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"The Call for a New International Economic Order, Part 1"

Joaquin González

Ruth Hinerfield

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JOSEPH BLUMEL: Ladies and gentlemen, it's my great pleasure to welcome you here tonight to the first session of this conference on the "Call for a new international economic order." What is it? What is the role of the United Nations? This conference is sponsored by the Greater Portland Coordinating Council of International Affairs and the Portland State University Departments of Political Science and Economics.

We are all aware of the complexities of economic problems, and especially those involving trade, investment, and financing among the peoples of various countries of the world. We know that fundamental changes have occurred during the past decade, not only in trading relationships and the course of international investment, but, indeed, in the entire international financial system. It is difficult enough, I think, to describe the system as it presently exists. To say nothing of achieving agreement on an ideal, or even an improvement, in the system. Obviously, questions not only of economic efficiency, but also of equity among the peoples of various nations are involved in such considerations.

It is the hope of the Council and the other sponsors that this conference will contribute to public information in an area which is not only exceedingly complex, but involves the basic needs and aspirations of all people, both in industrialized and in developing nations.

Our format this evening involves addresses by two distinguished visitors: Ms. Ruth Hinerfield, vice president of the League of Women Voters of the United States, and Mr. Joaquin González, deputy manager, Economic and Social Development Department, the Inter-American Development Bank. We are also fortunate to be able to call upon a distinguished panel, each of whom will respond to the remarks of the speakers.

I should like, before calling on our speakers, to introduce our panelists, and I would like each to either stand up or to raise his or her hand as the name is called. Mr. Paul Calderon, vice president, International Banking Department, the First National Bank of Oregon. Professor Kalesh Dudharkar of the Department of Political Science, Reed College. Dr. Alexander Gassoway, professor of Geography, Portland State University. And Ambassador William Hall, former director general of the U.S. Foreign Service, and now special assistant to John Howard, the president of Lewis and Clark College.

We hope then to have some opportunity for discussion among the speakers and panelists, and for questions from the audience of both speakers and panelists.

By agreement among our speakers, first tonight will be Mr. Joaquin González, deputy manager of Integration of the Inter-American Development Bank since May, 1976. A native of Ecuador, Mr. González joined the Bank in 1961 as an economist in the former division of Economics, later becoming chief of its Trade and Balance of Payment section. Since then, he has served as chief of the General Studies section of the Economic and Development division, as deputy director of Economic and Social Development division, and as deputy director of Special Studies division. In April, 1975, he was named deputy program advisor. Before coming to the Bank, Mr. González served in various activities in the public sector of Ecuador, and is a professor of Economics in the Universidad Central del Ecuador. He received a BA degree in Economics from the same institution in 1955, and a master's degree in Economics from Yale University in 1958. In addition, he has studied at Harvard University and at the American University in Washington D.C.

Mr. González.

[*applause*]

JOAQUIN GONZÁLEZ: Dr. Blumel, distinguished members of the panel, ladies and gentlemen. May I start by expressing my sincere thanks to the Greater Portland Coordinating Council of International Affairs and the Departments of Political Science and Economics of Portland State

University for inviting me to participate at this meeting on the new international economic order.

The fact that this meeting takes place here in Portland as opposed to New York or Geneva, which are the traditional forums for these kind of topics, indicates that the problems and prospects of the developing countries are matter of general concern in the United States, not only for academic institutions, but for the community at large as well. I believe this is the way it should be if we accept the fact that we live in an increasingly interdependent world. I've been asked to speak on the Third World view of the new international economic order. This is a very broad subject, but I will attempt to summarize it by concentrating on the practical problems of trying to accelerate economic growth and to improve the standard of living in the developing nations.

Ms. Hinerfield, the other speaker on the subject of this meeting, will discuss the position of the United States and many other industrialized countries on this matter, and the direction in which the world community in the United Nations and elsewhere is dealing with the subject.

The problems faced by the world today, and the situation of the developing countries in particular, have been recently set forth in very dramatic terms by Mr. Robert McNamara, president of the World Bank, at the annual meeting of that institution in Manila, which took place a few days ago. The figures I'm going to quote exclude the countries with centrally-planned economies.

Mr. McNamara has stated, more or less in these words, that in the decade, 1965-1975, the disparity in average income levels between those fortunate enough to live in the developed world and those who live elsewhere remain immense. Average per capita income in the poorest nations, with populations totalling 1.2 billion, increased by about $20 per person in the 10 year period, from $130 in 1965 to $150 in 1975. On the other end of the scale, the average per-capita income of the developed countries, which comprises of a group of about 700 million people, increased by $1,300, from $4,200 in 1965 to $5,500 in 1975. Somewhere in the middle, there was a group of developing countries, about 900 million people, whose income increased from $650 to $950 in this period, although these countries still face very real problems of wide-spread poverty.

Projections of this trend to 1980 do not show any significant improvement of this situation. At an average per capita income of $150 per year, being poor is translated into widespread malnutrition, very high illiteracy, much higher infant mortality rates, and reduced life expectancy. Compared to those living in developed countries, individuals in the poorest nations have an infant mortality rate 8 times higher, a life expectancy 1/3 lower, an illiteracy rate of 60%, and a nutritional level for 1 out of 2 in the population below minimal acceptable standards.

Inequality between rich and poor nations is not a recent phenomenon, and it is not very useful at this meeting to study their historical development. However, I think it would be important to look into what has happened after the end of the Second World War. From a global perspective, economic growth in this period was literally explosive, but there was a fundamental lack of symmetry in the benefits of such growth between the developed and developing nations. These developments can be summarized in the following 3 points:

The rapid economic expansion and continual prosperity in the developed world did not readily trickle down to the developing nations through the spontaneous play of market forces. On the contrary, the income gap between developed and developing countries widened considerably in absolute terms during the past quarter century.

B) World trade rose extremely rapidly and continually to all-time historical levels. Again, however, the gains from such trade accrued more to the developed countries than to the developing countries. The reason for this was that manufactured goods, largely exported by the former, were far more buoyant than the primary products exported by the developing countries. Indeed, this disparity between the two groups of countries was so great that, although the developing countries accounted for some 31% of total non-petroleum trade in 1950, their share fell to about 21% in 1960, and today is down to about 15%. World trading values increased in the most impressive fashion, as we can see, but the poorer nations ended up with increasingly smaller portions.

C) Development aid, which was originally conceived by the developed nations as the central mechanism for the policy of International Corporation for Development, proved to have serious shortcomings both as regards in quantity and quality. During the period from 1963 to 1973, for instance, the total value of official development aid, of all OECD countries, fell by 7% in real terms, precisely at a time when their volatile payment situation was very strong, and when their average per capita income levels, again in real terms, had risen by 30%.

D) Other balance of payment outflows of developing countries were also increasing rapidly due mainly to ever greater needs for private capital in both portfolio and direct investment. Again, these were generating large and ever-growing debt servicing requirements, to which were added still other and very substantial and invisible outpayments for shipment and insurance.

The combination of all these strengths presented us with a fundamental development dilemma. On the one hand, the developing countries were under constant pressure to accelerate their internal rates of growth in order to improve their levels of domestic income and employment. On the other hand, their economic growth depended, in part—a small, but critical, important part—upon imports of many essential capital goods and intermediate products, which they were not yet able to produce themselves. Here was the central paradox of the old international economic order, in the sense that the need for imports by developing countries was rising constantly, whereas the capacity to finance such imports was lagging behind as a combined result of trends in trade, development aid, private capital, and other invisible outpayments.

This picture of a world in which growth was substantial in aggregate terms, but highly skewed between the north and the south, largely characterized the quarter century ending in the late 1960s. During the early '70s, the developing countries enjoyed a short period of higher commodity prices, but as the developed world began to contract as the result of the recent recession, export earnings of the developing countries fell rapidly, and the foreign exchange constraint once again emerged as the main constraint for these nations. In this, including the effects of the rising oil prices, the outlook now is even more serious than before.

