional measures to assist the restructuring of the institutional framework of international economic relations, as well as to provide special assistance to the countries most seriously affected by the current economic crisis. Such measures might include, for example, financial support for the common fund envisaged as part of the integrated programme for commodities and technical support for, and co-operation with, regional transfer of technology centers when these are established. Additional credits on concessional terms to the most seriously affected countries might also be considered.

A new trade strategy for developing countries should thus be conceived as a multidimensional package of measures, encompassing measures by both developed and developing countries to remove existing constraints on trade, to improve the ability of developing countries to produce manufactured goods for export, and to open up new channels of trade. A further essential element in a viable strategy would be action by the international community, and by developing countries themselves, to create an adequate technological capability in these countries to support
the vast expansion in industrial output that will be required.

VIII.2 BRIDGING THE TECHNOLOGICAL GAP BETWEEN RICH AND POOR NATIONS

Technological modernisation is an important precondition for the improvement and evaluation of national economics which should be able to supply the population with food, homes, employment, education possibilities, health care, and field of cultural activity.

Development of technology, in the sense, would mean not only acquisition but absorption, (mastery), adaptation and innovation of new ideas of science. Thus, Technological Self-reliance (TSR) mean developing indigenous capacity for these processes, i.e. acquisition, absorption, adaptation and innovation. In a developing country, production of capital goods embodying technology is also at a low level. They have to import a large part of the capital goods required for development mostly from the developed countries and pay a large amount of their scarce foreign exchange resources for know-how and/or royalties on technology. Such a situation means a vicious circle of underdevelopment. The developing countries can not import capital goods and technology due to scarce foreign exchange; they, therefore, can not develop indigenous capability and potential for faster growth which enable growth of foreign exchange earnings. TSR is sought for to over-come this vicious circle.

Thus, the concept of TSR may mean counter-dependence in the area of science and technology (S & T). TSR, indeed, means a
more complicated set of elements, compared to economic self-reliance, including reduced dependency on the rest of the world for capital formation, and knowhow and design as also increased capability of the country for learning, adaptation, innovation and production of technology goods. Thus, TSR means increasing share of domestic production in requirements of capital goods as also development of indigenous S & T capability reflected in growing stock of S&T manpower and R&D support system. "To the extent that technology is essentially a dynamic concept, dependency does not seem to be the appropriate framework to analyse technological dependencies". 3

Successful establishment of an integrated national technical basis in the developing countries requires that governments' technology policy should play a key role. Governments' main goals should be the following for bridging the technological gap between developed and developing countries:

(a) Creation of domestic complexes focusing on national basic industry, mechanical engineering, consumer goods and export industry;

(b) development of domestic agriculture to form the resource foundation for the accumulation of means and manpower for domestic industry;

(c) to make maximum efforts to use the domestic natural and human resources;

(d) to develop self-reliance in the mechanical engineering industry and equipment production;

(e) to establish and maintain a close relationship between social innovation and technical innovations;

(f) to lay a solid national scientific-technical foundation
capable both of serving national needs and of holding trained manpower, i.e., stopping the brain drain;

(g) to facilitate selective transfer of technology from the developed countries in a way that will help to improve the national capability to use international know-how without sacrifices of national independence;

(h) to secure a high level of technological unification and standardisation.

Developing country planners must seek a combination of different technological levels which will lead to well-proportioned development of the technical basis. This combination could have the following features;

(a) use of surplus manpower for the production of labour-intensive means of production;

(b) concentration on the import of advanced technology on key operations of the core processes. The other processes should be based on labour-intensive technologies;

(c) Increasing that the balance of advantages from collaboration in R&D, between industrialized-country institutions and Third World countries, accrues to the less developed countries;

(d) International efforts to promote the transfer of modern technology to developing countries, as part of a global development strategy, have concentrated almost entirely on the need for restructuring the existing legal and juridical system governing such technology transfer, so that this system may better serve the interests of developing countries;
(e) The restructuring of the legal and juridical environment would help to create the permissive conditions for strengthening the technological capabilities of developing countries, thereby reducing their technological dependence. Such action, to be fully effective, must be supplemented by positive steps, at the national, regional and international levels, to strengthen the technological base of developing countries.

