

WORKING PAPER FOR THE UNIS/UN
STUDENT CONFERENCE
ON A
NEW INTERNATIONAL ECONOMIC ORDER



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PREFACE

The Student committee organizing the UNIS/UN Student Conference on the New International Economic Order has been studying the topic of the conference since last September. We have read widely and met many experts at the United Nations who were most generous with their time and interested in what we were doing. We began to understand the topic more thoroughly until we got to a point where we felt reasonably confident that we knew what we were talking about.

We put together this working paper to give the rest of the students who will be participating in the conference some background knowledge. To help you understand the terms used to describe a new economic order we have collected some of them and tried to explain them as clearly as possible. It was rather difficult to do this as well as we had wished. We never seemed to have enough time, and the temptation to slip into UN-officialese and gobbledegook was greater than we realized. However, we invite you to join the club, the 'in group' that uses phrases and initials as shortcuts to whole paragraphs of background knowledge. We are not sure whether all members of that 'in group' know what they are talking about all the time, but we hope we will by the end of the conference!

This pamphlet is only a 'working paper.' We hope, with everyone's help, to improve it and add to it after the conference. We appreciate any suggestions and welcome any additional editorial help.

Many people have helped to produce this pamphlet. We want to thank especially Mrs. Hannah Wassermann for her kind guidance in copy editing, Mr. Boothroyd for his patience in a last minute emergency, Mr. B. Menon of CESI for saving us from some awful errors, Mr. R. Kenney of OPI for steering us through the printing maze, and Mr. G. Akatani of OPI for making it all happen. Most of all we want to thank Elizabeth Kahn and Maria Utevsy for typing up our scruffy pieces of paper and putting them into the form of this pamphlet.

INTRODUCTION

If the world were a global village of 100 people, 70 of them would be unable to read, and only one would have a college education. Over 50 would be suffering from malnutrition, and over 80 would live in what we call substandard housing.

If the world were a global village of 100 residents, 6 of them would be Americans. These 6 would have half the village's entire income; and the other 94 would exist on the other half.

How would the wealthy 6 live 'in peace' with their neighbors? Surely they would be driven to arm themselves against the other 94 ... perhaps even to spend, as we do, more per person on military defense than the total per person income of the others.

- Fellowship magazine (of the Fellowship of Reconciliation),
February 1974

What is the New International Economic Order? Why is the school devoting two days to a conference on this topic? A new international economic order was urged by the developing countries at the Sixth Special Session of the United Nations in May 1974, and was agreed to by a consensus of all countries. After twenty years of development aid and an intensive 'development decade' of the 1960s, statistics showed that the poor countries were getting poorer and the rich richer.

Why was this the case? Was it inevitable - a vindication of the belief that 'the poor will always be with us,' or a temporary halt in the 'trickle down' of the wealth generated at the top? Or was the system of production and trade, the 'economic order,' to blame?

As long as the system worked, at least for the rich, alarm bells were muted. But now it is no longer working for anyone. World population will nearly double by the end of the century, and the anger of the poor doomed to starvation will overwhelm the world in revolution. The world's resources are being depleted. Environmental degradation strains the fragile ecological balance of our globe. Arms production is escalating.

An average of \$250 billion per year is spent by the developed nations on arms. The World Bank estimated in 1975 that it would take \$125 billion invested over ten years to meet the basic needs of humankind for food, education, water, housing and transport.

- The New Internationalist, October 1975

If the old order is cracking, what should be the aims of a new one? Tarzie Vittachi, Director of Information for the United Nations Fund for Population Activities, listed in his article, 'A Necessary Utopia,' the following basic human needs that a new order should fulfill:

Life sustaining needs: Adequate food, water, air.

Life supporting needs: Suitable housing, a clean and pleasant environment, accessible health services, social order, cheap transportation, safety against violence, security for the old and disabled.

Life enhancing needs: Capacities, services, activities and practices such as worship, love, education, opportunities for developing natural talents, training of skills, cultural appreciation and expression, work that does not dehumanise, social and professional mobility, a sense of personal independence, and the means and freedom to seek individual and cultural identity, to choose, to express oneself, to participate, to associate peaceably with others.

It is obvious that the present systems and governments do not fulfill these life enhancing needs for most of us. They also do not fulfill the life sustaining and supporting needs for the majority of humankind. The first problem is poverty and the eradication of poverty means 'development.' Development means the digging of a well in one village, the building of a health clinic in another, or a factory to process raw materials and a school to train new workers. All these projects together bring new wealth to a country and a better quality of life to its people. However, the present world market system is based on profit and gain, not on the need for development.

The developing countries have centered their proposals for a new world order on a restructuring of economic relations between nations. Specific mechanisms have been suggested and are explained later in this pamphlet. Each year since the original proposals were made in 1974 has brought a deeper realization of the complexity of the problems of development and of the many factors beyond economic considerations that contribute to it. No sharing of wealth can be successful without profound political, social and psychological changes in society. No planning for the improvement of the quality of life for all humankind can ignore the strain on the outer limits of our fragile earth.

The process of understanding these problems, planning action and putting programs into effect has just begun. As students close to the United Nations we have a special opportunity to see these problems through the perspective of a world organization deeply involved in programs of development. We also have an obligation to learn and understand. As students from rich countries, or as rich elites from poor countries, we have the opportunity to use our advantages to join in the 'patient work' of creating a 'necessary utopia.'

We call on leaders of public opinion, on educators, on all interested bodies to contribute to an increased public awareness of both the origins and the severity of the critical situation facing mankind today. All people have the right to understand

fully the nature of the system of which he is a part, as a producer, as a consumer, as one among the billions populating the earth. He has a right to know who benefits from the fruits of his work, who benefits from what he buys and sells, and the degree to which he enhances or degrades his planetary inheritance.

We have faith in the future of mankind on this planet. We believe that ways of life and social systems can be evolved that are more just, less arrogant in their material demands, more respectful on the whole planetary environment. The road forward does not lie through the despair of doom-watching nor ... easy optimism ... It lies through a careful ... assessment of the 'outer limits,' through co-operative search for ways to achieve the 'inner limits' of fundamental human rights, and through all the patient work of devising techniques and styles of development which enhance and preserve our planetary inheritance.