At the same time, the export earnings of the developing countries are threatened by a new wave of protection, [which] is a front part of the developed countries, which is being stimulated by higher rates of unemployment in the industrial centers. Simultaneously, congresses and parliaments in those centers are increasingly ready, set on expanding their official development aid. Under [these] circumstances, the debt service burdens of many developing countries are at very high levels.

At this point, a fundamental question should be asked: "If we are going to proceed any further in our line of thinking, do we expect the present situation to be reversed by the normal play of market forces and by a simple extrapolation of present policies?" Our experience during the past quarter century clearly indicates that if we continue dealing with development problems in the same way that we deal with them today, the present situation can only worsen. Unless we are prepared to implement a policy that will tend to narrow the income gap between the developed and developing nations, not much will be accomplished. Clearly, the next quarter century must be characterized by an international economic order that is more symmetrical in terms of benefits to the developing countries than was the case during the last quarter century.

This should be viewed not only as a good social policy, but also as good economics. For this to happen, three central issues must be faced in the near future:

One concerns goals. Economic growth at a reasonable rate should be pursued for the world as a whole, but a key element of this new policy should be based on a more even distribution of income between developed and developing nations.

A second issue concerns policies and instruments for reaching the desired goals. Since the international economic order cannot be expected to evolve exclusively through the spontaneous play of market forces, it must be sought through a deliberate set of intergovernmental measures designed to increase the level and effectiveness of international trade of real resource transfers for development finance, and through the transfer of science and technological knowhow.

In addition, in structuring such goals and needs, developing countries must be accorded a greater voice in international decision-making. Whenever new rules of the game are discussed that will eventually affect the economic destinies of all nations, then all nations, developed as well as developing, should have a fair voice in the formulation and implementation of such policies. Greater voice in international trade negotiations, greater voice in arrangements dealing with monetary reform, and greater voice in discussion of the law of the sea, to cite just a few examples.

Given the problems set forth in the previous analysis, what is it that the developing countries propose to the world in terms of development goals? Initially, a development goal should be established for the developing countries so that the gradual, but continuous improvement be secure in their income and their standard of living. According to the UNCTAD [United Nations Conference on Trade and Development] Resolution, on the second development decade, 1970-80, such global development goals should be 6% per year, on the average, with the equivalent 3.5% increase in per capita terms. This will enable developing countries to double their income within two decades. In those countries where income is lower, the rate of growth should be faster if possible.

For these global development goals to be attained, certain prerequisites have been established in terms of our cultural and industrial output, the savings ratio, and foreign trade. A minimum 4% annual rate of growth is proposed for agriculture and 6% for industry. The savings ratio should increase at a rate of 5% per year so that by 1980, it reaches an average of 20% for the developing countries.

Imports should increase at somewhat less that 7% while exports, in real terms, should increase at somewhat more than 7% in order to avoid an increasing trade gap. Along with these global economic goals, other desirable aims in the social fields such as health, education, housing, employment, and income distribution have been proposed.

Are these goals attainable? Not necessarily in 1980, but in the years beyond? The answer to this question comes directly from a recent study entitled “The future of the world economy,” prepared by Mr. Wassily Leontief, Nobel Prize winner in Economics, for the United Nations. The conclusion of this study is, first, that the rates established by the United Nations for the second development decade are insufficient to close the gap between developed and developing countries by the year 2000. Second, that more ambitious goals can be attained; in other words, the study finds no physical constraints to the development goals towards the year 2000. However, Mr. Leontief states, and I quote, “To accelerate development, two general conditions are necessary: First, far-reaching internal changes of a social, political, and institutional character in the developing countries. And second, significant changes in the world economic order. Accelerated development leading to a substantial reduction in the income gap between the developed and developing countries can only be achieved by a combination of both of these conditions. Clearly, each of them taken separately is insufficient. But when developed, hand-in-hand, they will be able to produce the desired outcome.”

Therefore, the real question is do we have the political will to adopt the measures that are recommended? Governments and policy makers in the developing countries realize that the main burden of the development effort is the responsibility of the developing countries themselves. In fact, this has been generally the case when you look at examples of several developing countries which have been able to achieve high rates of growth, although foreign capital and technology were the necessary complementary factors in most cases.

Policy measures which have been proposed in order to attain the desired development goals are concentrated mainly in the fields of trade, aid, and the transfer of technology. Trade, of course, is one of the most obvious areas in which a global development policy can be translated into action. Not only are imports to GNP ratios higher in the early stages of development, but most less-developed countries are small countries with small markets, and, therefore, are highly dependent on foreign trade for the present and future economic welfare.

The main aspects of the proposed policies in this area include: one, an increased number of commodity agreements and financing of buffer stocks. B) an improvement and enlargement of the generalized system of preferences applied by the industrialized countries to exports of manufactures and […] manufactures coming from the developing nations. And three, the reduction or elimination of non-tariff barriers applied to exports from developing countries.

External financing is of crucial importance in the early stages of economic development if growth rates are to increase at a faster rate. The target of 1% of GNP of the developed countries has been established for total capital flows, from which at least 0.7% should be provided in the form of official aid. This should be accompanied with soft terms for loans, including a confessional rate of interest, as well as the reduction or elimination of tied loans.

Dependence of developing countries on signs and technology transfers from the developed countries will continue in the foreseeable future. It's proposed that industrialized countries facilitate the transfer of technology to the developing countries with a view of the adaptation of such technology to the conditions of the developing nations.

None of these policy proposals are new. In fact, much of this is already happening, but far below the needs and the aspirations of the developing nations. I suggest to you that we are, at present, at a crossroads where we must choose between two approaches. First, we can meet the problems adopting a passive attitude by closing our eyes and hoping for the best to happen. Or, second, we can direct our energy and our imagination towards a common effort to find practical solutions to our problems. The new international economic order proposes the second approach.

Thank you very much.

[*applause*]

BLUMEL: Thank you. Our second distinguished speaker this evening is Ruth J. Hinerfield, first vice president of the League of Women Voters of the United States. Mrs. Hinerfield, a resident of New York, was elected first vice president of the League of Women Voters of the United States in May of this year. She has been a member of the league for over 23 years, and she brings a wealth of experience from the League and other organizations to her position on the National Board. In November of last year, President Ford appointed her a member of the White House Advisory Committee for trade negotiations. In April of 1975, she was elected secretary of the United Nations Association of the United States, a private organization that provides education on United Nations issues and promotes greater public involvement in the United Nations. Mrs. Hinerfield is also a member of the Executive Committee and a director of the Overseas Development Council. From 1974 to '76, she served as a director on the board of the League of Women Voters Overseas Education Fund. During 1972 to '76, she chaired the League's International Relations Committee, of which she has been a member since 1969. She was also the League's United Nations observer from 1969 until 1972. Having joined the League in 1953 in Indianapolis, Mrs. Hinerfield became a unit chairman the following year after transferring to Tacoma, Washington. She later held office as voters' service chairman and first vice president for program in the Los Angeles League between 1959 and 1965. She was subsequently elected to the League of Women Voters of California's state board in 1965, where she served as director for local programs and as administrative vice president from 1965 to 1967. And she won't let me tell you about her academic credentials. It's a great pleasure to present to you Ruth J. Hinerfield.

[*applause*]

RUTH HINERFIELD: Thank you very much, Dr. Blumel. I'd like to add my words of thanks to those of Mr. González in saying how much I appreciate the fact that the Greater Portland Coordinating Council and Portland State University is having this meeting on a subject which is really too little heeded here in the United States. Mr. González, having given you the Third World view, as he said, it's now my role to talk to you about the United States and the new international economic order.

Essentially, in three areas: where we stand in our thinking here in the U.S. on the subject now, what the United States government has done about it to date, and what problems lie ahead in the future. And what I'd like to do also is a sort of take a little side trip to the UN on the way and explain the role of the UN in all this and the dynamics of the situation there.