The rapid industrialization of the Third World, on the scale envisaged by the Lima target, will not be feasible without a vastly expanded and strengthened technological capability in the developing countries themselves.

VIII.3 ACTION PROGRAMME FOR CO-OPERATION

The Third World's reaction to the many fold rise in oil prices and the accentuation of the resource and foreign exchange difficulties of many of the poorer nations among the Third World, was to baffle the rich nations that sought to mobilize the poor against the OPEC. The developing countries refused to condemn, and indeed seemed to take great delight in, the oil price increases. This reaction can only be understood in light of the shifts in their views about the rich nations. Many of them suffered from the fallout of the oil price increases, many developing countries therefore felt a sense of solidarity, with the OPEC countries and the exhilarating sense that they could finally take their economic destiny in their own hands. Thus, the stage was to be set psychologically and politically for the present phase of 'trade unionist' militancy. The nascent sense
that collective action, as crystallized in the developing countries' Group of 77 and the activities at UNCTAD, could yield some results (such as the schemes for preferential entry), was now to be transformed into an act of faith: solidarity in international bargaining, alternatively termed 'collective self-reliance', on a variety of fronts would yield much more than had ever been thought possible.

The OPEC success crystallized the concepts of strength through collective action and 'solidarity rather than charity'. The developing countries also seemed to infer from the OPEC experience that their commodity exports, which had traditionally been viewed as a sign of weakness, could be turned instead into weapons of collective action. Thus, the notion of 'commodity power' emerged and has shaped not merely the politics but also the economics of the demands for the NIEO. The failure of the existing international economic order to solve the problems of poverty and economic backwardness of the Third World has imparted a sense of urgency to the need for developing countries to reduce their dependence on the basis of their co-operation.

The new awareness on the part of developing countries of the need to strengthen their mutual economic relations, together with the new financial strength of the oil exporting countries, provides a unique opportunity for building a global system of economic co-operation among Third World countries on the valuable experience so far gained on a regional and sub-regional basis. Thus, closer economic co-operation among developing countries on a global basis would improve their bargaining power in their economic relations with developed
countries and, more especially, with transnational corporations; it would also provide, to a much greater extent than hitherto, the means for accelerating their economic and social development through their own efforts.

The first category, of facilitating measures, would include new preferences on imports from other developing countries, covering both tariff and non-tariff barriers, and primary and processed commodities as well as manufactured goods and, to the extent possible, services such as banking, shipping and insurance. The purpose of such preferences would not be to reduce the existing degree of protection afforded to domestic production but rather to provide some incentive for importers in a developing country to buy from other developing countries rather than from their traditional suppliers in developed countries.

Such a global preference system could be built up from existing sub-regional preferential arrangements by adding regional preferences and, at a suitable date, preferences for developing countries in other regions. Special preferential concessions could be provided for the exports of the least developed countries in all regions. A number of aspects would require in-depth study including, in particular, the mechanisms to be employed to provide preferences in the operation of non-tariff barriers and to provide an equitable balance in the net advantages gained by participating countries.

As indicated earlier, preferential trade and supporting payments arrangements are essentially facilitative measures,
providing an institutional framework more conducive than that now existing to the expansion of trade among developing countries. An effective strategy for economic cooperation cannot, however, be confined to facilitating measures which by themselves, may simply create opportunities for transnational corporations to rationalize their activities in developing countries.

An effective development strategy based on the collective self-reliance of Third World countries will require a series of mutually supporting measures of an active, rather than merely a facilitating, character. Such active measures need to be elaborated over the whole field of economic relations among developing countries. Special efforts should be devoted to the elaboration of joint production projects by two or more developing countries, since multinational co-operation of this kind could become a central instrument for expanding the productive capacity, technological capability and mutual trade of developing countries. It could also serve as a channel for mobilizing a part of the financial resources of oil exporting countries in which is not subject to control by transnational corporations and which does not require financial mediation by developed countries.