- The Cocoyoc Declaration adopted by the participants in the UNEP/UNCTAD Symposium on 'Patterns of Resource Use, Environment and Development Strategies' held at Cocoyoc, Mexico, from 8 to 12 October 1974

HISTORY AND BACKGROUND OF THE NEW INTERNATIONAL ECONOMIC ORDER

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

- The Cocoyoc Declaration

The present world economic order originated with the expansion of Europe in the sixteenth and seventeenth centuries. Settlements in Asia, Africa and the New World became colonies in an economic relationship profitable to the mother countries. The system served the colonizing countries well for some two hundred years. It resulted in a massive transfer of resources to the colonial centers that helped in their industrialization in the nineteenth and early twentieth centuries. But colonialism could not withstand the shock of two world wars. By 1945 the European powers were so weakened that they had little choice but to grant independence to their colonies. The process of gaining independence was difficult, but by the mid-1960s most ex-colonial countries were free.

The liberated colonies found themselves with no income as they possessed almost none of the capital and technology required to exploit their natural resources. They did not have the mining techniques to extract their own minerals and metals, and if the raw material was unearthed they did not own the capital or industrial facilities to make possible the production of finished goods. Many countries had been left with one crop economies which could hardly support the nutritional demands of an entire population as well as supply a trade surplus from exports.

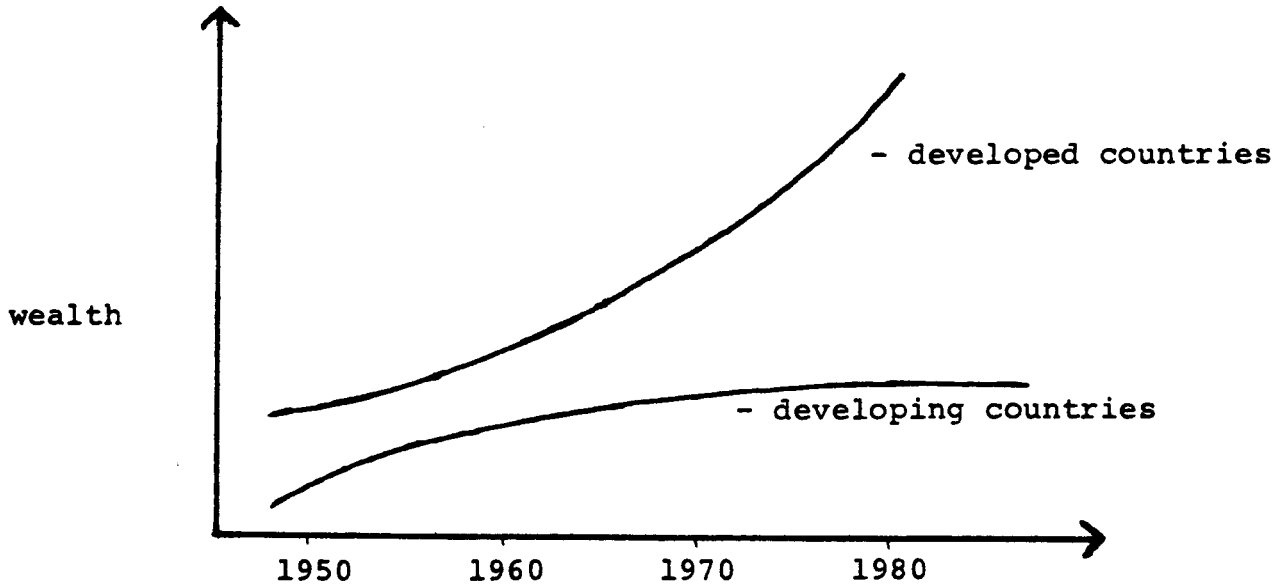
The ex-colonial countries had no choice but to sign over their raw materials to industrialized countries, inviting contracts from transnational corporations who provided the capital for development. The old colonial countries offered government aid, often with political strings attached. This relationship which evolved from the old colonial structure is called 'neo-colonialism.' It is the continuation of economic captivity without direct political control.

They (the ex-colonial countries) discovered that political liberation does not necessarily bring economic liberation and that the two are inseparable; that without political independence it is impossible to achieve economic independence; and without economic power, a nation's political independence is incomplete and insecure.

RIO - Reshaping the International Order. Jan Tinbergen,
coordinator, p. 15

The first Development Decade, declared in 1961 by the United Nations, was seen as the beginning of an attempt to raise the economic power of developing countries to a level from which they could share with equity

the physical and social wellbeing of the developed world. However, at the beginning of the second Development Decade, in the 1970s, it was seen that the gap between the rich and the poor countries had increased and was increasing at an ever accelerating rate. The pattern of world economic growth over the last twenty-five years is illustrated by the following graph:

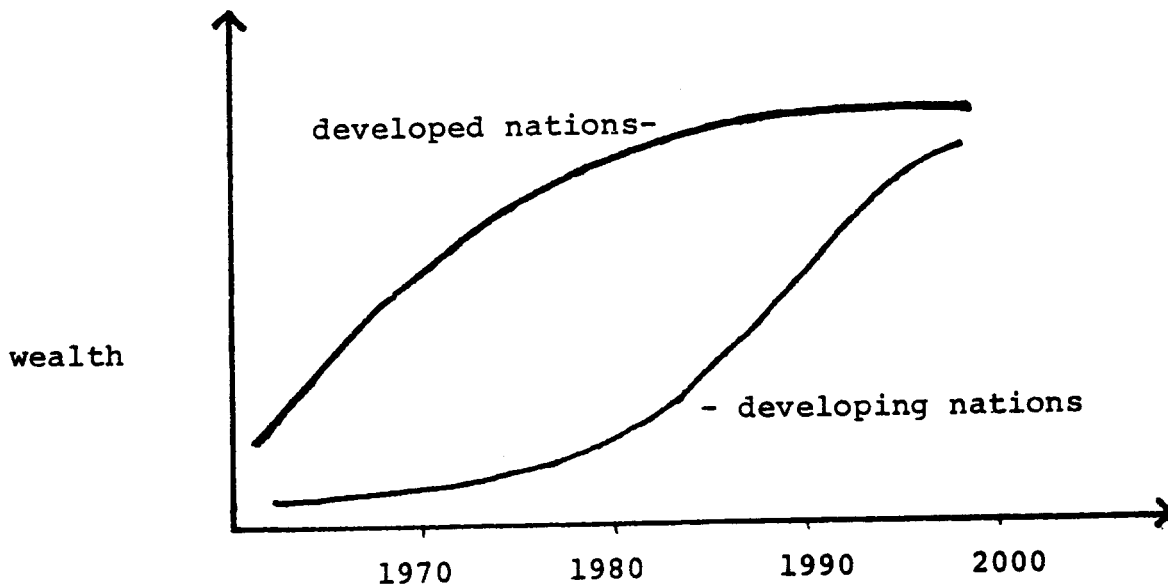


Eighty percent of the increase in the world's wealth during the first Development Decade (1961-1971) went to the rich nations, with average incomes above \$1000 a year, while six percent went to very poor nations with average incomes of less than \$200 a year.