"A new international economic order," five words that are a mouthful to say, have united the developing countries for the common purposes that Mr. González has described. These words have also, I'm afraid, united a great many of people here and in other industrialized countries in the fear that they are hearing some sort of death knell for the free enterprise system and "all that we hold dear." To those who fear it, a new international economic order seems to suggest a global master plan to throw out the entire existing structure of the international economic relationships, and install in its place the "take from the rich, give to the poor" strategies of 20th-century Robin Hood. Fortunately, most of the leaders responsible for making foreign policy in the developed world do not share this apocalyptic view. They know that proposals for changing the economic system are not at all new.

In fact, there is a story to illustrate the point, but of course, it concerns the former student who went back to college to visit his old economics professor. And… gads, I lost my page. Here it is. Suspense… and [the student] was shocked to discover that the professor planned to give the very same test he had given in the past. But the professor assured him. He said, "Don't worry. In economics, the questions stay the same. It's the answers that change."

The call for new international economic order is a search for new answers to old questions. It's a part of a process that's been going on throughout history: the continuous expansion of the number of people who are able to achieve adequate living standards. Lest we forget, the United States, more than any other nation, has been at the forefront of this process. In 1776, when we refused to be relegated to the colonial role of drawers of wood and hewers of water [sic]. And in the 1930s, when we made a New Deal. And in the period after World War II, when we were the leader of international efforts to establish such institutions as the World Bank and the International Monetary Fund to promote the orderly growth of world commerce and higher living standards.

Because of that system of post-war institutions, the industrial nations flourished as never before, and world gross national product and trade soared in ways never before dreamed possible. But adaptable as that system proved to be over the years, it had trouble adjusting to two major changes in the world. The first was the relative decline of U.S. dominance in the world economy, the resulting devaluation of the dollar, and the collapse of the established international monetary system of fixed rates of exchange. In other ways, too, the old economic order has been breaking down as its rules and machinery have been strained by new patterns of trade and investment.

The second major difference between the world of the '40s and today is, of course, the presence of about hundred new nations. Since these new countries weren't even around when the old economic order was established, they want to play a major role now in reshaping it to meet their needs. Particularly, their need for new rules and machinery will give them the better-than-even break they feel they must have in order to capture their fair share of the benefits of global economic growth. Like players who join the game too late to get a fair share of the chips, Third World countries seek a change in the rules that will allow them to do some catching up when new chips come into play.

Here in the United States, where foreign policy issues in general now rank pretty low on our list of national concerns, the concept of more equitable distribution of global wealth is almost unknown to the general public. Or, when people do hear about it, they often see it as some form of anti-Americanism. When most Americans think of economic relations with the developing countries, which isn't often, they may think of trade or investment, but usually they think of aid. According to opinion polls, a substantial majority of Americans are in favor of helping the developing countries, but Americans also think that the United States is already doing more than its share. Since few are aware of the fact that our aid, less than 3/10 of 1% of our gross national product, ranks very low relative to that of other aid-giving nations.

Unlike the general public, to whom the issue is of little concern, most U.S. foreign policy experts and community leaders believe that establishing better economic relations with the Third World is one of the most important issues that face the nation. While almost every American has learned that decisions made in Saudi Arabia or Moscow can have a direct effect on his life, the experts and community leaders are much more aware of the complex array of problems and opportunities in global interdependence. And they strongly support U.S. actions aimed at accommodation rather than confrontation with the developing world.

Nevertheless, the experts and community leaders alike oppose the idea of a “take it or leave it” package of economic demands. They are firmly opposed to measures like the fixing of commodity prices at predetermined levels, which seem to be steps towards the establishment of a centrally-planned world economy. But they are willing to see free market principles comprised to a certain extent, in order to cushion the worst effects of competition and commodity price fluctuations on developing countries.

If the American people, aside from foreign policy experts and community leaders, haven’t yet realized the importance of bettering the U.S. relations with the Third World, neither, I’m afraid, have many members of the United States government. The subject is virtually a non-issue in this election year 1976; it’s never been mentioned at all during the presidential debates. Members of Congress generally reflect the lack of interest or the special interest in the subject of their constituents. The departments of the executive branch protect, as they should, the different interests of their own constituencies: the farmer, the free market system, industry, jobs, and so on. And they often have conflicting views on what U.S. relations with developing countries should be in the economic sphere. The present administration, like several preceding administrations, has accorded a generally low priority to U.S.-Third World relations, and has frequently failed to bring conflicting interdepartment views into line. It did, however, begin to shift its foreign policy away from a single-minded concern with an East-West balance of power and toward the Third World about a year and a half ago. It was, I’m afraid, one of those cases of not being able to read the handwriting on the wall until our backs were up against it.

Ever since the late ‘50s and early ‘60s, when the newly independent countries began to swell its membership, the United Nations has served as their principal forum, and has increasingly come to reflect their concerns, especially their desire for international efforts to promote economic development. The UN itself has been reshaped to their needs through the formation of new bodies for trade and development, scientific and technological cooperation, industrialization, and so on. And the entire UN system has been directed towards implementing two ten-year international development plans, the first and second development decades in the 1960s and the ‘70s.

But in spite of these programs, and the real progress made by many developing countries, what was done wasn't enough. The gap between the rich and the poor, as Mr. González said, continued to grow, and with it grew the frustration of the developing countries with their declining share of the world's resources. Third World countries expressed their needs with increasing urgency at the UN and other international and regional forums, but the industrialized nations, with a few exceptions like Sweden and the Netherlands, listened, but didn't really hear what the developing countries were saying. This situation might have continued indefinitely, but for the upheaval in international economic relations resulting from the energy crisis in the fall and winter of '73/'74. The Arab oil embargo and the subsequent rise in oil prices showed the industrialized countries just how dependent they could be on raw materials from the developing world. The developing countries discovered both the emotional satisfaction of beating their own colonial masters at their own game, and negotiating power that they could harness by joining the economic power of the Organization of Petroleum Exporting Countries (OPEC) with the strength in numbers in the non-oil producing developing countries.
Through their new alliance, they began to change both the style and the substance of their message. With the radical leaders among them, very often in charge, they began to press hard, often in shrill, rhetorical terms, at the UN. Not for the piecemeal changes they had called for in the past, but for a new international economic order guided by principles of distributive justice rather than free market forces. What they wanted was spelled out, as you know, in the declaration and plan of action on a new international economic order approved at the Sixth Special Session of the UN General Assembly in the spring of '74, and in the Charter of Economic Rights and Duties to States adopted by the General Assembly in the fall, by a vote of 124-6, including the United States against, with ten abstentions.

The Communist bloc, which Mr. González has said he wasn't going to talk about, usually votes with the developing countries on economic issues, but considers itself immune from their demands on the grounds that it is not responsible for the economic consequences of colonialism. Most of the principles and proposals of these resolutions were entirely acceptable to the United States and other Western, industrialized countries. But there were several of these provisions that, for the United States, many European nations, and Japan, went too far. These included proposals that: one, developing countries compensate foreign owners, such as multinational corporations, for having expropriated property according to the developing countries' own domestic laws, rather than international law.

Two, that prices of raw material exports by developing countries be linked or indexed to the prices of the manufactured goods they have to import.

Three, developing countries should band together to form producer cartels to increase the prices of their raw materials.

During in the course of the Sixth Special Session of the Twenty-Ninth General Assembly, the other industrialized countries, which are more dependent than the United States on imported oil and raw material, began to grow less inclined to confrontation and more inclined to negotiation. But the United States, thinking that the unity of the oil-rich and the non-oil producing developing countries might be short lived, did not really take their new order demands very seriously until April of 1975. That was when the conference between OPEC and the Western countries, a conference Henry Kissinger considered essential, was called off, because the oil producers refused to talk to the consumers about oil prices and supply unless other developing countries were allowed to participate and their economic concerns were discussed as well. That aborted parlay represented the first experience the United States had in trying and failing to get a hearing from a group of developing countries on its own vital needs and concerns.

After the conference fell through, the U.S. government began to reexamine its policy of resistance to the demands of the developing countries. It conducted a high-level, inter-departmental review to shape more conciliatory and constructive positions for the upcoming Seventh Special Session of the UN General Assembly in September, 1975. When the session began, the U.S. proposals were presented in a speech written by Dr. Kissinger, but delivered by then-Ambassador Daniel Patrick Moynihan. The famous “Kissihan” speech, which some called it, met with wide approval. Less for the smorgasbord of policy statements and proposals it contained, than for its tone of conciliation and its attempt to come to grips with Third World interests. Perhaps the most important words it contained were these: “We have heard your voices. We embrace your hopes. We will join your efforts.”