New institutional mechanisms will also be needed if the flow of long-term investment capital from oil exporting countries to other developing countries is to be very substantially increased. Such mechanisms should be designed to provide the investing countries with adequate security and reasonable rates of return, while providing the borrowing countries with capital on terms which they can afford. Feasibility studies of
alternative mechanisms, such as investment guarantee schemes and interest subsidy arrangements, would appear to be urgently required.

A range of supporting measures will be essential if the industrialization objectives of the Third World are to be achieved. In particular, joint action by developing countries should be envisaged to strengthen their scientific and technological capability, including cooperation in research facilities and the development of indigenous technologies. Cooperation to improve the economic and financial infrastructure affecting their mutual trade and payments flows; cooperation in the marketing of their exports in developed countries and in the purchase of their imports from those countries; and co-operation in improving their access to information on market condition and on technology availability in order to strengthen their negotiating position vis-a-vis the transnational corporation.

The immediate need would seem to be for governments of developing countries to take a decision in principle to set in motion the preparatory studies, so that the principle elements of an effective global system of economic co-operation among Third World countries can be established with the minimum of delay.

VIII.4 PROSPECTS OF NIEO

Thus, on the whole, the prospects for establishing a new international economic order do not appear to be particularly promising. In any case, it seems unlikely that a new world economic order will be brought about as a matter of conscious, well-planned and systematic global policy, with the willing and
active participation of all the nations of the world, particularly the developed nations. Some of the smaller developed countries, particularly the Nordic countries and the Netherlands, have fully subscribed to the objective, and have clearly demonstrated by their recent actions that they are prepared to join the developing countries in their efforts for attaining it. However, even in these countries, there is a difference of opinion on what actually constitutes a new world economic order. On the other hand, the major developed countries have refused to subscribe to the goal and appear to be determined to preserve the present world economic order at all costs; and make only occasional concessions; introduce marginal reforms mainly in order to placate the demands of the developing countries when they become too strident; and keep their economies floating mainly for their own exploitative purposes. The only prospects for changing the existing world economic order appear to be in the success of the collective self-reliance efforts of the developing countries. But here also it would be unrealistic to minimize the difficulties that lie ahead. In the recent past, there have been some examples of countries in the periphery storming their way into the center largely by their own efforts. As the Lima Programme for Solidarity and Mutual Assistance states, the struggle to establish a new international economic order is at best "arduous, complex and long, a struggle for a new liberation."

Wilkie's study of Mexico suggests that the incidence of absolute poverty diminished markedly over 1910-60 even though progress here lagged well behind economic growth. Studies of a cross section of developing countries do not support the view
that increasing per capita, GNP typically results in a reduction in real income for the poor\textsuperscript{6}, though this may have occurred in some cases in South and South East Asia in recent periods\textsuperscript{7}.

In any event, there is little evidence to suggest that withholding concessions and slowing down the rate of growth will improve the living standards of the poorest groups. Countries with moderate and high growth rates show quite different tendencies as far as income inequality is concerned\textsuperscript{8}. It is not clear that slowing down the rate of growth will increase the prospects for radical change. There is a strong case for the view that rapid growth, increased literacy rates and associated changes promote instability\textsuperscript{9}. Further, concessions under the New International Economic Order might directly assist in raising the incomes of the poorest groups in some cases.

The analysis has suggested that LDCs have made only limited progress with some aspects of their demands since 1974, while making negligible advances or even suffering reversals elsewhere. Given the limited capabilities of less developed countries at present, there is little prospect of rapid progress within the next few years.\textsuperscript{10}

It is sure that the power of the Third World is likely to increase substantially in the long term, thereby enabling those countries to realise their demand for a New International Economic Order. Mahbul Ul Haq suggests that this will occur through the proliferation of nuclear weapons to the Third World, its growing share of world population, and increased dependence by the rich on poorer states for markets and raw materials\textsuperscript{10}. 