- The New Internationalist. October 1975

By the early seventies it had become evident that a new international economic order was necessary, that the existing inequalities could not continue much longer without provoking widespread revolt. There had to be a transition from the increasing inequities of the market economy to a system of cooperation and common action.

The proponents of a New International Economic Order hope, in as yet rather general terms, to reshape the patterns of growth so that they look something like this:



The wealth of the rich countries cannot suddenly be shared among the poor without creating chaos and bringing the whole system of world trade to a halt. But the rate of growth can be changed to become slower in the developed world and faster in the developing countries.

The consciousness of underdevelopment and poverty as an increasingly urgent problem affecting the whole world deepened with the food and oil crises of 1973-4. There were two ways of approaching the problem of diminishing resources. The pessimistic Limits to Growth, the first report to the Club of Rome, generated a life-boat mentality which told us that only a few could survive to enjoy the benefits of a decent standard of living. The neo-Malthusians joined the doomsayers, warning that the world would drown in its bursting population. But a more humane approach sees the problem not as one of how much there is to go around, but how fairly it is shared. Overconsumption in the developed world is balanced by underconsumption in the developing world.

The first call for a New International Economic Order came in the Sixth Special Session of the United Nations in May 1974. Many changes in the mechanisms of the transfer of wealth through trade, development and aid were proposed. The Charter of Economic Rights and Duties of States that came out of the regular session of the General Assembly in December 1974 was a clear call for economic, political and social justice in all aspects of life.

In the meantime, several world conferences were being called by the United Nations: on the Environment in Stockholm in 1972; Population in Bucharest in 1974; Food in Rome in 1974; Industrialization in Lima

in 1975 and Women in Mexico in 1975. In September 1975 a Seventh Special Session on the NIEO was convened at the United Nations. The seriousness of this session was recognized by many organizations. The Dag Hammarskjold Foundation held a seminar of experts in Stockholm out of which came their publication 'What Now?' A symposium was held at The Hague. There was a special conference held at the United Nations for Nongovernmental Organizations (NGOs) to win widespread public understanding and support for the issues before the Seventh Session. But by this time the developed countries had expressed several reservations on some of the recommendations of the Sixth Session, and the tone of the Seventh Session was considerably more cautious. There was bitter disappointment. Jan Pronk, Minister of Development Cooperation, Government of the Netherlands, speaking at the symposium at The Hague, expressed the fears of many:

'The demands of the developing countries are reasonable and are presented in a reasonable way. The refusal of the rich countries has often been unreasonable and defensive.'

More conferences have followed the Seventh Session: the Group of 77 in Manila, UNCTAD IV in Nairobi, Habitat in Vancouver, the Non-aligned nations in Colombo, Employment in Geneva.

The perception of the problems are continually being refined. The latest conference of UNESCO in Nairobi included communications and the mass media as an aspect of development. What you are capable of doing depends a great deal on what you know, and that depends on who controls the sources of information.

In May of this year the Law of the Sea Conference will meet at the United Nations. The trillions of dollars worth of metal nodules at the bottom of the ocean could finance much of the necessary development in the poorer countries. Who will control that source of wealth?

The process of planning and making resolutions continues, not altogether successfully. The resolution adopted by the General Assembly during the last session

'Affirms that its resolution on the establishment of a new international economic order reflects a commitment on the part of all countries to ensure equitable economic relations between developed and developing countries and a deliberate, sustained and planned effort to contribute to the development of the developing countries;

Expresses deep concern, despite some progress in certain areas, at the slow pace of progress in the implementation of the measures specified in the resolutions and decisions of the General Assembly in its sixth and seventh special sessions and at the limited nature of agreements reached at the fourth session of the United Nations Conference on Trade and Development,

Urges the international community, particularly the developed countries, to display the necessary political will in the ongoing negotiations in different United Nations forums and elsewhere so as to reach the concrete and urgent solutions necessary to promote the establishment of a new international economic order.'

The work must continue. Our conference is a small contribution to that process.

INTERNATIONAL TRADE AND RAW MATERIALS

International trade is an important instrument of development as it provides a transfer of wealth and technology and therefore promotes social change. However, at the present time international trade is not working to the advantage of the developing nations. The industries of the developed nations depend on the raw materials produced by the developing nations and the developing nations in turn need the manufactured goods produced by the industries of the developed world. It would seem that this circular pattern of trade and interdependence would be advantageous to both, but it has not proven so as currently structured.

One problem is that the prices of manufactured goods have risen quite disproportionately to the prices paid for raw materials. The developing nations do not have the capital to exploit their own natural resources and have to invite foreign companies to do this for them. The governments of many developing nations have little control over their resources. The companies which contract to exploit the raw materials (usually transnationals), control the prices paid for them. The aim of the transnational corporations and the industries of the developed world is profit. They wish to pay the lowest prices possible to the country owning the raw materials so that more profit can be made from the manufactured product, the processing of which is also controlled by the corporation. It is impossible for the developing nations to build up any capital for development if they must pay high prices for manufactured goods and receive low prices for their raw materials. Wealth drains out of a nation that receives less for exports than it pays for imports. Inflation has made the problem even more serious. In 1960 six tractors could be bought for twenty-five tons of rubber. In 1975 the same twenty-five tons bought only two tractors.

Another problem is the fluctuation of commodity prices on the world market. The price of a commodity (a raw material or agricultural product) fluctuates with demand which is unpredictable and in turn depends on many uncertain factors. For example, the US demand for copper could drop if new domestic discoveries make it unnecessary to import copper. To assure the sale of its copper, a developing nation might have to drop the price on the world market. This would mean less money flowing into the nation and a lower GNP for that year. The instability of the world market is not beneficial to either the developed or developing countries. It is, however, more disadvantageous to the developing countries which are more dependent on trade.