The spirit of the Kissinger speech helped restore the United States to a position of constructive leadership at the UN. More important, it strengthened the position of the moderate developing country leaders in the negotiations, making possible the adoption of a consensus resolution. That resolution contained no panaceas, only a set of guidelines for agreement and other negotiations. And negotiations have been going on all year.

In the ongoing round of multilateral trade talks in Geneva, the Twenty-Seven Nation Conference and International Economic Cooperation, which meets monthly in Paris and has since December, the UN Conference on trade and development, held in Nairobi last May, and several meetings on the International Monetary Fund. Some progress under the guidelines of the resolution has already been achieved, including an implementation of some of the Kissinger proposals.

However, undue optimism is not exactly in order, as was demonstrated by the outbreak of renewed controversy at the UNCTAD meeting in Nairobi. There, the developing countries were again united behind a single set of proposals. The most important of which was a comprehensive scheme for stabilizing the prices of a whole group of raw materials. But the industrialized countries, on the other hand, couldn't get their act together to agree on a common position, since a few of them, particularly the United States, insist that commodity agreements have to be negotiated one at a time, while the rest were more willing to give serious consideration to the integrated commodity scheme.

As for the principal U.S. proposal at Nairobi, an international resources bank to encourage private investment in raw materials production, it was narrowly rejected because of suspicions that its chief purpose was to benefit multinational corporations, and because it was considered too complicated to have been presented to the conference for decision without any prior consultation. In fact, a member of the United States delegation to Nairobi agreed with the latter criticism, saying that the proposal was the last-minute product of unresolved differences between the departments of state and treasury that were no secret to other nations.

Except for a series of proposals to encourage the transfer of technology, the Nairobi conference was pretty much a stalemate. Perhaps, as some observers of international organizations have commented, "The proper function of forums with universal membership, like UNCTAD and the UN General Assembly, is not to reach specific agreements, but to identify issues for decision making at later meetings of smaller groups, considering a limited number of issues in a less politicized setting."

As difficult as the road to future accommodation on economic issues promises to be, it can always get worse, since it is always in danger of being totally blocked by political issues. The glue that holds the developing countries together on economic matters also binds them to common positions on the problems of the Middle East and Southern Africa. Advances in negotiating these political problems facilitate progress in economic negotiations, and vice versa. Likewise, a worsening of the Arab/Israeli situation or a halt to discussions about ending white minority rule in Africa can cause a breakdown in economic talks. And a dead-end in economic negotiations can result in intransigence on political issues.

Is there then any cause for optimism? I think there is, because in spite of the many economic differences dividing the industrialized from the developing countries, there is much on which they agree. Some of which… some of the items of which Mr. González has already mentioned. They agree, for example, that the international economic system created in the '40s isn't working right and has to be changed. And they agree that developing countries should have a greater voice in managing the international economy. They also agree that there must be more equity in the distribution of world income, both among nations and within nations, to meet basic human needs. And they agree, too, that efforts of the developing countries themselves are at least equal in importance to concessions and assistance by the industrialized countries.

Where they generally disagree, of course, is on methods of implementing, but that's what the negotiations are all about. Many members of the foreign policy community in the United States have described our negotiations with the Third World as attempts to strike a series of global bargains, in which the money markets and know-how of the industrialized world can be traded off against the raw materials, investment and market opportunities, and political cooperation of the developing world.

A frequently cited example of such a mutually beneficial trade-off would be the U.S. elimination of duties and non-tariff barriers on imports of goods manufactured by Third World countries in exchange for their guarantees to supply us with certain raw materials. However, every solution breeds a new problem, and opening up the U.S. market to low-cost manufacturers, while bringing our consumers many advantages, might also cause hardships to workers or businesses in industries that cannot compete with these low-cost imports.

Are we prepared to make the adjustments that such a global bargain would entail? How do we reconcile conflicting foreign and domestic interests? In both the national interest and the international interest? On both national and international levels, decision-making about economic issues are in a state of flux. It will take firm presidential leadership to shape a unified set of U.S. policies. It will also take improved organization and coordination within the executive branch and closer cooperation between the administration and the Congress. Above all, it will take an informed and interested public to make its views known.

There are many reasons why we, the public, should and must be concerned about greater equity in the world economic order. Moral reasons that remind us of man's obligation towards his fellow man. Material reasons that make us aware of our own dependencies in an interdependent world. And political reasons that warn of us of how much we have to lose if our peace and security are disrupted by the accumulated despair of the majority of mankind.

I'd like to conclude with a quotation from Barbara Ward, Lady Jackson, who said, "Those who profit by a system can become obsessed by their determination to change nothing. Those who suffer can, on the contrary, come to believe that nothing short of total disruption will genuinely affect anything. At this level of polarization, dialogue is impossible and violence inevitable. The task is, therefore, to discover the basic common interest for the whole human species. And the workable mixture of dialogue and confrontation will permit the nations, both the weak and the strong, to discover those interests together and to do so in time."

Thank you.

[*applause*]

BLUMEL: Thank you very much, Mrs. Hinerfield. We have now heard statements on the perspective of a new world economic order, I guess from the perspective of the developing and industrialized countries. I am not myself personally convinced that we've generated great differences of opinion in the course of this discussion. I think now that I would like to ask our panelists to comment a bit briefly, if I might require that, on the remarks that have been made so far. I think that I'll start with Bill Hall.

BILL HALL: Ah. Well, I'll try…

BLUMEL: Nobody knew where I was starting.

HALL: I'll try to be very brief. There are a few things that seem to me that we… that the two speakers… have either not looked at or have slipped by rather easily, and I'd like to mention these and perhaps ask them for further comment.

The first point that strikes me is the exclusion of—and I'm not quite sure if it was Mr. González or Mr. McNamara that excluded the controlled economies—but this is a fairly substantial block of the world's economy that you're excluding when you do that. And I think that one point that you need to remember is that the Soviet and Chinese economies are very major now in the world. It's true that theirs are very much domestically oriented, but they still have a major effect internationally and, also, I think the political systems of those countries have a major effect on the ability of the free economies, the democratic economies, to contribute to assistance to the developing world. So I don't think one can exclude those countries and forget about them. I think they ought to be very much in the minds of the people in the World Bank and the Inter-American Bank in the United Nations. And one of the things that's impressed me has been in the United Nations debates that none of the developing countries seem to put much pressure on the Soviets or on the Chinese to contribute. And I know the Chinese claim that they're a developing country, but they certainly come in the same block of the "beginning-to-be" developed countries, and could make the greater contributions they are now making.

Second point I'd like to emphasize, which Mr. González mentioned, but I thought perhaps did not devote much attention to, is the fact that the most important factor in development seems to me, in the countries I've been in in the… during the period I was in the Agency for International Development, is the home action, the action that the countries themselves take, the resources that they can dispose of themselves if they control their own economies and use their resources for development rather than the purchase of arms or other wasteful measures. They are much greater than anything they can get from external aids, so that the first step, really, is to put their own houses in order and to establish their priority. And if you look at the countries that have succeeded in development, countries like Korea, Taiwan, Israel, and Brazil, to name four of the countries that have shown the ability to develop, those countries have disciplined themselves. They have established their priorities, and have used their own resources wisely.

In many of the developing countries, I think the… what we call… what we used to call the Mercedes Syndrome indicates the problem that those countries have in using resources, and it's very hard to tell the American people and the American Congress that they should increase their contribution for assistance when the countries themselves are not using their own resources wisely.

Another point that seems to me that we've slipped over is the question of the relationship between real growth and population growth. If we have a target of 6% of growth, of which Mr. González indicated was the target which the developing countries have set, that can be very significant provided that your population is stable. But if the population is growing at, say, 4% a year, 3% a year even, that growth becomes much less significant. So there are two sides to this equation, and I think perhaps Mr. González might like to speak a bit about that if he has the opportunity.