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Some of the trends described such as the increasing share of world population and nuclear proliferation may not yield much by way of economic concessions for less developed countries. The significance of LDCs as markets for rich countries is likely to increase only slowly. Most of the trade of industrialised market economies occurred with other industrialised countries, but the share of LDCs in world manufacturing output appears likely to rise only slightly. According to a recent report by the UNCTAD Secretariat:

"A continuation of the growth rates observed between 1955 and 1974—about 5 percent in the developed market economy countries and about 7 percent in the developing countries—until the year 2000 would raise the share of developing countries in the combined manufacturing output of developing and developed market economy countries from about 11 percent in 1974 to merely about 15 percent in the year 2000. This falls far short of the Lima target, which calls for a share of developing countries in world manufacturing output of at least 25 percent by the year 2000. There are other possible trends which may weaken the capacity of LDCs to bring about reforms in the international economic order. Uneven progress in the Third World may further divide it. New technologies, whether in ocean mining, production of synthetics or military affairs, may operate to the advantage of the rich. It is likely that poor nations will increasingly depend on developed countries for food supplies, and this may detract from their bargaining power."

The present state of world polity and balance of power, this outcome is not surprising the establishment of NIEO calls
for a reassessment of the traditional hegemonic roles of major developed capitalist countries. It is well known that countries, like individuals, do not find it easy to give up voluntarily a part of the power and influence they may enjoy at any given moment of time for the long run interest of humanity as a whole. It is, therefore, understandable that both at the intellectual and political level, the developed capitalist countries have used all sorts of devices to descredit NIEO proposals. Thus powerful intellectual resources were mobilised to show that the NIEO proposals were exceedingly clumsy, ineffective and inefficient means of securing their objectives. A good deal of effort was spent to prove that there was nothing wrong with the international economic system and that if some developing countries had not made progress, it was due to their own mismanagement and in particular due to pursuit of excessively inward looking, illiberal and autarkic economic strategies. Thus the results suggest that inequalities of wealth and income among nation will remain a prominent issue in world politics well into the twenty-first century.

Even though the intellectual respectability of many of the NIEO proposals is now assured, the path of reform is not likely to be smooth or rapid. This is basically due to the weak bargaining power of the developing countries, it is only the OPEC group which has acquired greater bargaining power vis-a-vis the industrial countries. And despite the growing emphasis on the solidarity of the Third World, OPEC countries have not been willing to use their new found bargaining power to force the developed countries to make meaningful concessions on issues relating to the establishment of NIEO. Perhaps, this is because
OPEC itself is not as united as one may imagine. The Iran-Iraq conflict is an indication of the limits of OPEC action. So long as such leading OPEC members as Saudi Arabia continue to be linked closely with the advanced capitalist countries, the OPEC bargaining power cannot be relied upon for the establishment of NIEO.

The emergence of Socialist countries as a significant factor in the world economy has helped to reduce somewhat the hegemony enjoyed by the advanced capitalist countries in the international trading system as also in the markets for flow of technology and credit. Opportunities for trading with these countries as also opportunities for import of technology and capital have enabled developing countries to improve their bargaining power in dealing with the advanced capitalist country. However, the economic relations between developing countries and Socialist countries have not grown to a point as to erode very seriously the position of eminence enjoyed by advanced capitalist countries in trade, capital flow and transfer of technology. At the international level, Socialist countries of Eastern Europe have been frankly unenthusiastic about any international programme which requires them to make proportionate sacrifices together with other developed countries for the establishment of NIEO. Thus these countries have consistently rejected any notion of international responsibility on their part to contribute a specified proportion of their national income as development assistance. Their argument has been that, not having had any colonies, they owe no obligation to make such contributions which they regard as being in the nature of reparations. Their unwillingness to contribute their share of external assistance as
part of an internationally agreed arrangement has in turn provided a convenient handle for hard-liners among Western power to disown their own obligations. Thus unlike the movement for decolonisation which received powerful support from the Socialist countries, their unenthusiastic response to the demands for NIEO has considerably weakened the impact of any pressures that developing countries may be capable of bringing on the advanced capitalist countries. Perhaps, the unenthusiastic response of Socialist countries is also rooted in their suspicion that NIEO proposal, if implemented, would strengthen the hold of Western capitalist on the developing countries.