In order to rectify this situation, the UN General Assembly and the United Nations Conference on Trade and Development (UNCTAD) have made the following suggestions which have met with varying responses.

1. Indexation. This is the linking of the prices of raw materials to the prices of manufactured goods so that as one goes down, so would the other, and vice-versa. This sounds fairly simple, but most developing nations have contracts with transnational corporations which have

already set the prices of raw materials. Furthermore, at present if the prices of raw materials rise, the prices of the manufactured goods produced by the developed countries would rise even further. The US is also one of the largest exporters of agricultural goods, and would gain disproportionately from any rise in commodity prices.

2. Formation of Producer Associations. These associations, often called cartels, are groups of countries that have joined together to set the price of the commodity that they all commonly export. OPEC (Organization of Petroleum Exporting Countries) is an example of a producer association. The move on the part of the oil producing countries to set a just and stable price for their raw material was not well received. The price of gasoline skyrocketed on national and international markets. Would copper, bauxite, coffee and sisal producers have the same luck?

3. Preferential Trade. Restrictions on trade are usually in the form of tariffs and customs duties. GATT (General Agreements on Tariffs and Trade) has tried to readjust some of these duties, but without sufficient consideration for the special needs of the developing countries. Processed raw materials cost more than unprocessed, and so could earn more for the developing country. But the developed countries hold most of the monopolies on processing and find them too lucrative to give up. They discourage a developing country from establishing its own processing by adding a tax to the sale of imported finished goods and making them so expensive that they are no longer competitive. Raw cocoa from Ghana is charged 4% duty in Germany. The same cocoa processed into chocolate bars has a 12% to 20% duty on it. The developing countries ask for a review of such duties.

4. Shipping and Services. Much of the wealth from world trade comes from shipping and the providing of other services needed to transfer goods from one place to another. These services add to the price of the finished product in which the country from which the raw material originated does not share. The poorer countries need aid in developing this infrastructure of services so they can share in the wealth it generates.

5. Cooperation and self-reliance. The developing countries, instead of trading primarily with developed countries, should make trade agreements among themselves. Raw materials, manufactured goods, and capital could be exchanged for the mutual benefit of the developing nations - a self-help operation where the rules of the game would be shaped by the needs of development and not the world market. The OPEC nations have already started this process by transferring some of their oil revenues to the most seriously affected of the developing countries (MSAs), those with little wealth in raw materials so that the sale of finished products must eventually compensate for the high price of importing oil. Meeting in Dakar in 1975, the Group of 77 developing countries declared:

In our negotiations with the developed countries we must abandon our old strategy of handing over a list of requests and trusting to a good will that was seldom forthcoming. The '77' must rely first and foremost on themselves for their development and for the establishment of a New International Economic Order.

INDUSTRIALIZATION AND TRANSFER OF TECHNOLOGY

Industrialization creates jobs and produces goods; people earn money and have something to buy with it. Industrialization is an essential process of development as it enables people to improve their standard of living.

At the moment there is an imbalance: most of the industrialization and jobs are in the developed world and the developing countries are left with the unskilled jobs, or no jobs at all. The significance of this problem is explored further in the section on 'Employment'. This section is concerned with how to bring more industry to the developing countries.

The Second General Conference of the U.N. Industrial Development Organization at Lima in 1975 proposed that the developing countries raise their share of production of industrial goods throughout the world from 7 percent to 25 percent. Only four of the developing countries produce more than half of that 7 percent and Africa produces only 0.6 percent of the world's industrial goods. The Seventh Special Session endorsed the recommendations of the Lima Conference, and these have become part of the NIEO.

The type of industrialization that is needed in the developing countries should satisfy basic human needs, process local raw materials, and use labor intensive technology to provide employment for as many people as possible. There is no need for developing countries to compete with the technologically sophisticated super industries of the developed world. By making some of their own consumer goods with methods that are labor intensive but nevertheless adequately sophisticated to produce well made goods, they can create jobs and cut down on their import bill. Also, by processing their own raw materials, developing countries can get better prices for them on the world market. (See section on International Trade and Raw Materials.) In order to achieve sufficient industrialization technology is necessary. The developed world has a monopoly on this technology and much is in private hands protected by patents. This creates a problem.

The governments of the industrialized countries are in no position to force their industries to part with their technological property, which, in many cases, has involved exceedingly high research and development costs.... As a result, Third World countries must generally purchase technological knowledge... private firms must charge a price for the knowledge which covers their costs and which allows them a reasonable profit required for investment in their own future research activities.

RIO
- Reshaping the International Order, Jan Tinbergen, Coordinator,
p. 152

Assistance to the developing world in the form of grants to buy this technology is an important part of any process of development.

Further assistance is necessary to encourage the developing countries to set up their own research institutes and to apply their advances in technology to their special needs. Acute problems require methods for dealing with lack of fertilizers, decimation of crops by pests, parasitic diseases, and the growing labor force that needs employment.

There is controversy over the amount and type of industrialization that developing countries need. Pollution, urban slums, and the destruction of traditional values are problems that should not continue to be transferred from the developed to the developing world. The 'small is beautiful' school of thought would recommend greater concentration on agriculture, small locally controlled industry, self-reliance and community cooperation, and less on large industry to save not only our planetary resources but also our sense of personal worth. Many developing countries consider this only another argument to prevent their sharing the world's wealth. A balance must be found between the needs of people and the protection of the environment.

EMPLOYMENT

Today hundreds of millions of people are unemployed or underemployed in the developing world. They and their families live in acute poverty. Employment is clearly the key to a better quality of life for them.

In the recent past it was thought that growth and development at the national level, with emphasis on cities and industrialization would indirectly reduce levels of unemployment and poverty. Instead, it resulted in massive migration to the cities from rural areas, the creation of urban slums and the accumulation of wealth by a local elite. Now, an approach aimed directly at fighting unemployment and poverty is being sought rather than relying on the old indirect 'trickle down' methods.

The International Labor Organization (ILO) has been working in this direction and has proposed a 'basic needs' approach to development. It calls for drastic changes and initiatives in the developing countries. 'Redistribution' of wealth and incomes is the key word here. If priority is placed on solving unemployment and poverty, the increased income from the poor would result in their spending more money for locally produced basic goods. That in turn will create more employment and an ever more equal distribution of income. A positive feedback loop is created which constantly improves upon itself in an upward spiral of development.