I think that another factor that we haven't paid enough attention in the debate, for the discussion so far, is the damage to development… the development effort, rather than to the development effort directed to specific countries in the Middle East, is also a factor that needs some attention when one looks at what is happening in development. I agree entirely that the U.S. bilateral contribution to aid is completely inadequate and that certainly 1% should be our target and should be our accepted level. I would point out, however, that there is a bit of "what have you done for me lately" in this because, for a good many years, the United States did contribute more than other countries to bilateral aid. I'm not justifying our present position, but I am saying that one should not be overly critical of the United States.

Also, the United States' contribution to the international programs has been generous, and there has been a tendency to shift some of our aid in that direction more recently, but I would certainly support, very strongly, a substantial increase in our aid levels. I think the extremisms of the UN as reflected in the General Assembly and UNCTAD and some of the other meetings, one can take… I think we can take some responsibility for this. Our own attitudes sometimes haven't been as clear as they should be. Sometimes, we've overstated our concerns and our objections and our reactions to the developing countries. And other times, perhaps, we haven't made ourselves entirely clear. It does seem to me we aren't going to get very far by standing in the distance from each other and shouting, and that's been pretty much what's going on in [*audio cuts out briefly*] …and amongst ourselves and what we want to do on development.

The interlinkage of political and security matters in economic problems, I've already mentioned, and I think the point that was made by the second speaker on this is correct, that there is a right-close interlinkage. One cannot have a real development unless we can reduce the level of expenditure for arms in the world. Unless we can get a degree of stability both internal and internationally. And I think that, furthermore, I would go further and say that I think that to get real support for development in the United States, we are going to have to have changes internally in many of the developing countries, a shift to greater democracy. A greater attention to humanism. These are difficult things for the developing countries to accomplish, and we have to be, as Americans, we'll have to be patient. But I think there is… those things, those changes are necessary if you're going to get the American people to support a real increase on our systems of development.

And if I could conclude with just a little comment on the trade problem, it's true that the United States could be more generous on its acceptance of products from the developing world, particularly manufactured products. But I think there's also a problem in the developing world in the sense that many of the developing countries, particularly the countries that have had a relationship with one of the metropoles, have been more willing to accept favorable arrangements with those countries. Arrangements which permitted… which gave those countries the right to send their manufactured products or their technology to the developing world at an advantage, in return for trade concessions, and many of those countries have not been willing to make that same kind of arrangement with the United States. So that while our trade authorities may have been at fault, and where we may have been at fault in the terms of being overly protective of some of our industries, which perhaps are in areas we should no longer be operating, I think that there's a fault on the side of the developing countries, and I think that should be looked at very carefully by this panel.

Thank you.

BLUMEL: Thank you very much for those provocative remarks. And it would be very tempting, at this point, to call on our speakers to comment on those, but I think I'm going to follow my format and go to the other side of the table and ask Kal Dudharkar if he has any comments he'd like to make at this point.

KALESH DUDKARKAR: Well, I was going to comment somewhat in line with Mr. Hall's comments. That is, it is quite true that the world is interdependent, but the conclusion which is drawn from that, therefore, we should get together and have some kind of cooperative program. The fact that we are interdependent, in fact, are precisely the points which create problems of exploitation or oppression or whatever it is. The slave/master relationship is a relationship of interdependence, but that doesn't mean you immediately call for cooperation. And the major problem, as I see it, is that to some extent, developing countries had to develop some sort of clout or political power to get what they want.

I agree with all their demands about the debt service, debt cancellation, commodity price stabilization. And all of those demands, to some extent, come from the fact that the economy, or the world trade and everything else have become so interdependent, but I don't think that they're going to get any place unless there is some sort of political clout. And in order to do that, I think what they need… what they need is [to] establish their own priorities and their own economic development, which, to some extent, would have to be much more self-reliant. Unless they do that, I think, it is going to be the biggest question of asking for more and more and getting less and less.

In fact, if we look at the figures from the last few years that, despite of the Pearson report, which asked for certain… I think 1% of the national gross national product from the developed countries to go to them, that figure has gone down rather than gone up. And I'm quite convinced that unless the developing countries develop their own strategies, all this talk about much more cooperative effort isn't going to produce very much.

BLUMEL: Thank you, Kal. Sandy?

ALEXANDER GASSOWAY: Well, I… [*coughs*]

BLUMEL: You can use the mic.

GASSOWAY: Yes. I've come to the conclusion that many of us on the panel here are thinking along the same lines. I'm going to press our speakers for how do we effect some of these things. Just some several comments on several points.

First, I'm concerned about the rescheduling or other adjustments of debts of the less developed countries. An estimate made by one of our large banks that, by the end of 1976, the poorer countries of the world will have borrowed nearly $200 billion from the industrialized countries. Obviously, a large part of their foreign exchange that they earn has to be… go into… has to be spent on interest and repayments of principal, which is a terribly heavy burden.

I read in an interview in *Series* magazine, Olof Palme, who, 'til recently, was Prime Minister of Sweden, stated that his government had already canceled some of these debts to Third World countries: India, Bangladesh, Pakistan among them. He said there were still $1.2 billion dollars outstanding, which you said was very large for a country the size of Sweden, only about 8 million people. He said that he would be personally glad to cancel this debt, but such an agreement would only be meaningful if all countries agreed. And I'm wondering if our speakers, when their chance comes, would comment on how do we make an arrangement of rescheduling, or, hopefully, in some cases, the cancellation of some of these debts.

Secondly, I would like to address myself to some questions of internal restructuring of the distribution of wealth within certain Third World countries. A recent OECD report came out and pointed out that among a number of countries in the world that are relatively well off by world standards, the United States is about the third worst in the distribution of wealth in the country, for a small proportion at the bottom related to what's at the top.

But if we go back a couple of years ago to one of Mr. Robert McNamara's speeches to the Board of Directors of the World Bank group, he made the point that in many of the Third World countries, that the distribution of wealth is much more heavily skewed towards the top 5% of the population. So particularly, I would hope that perhaps Mr. González could respond, how do you approach this question in a Third World country? I don't know if you can give a general answer, but perhaps some ideas on it.

Mr. McNamara said it's obvious not the function of the Bank. Would we, if we could, attempt to restructure the wealth within countries directly? But what we can do with our efforts is to try to improve the productivity of the poorest of the poor. And that, of course, is where the World Bank group has to redirect a lot of its funds in the last several years.

Finally, we have, from my viewpoint, a very pressing question of the contribution of the European Communist countries towards Third World development; this was touched on by Mr. Hall. At the end of the Nairobi conference, UNCTAD 4 in May, Mr. Kissinger expressed rather strongly his very keen disappointment that his proposed research development bank had been voted down by a very narrow margin of 33 votes to 31. Some members were absent, some abstained. They said, afterwards, that such an investment of effort by the United States, they did not expect these efforts to fall prey to an accidental majority. And he went on; he pointed out the number of negative votes expressed by Communist countries. And he said to the Third World countries that they shouldn't let themselves be […] manipulated by countries that contribute so little to their economic development.

So, I'm wondering to what extent can we can expect the European Communist countries to contribute favorably towards economic and trade assistance to the Third World, and how can we, from the outside, influence their participation?

BLUMEL: Thank you, Sandy. And now our banker, Paul Calderon.

PAUL CALDERON: It's interesting that you just heard things about money from a geographer [*laughter*] and you're going to hear some things that don't have anything to do with money from a banker.

GASSOWAY: I'll give you some geography if you want.

[*laughter*]

CALDERON: We've had the very articulate and well-presented presentations by Mr. González and by Mrs. Hinerfield, talking about the problems of economic development in the world. Talking about the issues that involve us all, the problems of energy, the problems of population, the problems of development, and the skewed level of development between the developed and the underdeveloped world. You've heard a fairly well-defined and yet generalized shotgun approach to issues that concern us all, but really that we can't grasp and grab onto and do something about. And I'd like to talk to you tonight about something other than what we consider to be economic issues.