All this, however, does not mean that the situation is entirely hopeless and that the struggle for NIEO is futile. Notwithstanding unfavorable prospects in the near future there are reasons to believe that sooner or later developed countries, will have no option but to negotiate the new rules of the game.

The events of last few years have created in the developed countries a growing concern about the security of supplies of sensitive materials. This is due to the emergence of inflation as a major problems in the developed countries, a growing realisation that many natural resources are finite in supply and the actions taken by OPEC and a few other producers' groups to restrict exports. The concern with the security of supplies will increase as more and more developing countries take control of their material resources. There is thus a danger that in the absence of effective international dialogue and understanding, the pace of expansion of investment and production of these raw materials may produce a highly uncertain balance of demand and
supply. In such an environment viable commodity arrangements may be well constitute an effective instrument for an orderly adjustment of demand and supply and for ensuring a minimum security of supplies.

In addition the sustained pressure for a more interventionist commodity policy is likely to hasten a further liberalisationist of the compensatory financial facility of the IMF and other similar mechanisms such as under the Lome Convention. In the sixties, a powerful group of neo-classical economists tried very hard to show that export instability did not constitute a serious barrier to sustained development however, unlike commodity agreement, neo-classical economics has never been able to provide any respectable arguments against compensatory financing arrangement designed to finance reversible export shortfalls. This is probably one explanation of the progressive liberalisation of the IMF's compensatory financing facility since its inception in 1963.

As regards the trade in manufactured goods the immediate prospects are certainly not very favourable. On account of persistence of high rates of unemployment, the protectionist sentiment has no doubt, gained in strength in several developed countries. However, one should not overstate its strength. So for the protectionist sentiment has affected exports of only a few labour intensive products. As the developing countries' importance as a market for manufactured goods grows, they will acquire more effective countervailing power in their negotiations with developed countries which may in turn accelerate the removal of tariff and non tariff barriers
affecting their exports. Moreover the growing indebtedness of the developing countries is also likely to strengthen the pressures for liberalisation in the developed countries. After all, it is only through increased export earning that developing countries can hope to service their external debts.

The further evolution of the international monetary system is highly uncertain. Given the present distribution of economic power between the U.S.A., the E.E.C. Japan and OPEC, it is unlikely that a well structured international monetary system, comparable in its design and sweep to the Bretton Woods System, can be evolved through negotiations. The world will, therefore have to live for quite some time to come with loosely defined guidelines rather than rigidly enforcible rules. Despite considerable support, the SDR is unlikely to emerge as the central reserve asset. The trend is more likely to favour a multiple reserve asset system than a SDR central monetary system. As a result the proposal to establish a link between SDR and development assistance faces an uncertain future. At the same time given sustained pressure from the developing world, the IMF can be persuaded to play a larger supportive role in development efforts. The IMF can be expected to provide the developing countries both larger amounts of resources and over longer periods than in the past. The emergence of OPEC as a persistent surplus group will help to reduce the hegemony hither to enjoy by the developed countries in the decision making processes of the IMF.

One can discern similar hopeful signs in the evolution of the international mechanisms for transfer of long term
already the rapid growth of Euro-currency markets in recent years has enhanced the margin of manoeurability enjoyed by some middle income developing countries in dealing with their traditional donors. Moreover the fact that developed countries have lost their once dominant position as suppliers of fund to the international financial institutions is likely to assist the process of democratisation of these institution which developing countries have been insisting upon for a long time.

However it would be wrong to assume that the process of restructuring of international economic relations is going to be a smooth or easy affair. One should not expect developed countries to give up easily their present privileged position in the management of the international economic system. The Third World will have to make sustained united efforts to secure meaningful reforms. In this context, the proposal to set up a Third World Secretariat so as to evolve a well coordinated common strategy for the Third World in international negotiations deserves active support.
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7. Recent research carried out under the auspices of the International Labour Organisation suggests that the real income of the poorest groups has declined in some countries in South and South East Asia. See Azizur Rahman Khan et. al., Poverty and Landlesness in Rural (Geneva: International Labour Organisation, 1977.)


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