The means to improving employment opportunities in developing countries are linked to trade and industrialization. Some of these ideas have been mentioned in previous sections. The concern in this section is more with the creation of jobs than the transfer of wealth.

The term 'international division of labor' is used to describe a restructuring of the world economy. Most industries in developed countries are capital intensive (using relatively expensive and sophisticated technology). These methods are labor saving, not job-producing. Labor

intensive technology is needed to spur the industrialization of developing countries. However, it is unrealistic to see such an international division of labor as capital intensive for developed countries and labor intensive for developing countries. The job-producing technology must rest on a base of some capital intensive technology, and here the co-operation of the transnationals could be invaluable. In a carefully regulated partnership profitable to both, the corporation and the host country, the transnationals could supply capital and skills as a base for local industry, not in competition to it.

A division of labor which makes the developed and developing world interdependent and mutually supportive could work something like this. Developing countries would produce food, textiles, and shoes with labor intensive methods. The developed countries would import these products. Partial processing of their own raw materials and manufacturing of parts for imported heavy machinery would add to the industry, trade and job opportunities of the developing countries. In this way they would be aiding themselves, not asking for loans or grants, but sharing in and contributing to the process of world trade. In addition, the chasm between developed and developing countries would be at least partially bridged.

The acceptance of such job-creating strategies both nationally and internationally would of course have political and social consequences. Labor throughout history has had a difficult time in gaining its share of wealth and international labor is no different. Within developed countries, workers will lose jobs in those industries in which the emphasis will shift to developing countries. Government efforts and participation to restructure the national economy to compensate with jobs in the service sector and in conservation will require the support of an informed public and a responsive political system. The demand for greater equality will meet the resistance of a host of vested interests in both developing and developed countries and will therefore demand much wisdom and goodwill.

The ILO with its long history of working with business, government and labor is an ideal forum for the discussion of these issues. The rewards of reasonable compromise are stability and a decent standard of living for most, if not all. The developed countries are plagued with illegal immigration of workers who cannot find jobs in their own countries. Unless drastic changes come soon, by the end of the century half the world's population will be living in cities whose slums will spread enormously. Employment opportunities at home, in the countryside and the towns, will ease these pressures and enable other aspects of development to contribute effectively to the effort of improving the quality of life for all.

TRANSNATIONAL CORPORATIONS

Transnationals, or multinationals, are large, wealthy corporations that operate in more than one country, usually with their base in one of the developed countries. They are generally concerned with the exploitation of natural resources or raw materials such as bauxite or oil, although

many are concerned with the sale of goods and services as well. Because of their 'transnational' character they can often evade the taxes and laws of the nations in which they are based. These companies take advantage of the cheap labor and uninformed local officials of the developing world. Contracting for the extraction of raw materials at a cost disproportionately lower than the prices which are then charged for the finished product, the transnationals gain excessive profits.

The transnationals control a great deal of the industry of the developed world. The size of their property and assets, such as factories and mines, has given them economic control of the means for development in the poorer countries, as well as transforming them into a major international economic power. This power is rooted in their ability to allocate or withhold technology, transportation, communication, employment and other economic and social advantages at will.

The list of problems caused by transnationals is a long one. The corporations share little of their prosperity with the governments and even less with the peoples of the developing world. Their wealth rarely 'trickles down' through well paid jobs or improved living conditions for the citizens of the 'host' country. The jobs they are supposed to bring to countries where unemployment is a growing problem are minimal, and mostly poorly paid and unskilled. Management and skilled positions are filled by expatriates from developed countries. Another problem is the straining of the resources of the developing host country for building a sophisticated setting for the company; housing, offices, factories and other facilities.

The presence of a transnational in a developing country adds to the process of separating the rich elites from the majority of the poor. Life styles and incomes are patterned on those of company employees. Contact with the power and wealth of the transnationals strengthens the control of the elites over government. It is a partnership which must be broken before the wealth that the corporations bring into the developing country can trickle down to the poor.

There is even a question of whether a transnational corporation brings any wealth to a developing country. Some figures indicate that these companies take out of a country twice what they put in. The prices paid for raw materials are low, but the prices charged for imports of technologically advanced equipment, manufactured goods, services - all provided by other branches of the giant corporation - are high. Profits are not shared with the host country through taxation. The accounting is readjusted so that the profits appear somewhere else in the complex chain of subsidiary companies, or in some other country.

These transnationals actually have a detrimental effect on development. Small local enterprises are driven out of business through competitive pricing, difficulty in getting bank loans and other discriminatory practices. A more subtle but even more serious effect comes from advertising. In order to sell their products, transnationals sometimes divert peoples' minds from the less glamorous but more practical needs

of the population to the frivolous satisfaction of western life styles. Money spent on a coke could be better spent on something more essential. The transnational corporations often tend to retard the development of the poorer countries. The United Nations Commission on Transnationals is in the process of drawing up a code of conduct for these corporations. Countries like Jamaica and Guyana have resolved the problem for themselves. Jamaica has insisted on 51 percent control of the bauxite mining operations of the Alcoa Company. When Alcoa and Reynolds Aluminum refused the same offer in Guyana, the government nationalized them.

The wealth and skills of transnational corporations could add much to the process of strengthening the economies of developing countries. The emphasis must be shifted. Most developing countries would prefer a genuine partnership with transnationals to a relationship of exploitation and confrontation. These giant corporations, with branches in many countries, can be a force for genuine international cooperation. National rivalries and wars are inconvenient to a smooth flow of trade. A code of behaviour that allows the transnationals a reasonable profit and protects the host country from exploitation is an essential step towards a new international economic order.

INTERNATIONAL FINANCE AND MONETARY REFORM

The present international system was established at the United Nations Monetary and Financial Conference held in July 1944 at Bretton Woods, New Hampshire. World War II was coming to an end and some safeguards had to be established to prevent the recurrence of the financial chaos of the depression years preceding the war. Two things were needed: a stable exchange rate between currencies achieved without returning to the old gold standard, and an international bank that would cover temporary trade deficits and make money available for development and expansion. Currencies were measured against the United States dollar which was valued at that time at \$35 to the gold ounce. (The price is now between \$130 and \$140!)

The two agencies established during the Conference were the International Monetary Fund (IMF) and the World Bank (International Bank for Reconstruction and Development). The capital for both was provided by countries contributing on a quota basis, and voting on the management board was determined by the size of the country's contribution. The United States controls 25 percent of the voting power.