The economic issues of the world are defined in economic terms. They're defined in monetary terms, they're defined in all sorts of terms. But the fact remains, ladies and gentlemen, that since 1945, when World War II came to an end, the new economic order in this world has resulted from the fact that there are just simply too damn many of us.

And one of the things that was not focused upon by either one of the speakers today in, in my opinion, enough depth, is the fact that health improvements in the lowering of infant mortality, the extension of life at the high end by allowing people to basically be around in the world a little longer, has also lead to the explosive development of the numbers of people that populate this earth, especially in the underdeveloped world.

Developing nations, in general, have growth patterns and growth levels of between 2.5 and 3.5% per annum. At 3.5% per annum, that means that the population of a country like Mexico that has 65 million people doubles every 20-30 years.

Now, what happens when you have 65 million people in an economy that you're desperately trying to develop, and you're developing at the rate of maybe 5 or 6%, and you have a rate of population growth of 3.5 as Mexico did last year? That means you add 227,000 people to the population of your country that you have to feed, clothe, keep healthy, move about, do a whole lot of things with every year. Mexico, for example again, also happens to have a population distribution of more than 50% less than of age 18. That means you have a terrific skewing of the population age pattern in most developing countries, with people that are coming into the money economy of the country at a very rapid rate because all these people are being born also at a very rapid rate.

So, I would like to talk to you a little bit about these things, because they're issues we think about and we sort of push aside because they're clothed in religious terms, they're clothed in moral terms, they're clothed in spiritual terms, and they're all extremely controversial and taboo. It was sort of like trying to read *Playboy* 10 years ago; people just didn't do that sort of thing.

I think that the time has come when we really have to think about how we cannot necessarily stick our hands in the businesses of the underdeveloped countries, but really try and consider some of the hard, cold issues of population growth. I think we need to do something about that. I think we need to face the problem and grapple with it.

So, what do we boil down to and what do we think the solution is when we discuss the differences and the gap between the growth of the economies of the developed countries versus the growth of the economies of the underdeveloped countries? What we are really saying is that the industrialized world populations grew roughly at the rate of 1%, and the underdeveloped nations' populations grew at the rate of roughly 3 to 3.5%.

So, somewhere around in this issue is the fact that we need a mix of economic cooperation; that cannot be denied. And we also need a measure of population control. And I urge you to really think about this very, very closely.

I'd like to quote Mrs. Hinerfield because she really said a mouthful when she said that what we really have to worry about is the continuous expansion of the number of people who improve their standard of living.

And with that, I rest my case. Thank you.

BLUMEL: Thank you, Paul, very much. I think we have a sufficient range of issues now on the table that it would be opportune to have Mr. González and Mrs. Hinerfield comment on some of the points that have been taken. And I'm going to ask you first, Mr. González, if you'd like to comment on… take your choice. We got plenty to talk about.

GONZÁLEZ: Thank you. I'd like to comment first on this population issue, which is, of course, an issue which has not been ignored in the discussions and the debates of the United Nations. And it's not a problem which has been ignored by the developing countries themselves. I think it's an injustice to the complexity of the problem to say the developing countries are not doing enough to solve this problem. And also it's an injustice to the efforts that are already being made by the developing countries in this area.

First of all, we should make clear that why the population… difficult population problem came about, and which is about 30 years old, let's say. The origin of it was the discoveries in the field of medicine made in the developed countries, which when applied to the developing countries, of course resulted in a reduction in mortality rates in those countries. Not in an increase in the birth rates, but in the decrease of the mortality rates. So you can't really blame the poor countries for reducing the mortality rates, using this good thing which was discovered in the developed countries.

Now, how do you go about to try to control population? We have all these kinds of devices. We have all these kinds of methods. But the degree of ignorance and illiteracy that prevails in the developing countries, you cannot hope that the change could take place from one day to the next. Many countries have been going to extreme measures, like we've been even discussing to prescribe sterilization for people who have more than 2 or 3 children.

And so, I think it's unfair to ignore these kinds of discussions and these kinds of measures being discussed in the developing countries. In Latin America itself, even though it's true for religious reasons, the problem was somewhat avoided for many years. We have seen this attitude changing very fast during the last few years, even in Mexico. Mexico was one of the countries in which the government wouldn't speak about this problem for many years. But with the late… the recent government […] going there. And in most countries, most Latin American countries, for instance, there is a program; in some cases it's an official program, and other cases it's a private program, for population control.

So, I think it's a… the problem is not being ignored, and the countries are doing their share. The developing countries are doing their share. Although we must recognize that the present knowledge and the present research efforts are not really quite enough for the solution that we ought to have.

BLUMEL: Mrs. Hinerfield, would you like to comment?

HINERFIELD: Yeah, I've decided that what we really need up here is a Russian [*laughter*] since two of the speakers have commented on the fact that we really neglected the Communist countries and their role in the international economic order. And as I indicated in my speech, it's, you know, largely because they have opted themselves out of the situation.

Dr. Gassoway indicated that they really threw a monkey wrench into what transpired in Nairobi by being very largely influential for the negative vote on the International Resources Bank. But there were other factors involved there, and I think there were a couple of hopeful signs. Dr. Kissinger was very critical of the role of the Communist countries and didn't want them to get away with it. And an even better sign was this: for the first time, the developing countries were very critical of the non-market economies, and they really spoke up more than they have in the past, saying to the non-market countries, "Look, you, too, have a role to play, and we think that you should participate in this whole process."

I personally hope they speak up more in the future and that they don't let the Russians get away with giving their aid, something like $1.2 billion a year, which is peanuts! And if anybody thinks that economic assistance is unpopular in the United States, it is *wildly* unpopular in the Soviet Union! I think they're going to have to change, they're going to have to become a part of the international economic system, and, as I say, I hope the developing countries have an effective role in making them play this part.

Now, population is something that… gosh, there is no topic that can make you more discouraged, as you said, Mr. Calderon. However, I think there is a light, a ray of hope in this situation.

As you said, for years, national governments wouldn't say a word about it, and in the United Nations, you know, it was absolutely a verboten topic. They have a thing, which is a branch of the Economic and Social Council called the Population Commission. What was the business of the Population Commission? Demography, statistics. Not talking about, you know, population control and family planning and babies being born and things like that, but just population statistics.

But this has changed over the years. And in 1974, in Bucharest, there was a UN conference on population where the nations came and, again, with their different perspectives. The developing countries, the industrialized countries, all set for their usual confrontation. But by gosh, there was a consensus that emerged from this conference. The industrialized countries who came in saying, "You know, what's really most important is population control. Population planning. We have the methods, these have to be used, and you have the problem. We have it too, to a certain extent." I might just say here that the population problem is of a different order in the industrialized countries because even though our birth rate, our growth rate, is much lower, for every person born in the United States, you're going to have a consumption of the world's resources to the tune of something like 30 times that of a person born in India.

But, we came in and said, "Okay, what's most important is population control using the methods and so forth." And what developing countries who went to the conference were saying was, "Look. What's most important is development. We have to improve. How can you expect us… how can you expect progress in this area in a poor country where people have lots of babies…" even though birth rates, as you said, may be declining, "because they don't have any forms of social security, and people have a lot of babies to support them in their old age because they have to count on it." And the death rate, the infant mortality rate is still very high in these countries; you should see the statistics! There is no comparison between the mortality rate of infants in the United States, Sweden, Japan, and so forth, and in the poorest countries.

So they are still compensating for a situation which is changing somewhat, but they are having babies to support them. They are having babies for, in many cases, what else have they got in life? You know, it's like the lady who says, "My babies are my riches." They're having babies for these reasons, so it's not just a question of educating them. As somebody once said, "You can send a helicopter over certain countries, loaded with contraceptives, and bomb the country with contraceptives, and it wouldn't do any good because there are many other factors which would militate against the effective use of contraceptives.”