The IMF works to stabilize currencies and has a conservative influence on national economies. If a country is experiencing a trade deficit because it is importing more than it is exporting it can borrow from the IMF to cover that deficit. If, however, these deficits continue year after year, the country is in debt beyond its permissible loan limit and must ask for a special loan.

The IMF intervenes to put the economy of this country in order by withholding assistance to governments until they follow policies it prescribes. It offers special loans, but on the conditions that imports

are cut, prices are raised and government spending on costly projects for social development is lowered. For a developing country this may mean curtailment of the sharing of the benefits of development among the poor. Economic stability is achieved at the price of equity.

The World Bank was established specifically to make money available for development, but like all banks, it bases its operations on profitable returns on its loans, not on long term risks. Money is made available on terms comparable to those of private banks in the developed world. Projects requesting aid are carefully researched and those which are economically profitable are financed. But these are not necessarily the projects most desperately needed by developing countries.

The International Development Association (IDA) was established to take some of the risks that the World Bank does not. Its loans are long term, low interest, and the projects it finances are not profit making. However, the amount of capital available to the IDA is limited and only the poorest countries are eligible to borrow from it.

Several proposals have been made by the developing countries to make more aid available to them.

1. Increase in Aid. Developed countries have been asked to give one percent of their GNP as aid; 0.7 percent as official government to government aid. At the moment only Sweden and the Netherlands reach this figure. The United States figure is 0.3 percent. This aid should have no political strings attached to it. These loans are not as generous as they seem. Much of the original loan never reaches the recipient country. According to Dr. Kenneth King of Guyana, 14 percent of the loan is absorbed in 'processing' costs and 70 percent is returned to the donor country when the cost of equipment and skilled personnel to staff the projects have been paid. It must be mentioned here that the billions which could be available for development assistance are absorbed by the escalating costs of world arms production. After another war there would be nothing left to develop.
2. A Third Window, like another bank teller, should be available between the hard term loans of the World Bank and the soft term loans of the IDA. Wealthier developing countries, too prosperous to qualify for IDA loans and too poor to afford World Bank interest rates, could have a source from which they could borrow.
3. Special Drawing Rights linked to development assistance. SDRs have been called 'paper gold'. There are many occasions in trade and development when just plain 'cash' is needed, as opposed to stocks, bonds and other forms of capital. The term that describes immediately available money is 'liquidity' and the form it usually takes is dollars or gold which people can look at and say, 'Oh yes, this is money!' There are not enough of these dollars and gold to go around for the enormous increase in world trade, and often countries, including the rich ones, are short of this 'liquidity.' At present, a country can draw special currency from the IMF, the amount available to it based on the amount the country originally contributed to the Fund.

Obviously the developing countries contributed less but need more of this 'cash,' and yet under strict banking rules it is not available to them. The demand of the developing countries is that when there is an expansion of trade among developed countries, and when they need liquidity for this expansion, that a portion of the new SDRs created will be set aside for developing countries. This is called a 'link' between SDRs and development assistance.

The developed world has blocked such requests so far as it is afraid of destroying the value of the SDRs by creating too many of them. The rich countries prefer to increase the deposits in the World Bank group by urging developed countries and the oil producing countries to make special grants that would be available to the poor countries.

4. Membership of the IMF and World Bank should be enlarged to include a greater representation for developing countries. When decisions have to be made on where money is to be lent, the neediest recipients should have some say as well as the countries providing the bulk of the capital. The United States makes the largest contribution to this group and has the strongest voice in any decisions.

5. Cancellation and Rescheduling of Debts. A recent New York Times article (January 20, 1977) estimates that the debt of 86 developing countries 'almost certainly exceeds \$200 billion with over \$50 billion due private banks.' The developing countries cannot repay these debts unless their balance of trade brings in some profits. Much of their national income is put aside to pay for the interest on debts and therefore cannot be used for development. The burden is heavy. Cancellation of debt is a drastic measure; no bank or government will be prepared to offer loans to that country again. Rescheduling is a better alternative. This means lowering interest, postponing the repayment of the principal or getting governments, who can wait longer to be repaid, to assume the debts of private banks.

FOOD AND AGRICULTURE

The production of more food and its fair distribution between countries and between people within the same country are essential to raising the standard of life of millions of people. Starvation leads to death; malnourishment to chronic illness, mental retardation and inability to work. The increase in population, especially in developing countries, has raised the question of whether there is enough to go around, and if there is not, whether some are not doomed to die? Thomas Malthus, writing in the late eighteenth century, believed that increasing population would widen the gap between rich and poor, and cause massive starvation.

The whole point of the various proposals of the NIEO is to show that the problem lies not with the quantity of what is to be distributed but the manner in which it is shared. The developed countries start off with an unfair advantage in food production. Almost all of the emphasis on cultivation of land has been in countries with one third of the world's population. Much of the land in the underdeveloped areas is

plagued by sleeping-sickness, schistomiasis and other such diseases making the cultivation of land undesirable (or a risk). Many developed countries produce more than they need and suffer from over-consumption.

Grain consumption in North American has grown per capita by 350 pounds, largely in meat products, since 1965 - to reach 1,900 pounds today. Yet this extra 350 pounds is almost equal to an Indian's total annual consumption. North Americans were hardly starving in 1965.... It requires only a small release from the 'surplus' of the rich to meet the entire Asian shortfall.'

- The Cocoyoc Declaration

The transfer of food from the rich to the poor are short term and emergency measures. The developing countries expect to become self-reliant and to feed their own populations.

There are two ways of increasing the yield of agriculture, energy intensive and labor intensive. Energy intensive methods can be used by agri-business which is the large scale, highly mechanized farming for the production of cash crops for profit. Irrigation, intense fertilization, sophisticated farming equipment, all of which require large capital investment, are the tools of agri-business. They are not suitable for developing countries and create a wider division between internal elites and the poor where they are used.

Transnational corporations have the capital to invest in these high yield methods, but the land they utilize to raise their exportable crops deprives local farmers of land needed to produce food to feed their own people. Often high protein foods like soy beans and ground nuts are exported for cattle feed in rich countries, depriving developing countries of vital nutrients in their own diets. The original good intent of helping a developing country to increase its exports has resulted in decreasing its food supplies.

Those local farmers who invest in energy intensive methods are the already rich who can afford to do so. The 'green revolution' of new high yield rice strains failed to feed the poor in developing countries because they could not afford to invest in the fertilizers and irrigation that it needed. They could not compete in food production and lost their farms through debt. Energy intensive agriculture has increased rural unemployment and has added to the malnutrition of the poor who lost their lands and jobs and could not afford to buy food.

Much of the thinking behind the NIEO is not only on the need for development, but also on its nature. Many of the proposals for changing the structure of agricultural development hinge on bringing more modest improvement to smaller units. Tools and farming equipment that are labor intensive, irrigation ditch digging by local workers, fertilizers bought with aid from oil rich countries, new grain strains resistant to drought and pests, better storage facilities, these are some of the appropriate technologies for self-reliant farming.

Land distribution is necessary to provide a living for the small farmer and give him the incentive to work. Rural organization to co-ordinate community efforts and improve the quality of rural life is necessary to break the inertia and suspicion that has made the adoption of new methods so difficult and has forced so many farmers to move to the cities in search of jobs.

The World Food Conference in Rome in 1974 recommended the creation of a World Food Council to co-ordinate and fund the money for these proposals. With planning and more equitable distribution, the world can produce enough to feed itself.

POPULATION

The 1974 World Population Conference at Bucharest defined the world's population crisis in three ways. Two of these aspects concern existing populations: the 'morbidity' problem or widespread sickness and the low quality of life; and the question of an aging population, already a serious concern in the developed world. The third strand is the astonishing rate of growth:

The lowest growth projections indicate that during the first decades of the twenty-first century the earth's population will be almost twice as great as it is now - over 7 billion people compared with the present 4 billion. Although the rate of growth is itself slowing down, the 1970s will witness the greatest population growth so far in history: over 800 million will be born - more than 600,000 a month - of whom nearly 88 percent, some 700 million, will be in the Third World.'

- RIO, Reshaping the International Order. Jan Tinbergen, co-ordinator, p. 27

The controversies over the population problem lie not so much in definitions of the problem itself, but rather in its solutions. At the World Population Conference it was made clear that population cannot be controlled by the introduction of birth control methods into developing countries. The reason for oversized families is not ignorance of birth control methods or adherence to any particular religion. Children are necessary to ensure their parents' survival: they constitute a labor force for the family and later become the only means of support for their aging parents. The high rate of infant and child mortality in developing countries makes it necessary to have many children to ensure that some live to adulthood.

The process of development may increase the standard of living, thus reducing the need for such large families, and thereby attacking the population problem. This takes time; but evidence to date has shown that the birth rate drops in proportion to the rise in prosperity. A family that can afford a better home does not want to overcrowd it. A family that sees its children healthy, with opportunities for education and improvement, does not want to have more than a moderate number.

Although it is fashionable today to claim that decrease in the birth rate can only follow a rise in the standard of living, there are other factors that might contribute to a speedier reduction in population growth. The position of women - their health, education and potential leadership in many areas of development - is not sufficiently stressed by the NIEO. Women play a vital role in the problem of population. They are the first to understand that multiple pregnancies sap their strength and resources. They are the first to wish to use contraceptives if the opportunity is given them. Julia Henderson, Secretary General of the International Planned Parenthood Federation, speaking to the NGO forum organized in support of the Seventh Special Session, contradicted some of the male wisdom on population:

The fact that more than three-quarters of men and women are effectively deprived of information and services to achieve this right [family planning] may in fact become the Achilles heel of the New International Economic Order.

Whether over-population is a cause or an effect of underdevelopment, whether contraception or higher standards of living are the best methods of birth control, the question must be resolved if the effects of development programs are to be felt soon.

LAW OF THE SEA

The question of a law of the sea, and the vast resources which it contains, is of particular interest for it is both an integral part of any NIEO, and something of a mini-NIEO in itself. An effective, ordered world body governing the seas could lead the way to an equitable sharing of what President Johnson of the United States called the 'common heritage of mankind.' It would take an area of global resources which is presently under-used - and thus not as chaotic and inefficiently organized as the rest of the world's economic 'structure' - and build an effective order around it. Whether this order is to take the form of an 'International Seabed Authority' (ISA) as was suggested by the Law of the Sea Conference (LOS), or that of some other global organization, is not yet known. What is known is that this new area of our world must be approached carefully, with more than profit-making in mind. The oceans may be the source of some of the capital necessary for development in the poorer countries.

The greatly increased interest in the sea and its yield has come from a realization of the potential of certain potato-like nodules that lie on the ocean floor. These nodules, found in particular abundance in the Pacific Ocean, are extremely rich in manganese, copper, nickel, cobalt, and various other metals. There are sufficient quantities of these to last man some thousands of years, as opposed to the few decades we will get out of non-renewable land deposits. Not only will they last this long but they are being added to continuously - 55,000 tons created each year.

The process of collecting these nodules and then separating out the metals so that they can be used in industrial production seems to be economically viable. The mining can be done either by a hydraulic vacuuming process or by continuous line buckets which would scoop up the nodules. Preliminary tests have shown that the hydraulic method is the more effective. The metals are then separated by a special leaching process.

The problem is that it is the developed world and its corporations which own the technology and the capital necessary to begin such mining and refining operations. Thus the developing countries feel that they will once again not get their rightful share of our 'common heritage':

There seems to be an unfortunate tendency to confuse rights with existing situations. The fact that a resource is within reach does not automatically imply a right. Proximity cannot be equated with ownership; and possession of the technology necessary to exploit submarine resources constitutes merely a physical possibility, not a right.

- CERES, FAO Review on Agriculture and Development
Nov.-Dec. '76, p. 3

The International Seabed Authority (ISA), with its subdivision 'Enterprise,' has been suggested as an alternative to free market exploitation of seabed resources. It would be an international organization with representatives from all countries - including the fifty-two land-locked or 'geographically disadvantaged.'

Several suggestions have been made as to the functions of an ISA, whether on its own in competition with the transnational corporations, or in a joint venture with them as Nigeria proposed at this year's session of the LOS conference. If the transnational corporations can make agreements with individual countries for joint efforts, then why not with this international organization? Such cooperation could prove the most effective way to utilize the vast resources of the sea while assuring the developing countries of their share.

The reluctance of some developed and developing countries to agree to any such Law of the Sea comes from the effects that the introduction of these resources would have on the existing economy. Countries like Zaire and Chile are heavily dependent on the income derived from the sale of their copper. This other source of the very same metal might well put them out of business. Similarly Canada and Australia, the world's major nickel producers, might be seriously affected by the influx of that metal. For the USA, West Germany and Japan it could mean more economic self-sufficiency; they would have their own supply of nickel and cobalt - two metals they lack. It would be especially good for them if their large corporations were the major collectors of the nodules.