But they came out of that population with a consensus which was that both approaches are important. You have to use what medical science has to offer, what science and technology have to offer, and at the same time, you have to encourage and stimulate economic development. Because if there’s anything we learned, it’s that there is a direct correlation between the degree of development and the birth rate. And this doesn’t necessarily mean that the country is rich. There are countries like Taiwan, Sri Lanka, Korea, where the per capita income isn’t really particularly high, but there is a spread of public services, nutrition, health, literacy, and so forth through the population, and this has proven to be the best contraceptive.

Would you like to say something and I can come back or… [*chuckles*]

GONZÁLEZ: Yeah, I would like to comment also on the point that Mr. Hall made on the need of home action and the need for the developing countries themselves to mobilize their resources. To improve their situation.

I think there are many cases where we can see that the developing countries do not ignore this responsibility. If you look at the figures during the last 25-30 years in Latin America for instance, they’ve been able to develop at a rate of 5% or more per year, which is faster than you can see in any period in the United States, with all the influx of capital and skilled labor that this country has.

So, you can see the Latin American nations working for their improvement. And, also, if you look at the degree of effort being made in the savings area, most of the investment effort is being carried out with domestic savings. Over 90% of the investment is financed with the domestic savings in Latin America. So, although foreign capital is necessary, the countries are increasing their savings ratio and they are doing their share in […] development. So, I think in most countries there is the realization that they ought to do most of the effort themselves.

On another point, you mentioned that, sometimes, they develop tastes or preferences for consumption patterns which are not quite appropriate on their level of income, and this is true, and that’s what is called a demonstration effect, because they see, they are in touch with the industrial conscious through communications, TV, magazines, and so on. And they can’t help but be affected by the type of consumption patterns in this country, which is […] in all kinds of ways. So, in a way, it’s unavoidable, although I realize that it’s a problem which they ought to be able to control somehow.

Also, on the problem of income distribution that Mr. Gassoway was talking about in the developing countries, there is certainly a problem there in the sense that the disparity between the rich and the poor in the developing countries themselves is just as big as between the developed and the developing countries. And I don't have a… I cannot justify that. I think I could have an explanation in the sense that these are countries which are going through a capitalization period, and are experiencing the same type of phenomenon that the United States and other industrial countries had at a time when they developed their industry. They also have very sad working conditions for the laborers, and there was a lot of expectation of the poor people. So I think the conditions created today in the developing countries more or less duplicate what already happened in the developed countries at a historical time.

There are, of course, I think more efforts, I think, being made in increasing in the developing countries, and even in the forums like the World Bank and the [International] American Bank, we make a point of recommending countries to improve their income distribution and even apply loan policies which favor the increasing in income of the poorest sections of the population, like favoring loans to the farmers, or to the low-income brackets in the city.

Thank you.

BLUMEL: Do you want to comment further, Bill, on some of these points? I think that many of things you raised in your statement have been commented on, and I thought you would've liked to elaborate a little bit or comment further.

HALL: Well, I think that what Mr. González has said about Latin America is certainly true. There is, I think, a difference to be drawn between what has just happened in Latin America and what is happening in other parts of the developing world, and I think there has been… the [International] American Bank and the World Bank certainly has been in their recent policies, their more recent policies, have emphasized their aid to the poorest of the poor and they're trying very hard to get to particularly the urban and the rural poor. This is a very tough job because it involves motivation of people, many of whom are illiterate, and it's very difficult to reach them, so it's a long term thing.

I think that the policies have been followed by the two banks and by all of the Development Banks. The African Development Bank, and the Asian Development Bank, and by many of the bilateral programs in the past have tended to favor major capital projects, which were easy to do. And, also, some of the other aid programs did tend to perhaps encourage a greater division of income. But I think there is a difference between on population as well as the difference between Latin America and Asia, and I don't know how one deals with a problem of population in a country like Bangladesh, for example. It's almost an impossible problem. People are basically just basically childrening themselves to death by their birth rate. And I know that at one time in Pakistan, the Minister of Health really had a policy of not extending health measures that were know because he felt that this was going to just accelerate the population growth and that they were unable to do anything about birth control, and, therefore, that it was better for hard-hearted policy, the better for people to die.

But so what you say about the introduction of new health measures is true, but I think that doesn't… at least, I have difficulty in justifying a policy of not introducing those measures, but we certainly, as a world, have to find some way to accelerate the recognition by the poorest people that they don't need all of these children to provide their social security. It has to be stopped.

BLUMEL: One of the... There are both advantages and disadvantages of competing with presidential debates. The disadvantage, of course, is that the number of people here are smaller than might otherwise have been the case, but the advantage is that there is, I think and I hope, an opportunity for those of you who are here. At this point, in the few minutes that we have remaining, to raise questions with any of the panelists or the speakers here that you might like to raise which haven't been covered. And I'd like to invite any of you who have questions to so indicate. Yes, young lady?

QUESTION 1: It's my understanding that a major portion of the demands and the issues identified by the 100+ nations calling for a new international economic order have to do with the behavior of multinational corporations. And, in fact, there's a sort of catalog of the offenses that multinational corporations has been developed at the United Nations. I don't know which person on the panel would like to address that, but since the multinationals are one of the major instruments of the existing economic order, I'd be very interested in perception on how their behavior can be changed and can begin to be controlled.

BLUMEL: Who wants to tackle that? Mrs. Hinerfield? Would you like to take a shot at that one?

HINERFIELD: Yeah. Actually, within the new international economic order resolution itself, there is no catalogue of the offenses of the multinational corporations. However, there are several provisions relating to what the "should-be" is. I mention one, which is that in cases where the developing country expropriates the property of a corporation, it compensates for the expropriation on its own terms. That, as well as some other provisions relating to the multinational corporations, or something that the United States and other industrialized countries cannot buy. Others of these provisions relate to the fact that every developing country should have permanent sovereignty over its own resources, which is the sort of underpinning of that concept of justified expropriation.

Another is that the developing country has full control over the behavior of the multinational corporation. Not only what it does internally, but what it does externally that affects the developing country that happens to be a host country of a multinational.

Now the United Nations have been very much seized by this matter. I think what brought the United Nations' attention to the issue most, prominently, is the behavior of AT&T in Chile. That was the setting-off point and then the UN became very excited about it and formed what it called a Group of Eminent Persons, who studied the situation and came out with this […] report of recommendations. Including, among which, was the establishment of a permanent body within the UN to deal with the subject. And such a body has been established. It's called the Commission on Transnational Corporations, and it is functioning with the help of a permanent secretariat now, and its main task, at the moment, is to formulate a code of conduct. A code of conduct that will apply to the multinationals themselves, to the home countries of the corporations, to the host countries where the corporations are located.

What the prognoses are for the success of this is, I don't know. The hottest issue at stake in this discussion right now is whether or not such a code should be voluntary or mandatory. And I think that they have made quite a bit of progress in their formulations. And I think that the fact that the UN sees that the matter is very important because it is a matter which really should be discussed at the UN, which is the universal, the only universal membership international organization.

Does that answer your question okay?

BLUMEL: I wonder… That's a very important issue, you're right, and a very controversial issue. I just wonder if there are any members of the panel who would like to comment on that?

HALL: I would just like to say one little thing, and that is your question and Mrs. Hinerfield's response was couched under the assumption that multinationals are some sort of evil monster that is here to…

HINERFIELD: [*laughs*] What?

HALL: …To really corrupt us and rape us all. And I'd like to make the point that those of us who are here are probably wearing clothes that come from multinational corporations. We'll get into cars made by multinational corporations, that are seeing things because multinational corporations exist. I'm talking about efficient resource allocation, considerable investment in underdeveloped countries. Technological development that would otherwise not be possible, and the generation of income and employment that would otherwise not be possible.

That's correct to say that there are multinational corporations that are good, and those which are, quote, "bad." But that's not to say that the process and the fact of existing as a multinational corporation is a *prima facie* case for condemnation. And I'd like to make that clear because it is a very important distinction for you to carry in your mind.

BLUMEL: Mrs. Hinerfield has a further comment.

HINERFIELD: I just want to set the record clear I was trying not to be pejorative. I was really talking about the multinationals in the context of the UN.