This complicated issue of a Law of the Sea could result either in another chaotic disaster for the world, or be the beginning of a new international order. Much will depend on the Sixth Session of the LOS Conference to be held at the United Nations in May of this year.

Unless it deals firmly and equitably with the undersea mining issue, the seabed resources will be, just as with the fish and offshore oil reserves, another piece of the common heritage of mankind that men refused to share with each other and thereby squandered and lost.

- CERES, Nov.-Dec. '76, p. 45

ROLE OF THE UNITED NATIONS

The need for effective organizations to bring change in the present world beset with crises is clear. The United Nations system is a response to our situation, and it has expanded and branched as world problems have multiplied.

The General Assembly and the Security Council are at the center of the United Nations system. But besides the network of programs and organizations under these bodies there are the semi-autonomous organizations such as the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organisation (UNIDO), and the United Nations Environmental Programme (UNEP). There are also many specialized agencies such as the International Labour Organisation (ILO), the Food and Agriculture Organisation (FAO), the World Health Organisation (WHO), and the United Nations Educational, Scientific, and Cultural Organisation (UNESCO). The financial institutions are the International Monetary Fund (IMF), the World Bank, and their related organizations.

One topic of discussion within the United Nations system as a whole is the reshaping of this system to perform better in areas of economic and social affairs. As special conferences are called and committees proliferate, much of the work is duplicated and the organization is drowned in a wave of papers and reports.

The United Nations is the only worldwide organization with the professional expertise and experience to examine the nature of development problems and to put programs into effect. Proposals have been made to unify all the various development programs under ECOSOC. A Director General for Development and International Economic Cooperation, second only in rank to the Secretary General, could give the coordination of these activities the priority needed to make them effective.

In addition to the problem of administrative organization there is the question of the training (and attitudes) of the United Nations personnel staffing the development programs. Dr. Kenneth King, former Minister for Economic Affairs in Guyana, warned:

It should be understood, and the numerous experts in the developmental agencies should be made to understand, that their *raison d'etre* is not the agency in which they are employed, but the peoples of the world whom they are employed to serve.

Programs devised in glass and steel offices in New York and Geneva often fail in the field because administrators are more concerned with their place in the hierarchy than with alleviating suffering. It would be a tragedy if all the expertise and good will that can be found in the United Nations were to be lost through problems of administration and personnel.

INTERNAL PROBLEMS AND CONCLUSION

I cannot do better than to compare society as it then was to a prodigious coach which the masses of humanity were harnessed to and dragged toilsomely along a very hilly and sandy road. The driver was hunger, and permitted no lagging, though the pace was necessarily very slow. Despite the difficulty of drawing the coach at all along so hard a road, the top was covered with passengers who never got down, even at the steepest ascents. These seats on top were very breezy and comfortable. Well up out of the dust, their occupants could enjoy the scenery at their leisure, or critically discuss the merits of the straining team.

- Edward Bellamy, Looking Backward, 1897.

The problem of sharing wealth between nations is matched by that of sharing wealth within nations. In the developing world, the gap between the rich elites and the majority of the poor is extreme. The mid-term regional review of the Second Development Decade (mid 1970s) confirmed that in Latin America the amount of wealth shared by the 6 million people at the top of the economic pyramid is the same as that shared by the 140 million at the bottom and that the gap is widening. James Grant, President of the Overseas Development Council in Washington, D. C., reported:

In the early 1950s, the total income of the top fifth of the Mexican population was ten times that of the lowest fifth. By 1969, it was sixteen times as great. A similar serious worsening of income distribution has occurred in many other countries, including the Philippines, Brazil, Pakistan and Ghana.

- New Internationalist, Oct. 1975

The existence and growth of these elites within developing countries was once considered inevitable and desirable for development. They would be in the vanguard of progress, the first to utilize new opportunities. By their effort and initiative they would generate more wealth which would eventually 'trickle down' to the rest. It has not happened that way. There has not been enough to go around, and the rich have preserved their wealth that much more firmly as the contrast between their life styles and those of the poor in their own land has become starker.

The average citizen of a developed country might well ask why he should give up some of his comforts if the result is simply that the rich in developing countries maintain theirs. Government officials from these countries answer in various ways: that what the nation does internally with its increased share of the world's wealth is its own business, or that the increased wealth will benefit a growing middle class and from them will radiate to other sectors of the economy.

But whatever answer is given, the fact remains that wealth is not being shared and the number of people living in misery and despair is growing. Most economists and social scientists of all political persuasions are now convinced that the only practical way to survive is to turn the system upside down: the poor must be enriched, with jobs, health services, education and a sense of participation in the decisions that affect their lives. The question is: 'how?'

What will it take to persuade the rich to give up some of their wealth to the poor? Confrontation and recrimination can only lead to revolutions of the right or the left. Violence and the loss of many liberties that enrich the quality of our lives would be part of such revolutions, and more would be destroyed than gained. People in developed countries, and the elites in developing countries, must see that it is to their long-term advantage to proceed with the sharing of wealth in an orderly and just manner. There are strains in the life styles of the developed world also, and there are many ways in which we could lead a satisfying life with less rather than more. Consensus rather than confrontation must be the key to action. Not by a life-boat mentality, but by asserting our humanity by caring about the quality of life of every individual, can we hope to survive together on our Spaceship Earth.

GLOSSARY

CESI	Center for Economic and Social Information
ECOSOC	Economic and Social Council of the UN
FAO	Food and Agricultural Organization
GATT	General Agreement on Tariffs and Trade
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (World Bank)
ILO	International Labour Organization
IMF	International Monetary Fund
ISA	International Seabed Authority
LDCs	Less Developed Countries
LOS	Law of the Sea
MSAs	Most Seriously Affected Countries
NGO	Non-Governmental Organizations
NIEO	New International Economic Order [also NIO: New International Order]
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
OPI	Office of Public Information at the UN
SDRs	Special Drawing Rights
TNCs	Transnational Corporations [also TNEs: Transnational Enterprises]
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
UNEP	United Nations Environmental Program
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNFPA	United Nations Fund for Population Activities
WFP	World Food Programme (of FAO)
WHO	World Health Organization