[*CALDERON laughs*]

HINERFIELD: Where, for the most part, they have been considered a force for bad rather than good. However, I agree with you, a multinational corporation and its relations to the developing countries can be a force for good *or* bad. And the advantage of formulating an international code of conduct would be to see that it is a force for good not only in the developing countries, but among the home countries as well.

I think that even for the corporations themselves, you see, such a code would be advantageous because multinational corporations today are living on tenterhooks. You know, here we are in a country. We have made so much capital investment. How long are we going to be here? Are we going to be here today and gone tomorrow? So they, in turn, would like to have some sort of code established, which provides rules of the game that are just rules, you know? And people know the rules of the game and how to play the game, and this would be advantageous to the multinational corporations as well.

BLUMEL: We have a lot of other questions. How about right here?

QUESTION 2 [*off microphone and partially inaudible*]: [...] compromise on the stand of the developing nations, of the economic world, of the economic [...], rather [with] the developed nations, the economic [...] would be much bigger. [...]. If I understand it well, then that's pretty much a deadlock, [...].

HALL: Well, the point is that the people that are… the developing countries have been reluctant to reduce their share, the per capita share or their national share. The developing countries, they've said that, the developing countries have said that the solution to increase the total package and you'll get a larger share that will keep the balance the same. I think that the developing countries have felt that this is too slow, and while they don't necessarily want to reduce the standard of living in any of the developed countries, they do feel that the only way they can get ahead is to get some of that share.

Now, the assumption has been… I think it's been unreasonable to assume that any country is going to substantially reduce its standard of living or reduce the standard of living of its citizens if it's a democracy. And I think you can get countries, or can get people, to contribute to causes which they think are important and useful. Not a tremendous amount, but 1% of national income would not really make much of a difference in the standard of living of every American and/or of every Swede, or Norwegian, or whatever it may be.

And I think that could be done. I think the danger is that if we got onto issues like this issue that we were just discussing, the multinational corporations issue, that you could so much heat in general that the willingness to make that contribution on the part of developing countries will be seriously endangered.

Somebody once said that the answer to the multinational corporation or transnational corporation problem was that we've got to treat it as we've done with the airlines. That every developing country should have one multinational corporation [*BLUMEL laughs*] as an international airline.

BLUMEL: Can we take another question right over here?

QUESTION 3: What talks are there of military aids? Slow down with technology and make a great deal? I could think of two examples. One is the purchasing for computers by China that was stopped by the military a couple of years ago, and the nuclear power that was just linked a couple of years by India when they set off their first atomic bomb. I'm just curious whether this will stop the economic growth also. This situation.

BLUMEL: Who'd like to comment on that? Kal, do you have an observation?

DUDHARKAR: Well, I don't know about the Chinese case. I know about the Indian case, and that is that their claim is that they are using it for peaceful purposes. They only use it… But it's also a well known fact that they could probably use it for military purposes. But my point on the whole issue is that, to some certain extent, some of these countries can, in fact, develop much faster if they use low-technology rather than going to high-power technology.

And I am convinced, this is the point I was trying to make earlier, that the sources and the strategies had to be developed within their own countries. That foreign aid, no matter if all the demands which have been made since earlier here are met, still, the development strategy has to come from within, and that has to come from strengthening the political infrastructure more so than all of the economic programs. Self-reliance. I want to mention, I will say there is more to be learned from the Chinese experience than anything we can talk about here in terms of developing the countries.

BLUMEL: Over here.

QUESTION 4 [*off microphone and partially inaudible*]: Someone put the financial support in perspective. I know that in itself, we gave it, last year, $17 million voluntarily by Congress in addition to [...]. This compares [...] very poorly with [...]. On another hand, Russia gets a flat [...] in the first year [...] without any improvement or any per-capita [...].

You say that Russia contributes to foreign aid 1.5 [...] to the develop [...].

BLUMEL: Are you addressing that to Mr. González?

QUESTION 4: Anybody…

BLUMEL: To anybody? I'm going to ask…

QUESTION 4: [...] a figure or a percentage if, just...

BLUMEL: I'm going to ask Mrs. Hinerfield to take the first.

HINERFIELD: Yeah, we were talking about per-capita contributions in aid. Is that correct?

QUESTION 4: The 1%. Any [...].

HINERFIELD: Yeah, well, as I said, in the United States, it is less than 3/10ths of 1% per capita foreign economic systems. And the target that was set by the United States for official development assistance was not 1%, and that includes private flows of financial resources, too. But the official development assistance target was 7/10 of a percent.

Now that has been met by Sweden. Sweden is at the top of the list, and then you go down with various figures from almost 7%, which is the Netherlands, to fairly close, other Scandanavian countries, down to the United States, and then a few below us like Italy and Japan, who are doing even worse than we are.

Now for us to meet the 7% target, we'd be giving… we're now... our assistance, our economic assistance, is something like $5 billion a year and that's both bilateral and multilateral. And to reach the target of 7 would be giving close to $15 billion a year. And so, even though you say, you know, you agree with our meeting the target, that's quite a quantum leap and, for the foreseeable future, I don't think it's politically possible.

QUESTION 4: [...] Russia [...]

BLUMEL: Yeah. Could you comment…

HINERFIELD: I don't know, yeah. Russia's per capita figure is something like 0.03. That's 3/100 or something like that.

HALL: You meant 7/10 at 1%, didn't you, rather than 7%?

[*affirmations from panel and speakers*]

BLUMEL: Yeah, that's 7/10.

GASSOWAY: That's concessional aid.

BLUMEL: Go ahead and expand on that.

GASSOWAY: Oh, I'm not going to expand, just to say it confirms concessional aid. I just have all these figures in front of me from a new AID thing, and Mrs. Hinerfield gave it very adequately, the percentages, but the 7/10 is actual concessional aid. Either it's gifts or it's something given for soft loan rates.

BLUMEL: Yes, sir?

QUESTION 5: Yeah. So far, the discussion has been pointed out that the demands in the new international economic order apply more aid from the developed countries in terms of aid, and that's generally applies to developed nations' [...] selves [...]. But I think that's not quite accurate in current events as shown in [...]. That is the Brentwood [...], predominantly means Western Europe didn't have that [...] breaking down in 1971.

Now the need for a new international economic order is not just demands by the underdeveloped countries for development, but it's absolutely necessary if we're going to have any contributing economy in any part of the world. That it is written, at this point, I'll say Italy did not pay its debts, most of the countries, [like] the United States, probably would not pay a penny at all. Again, probably.

In these economies, the national funding is going into debt faster than they're expanding their net increase of wealth, the only way they'll pay off at all. In fact, I'm not sure if there is any net increase of wealth occurring right now in the developed countries. [...] problem. The need for a new world economic order is crucial for us to realize the end of our own rise in the development of new technology here, just as it's for the underdeveloped sectors. Countries Westerning, like Italy, have not spoke[n] up at the United Nations also [...] two weeks ago after Fred [...] made an [...]. [...], developing to occur Western Europe and throughout the world, any necessary [...].

It's not a question of increasing our [...], but it means setting up a monetary system on a sound basis that commissions put it as well in the developed nations, and we're talking of the order estimate which I and Congress [pause] orderly call the new economic world order. An order that our presidential candidate [...] has estimated that immediately a new bank, a new international bank that would replace the international one called the International Development Bank, and generate on the order of $300 billion worth of credit, at least a third of which would go to the United States federal government and restart production in the underutilized industries that [...] poorly populated.

In [...], [...] the underdeveloped countries [...] have the ability to set up the financial structures on the side [...]. If we don't do this, we're going to see further bankruptcy in the national economy's [...]. Cities in the United States, like New York City, and banks in the United States [...] a large part of the debts are nullified, as someone mentioned up there. Studies done by [...].

So I'd like to hear some comments on the actual benefits on [...] necessary [...].

BLUMEL: Okay, so I think that you have raised a point which really hasn't been addressed, at least very directly. The question of... The discussion has largely been in terms of the demands and the potential benefits to the non-industrialized countries, and the point you're raising is the potential benefits or the necessity of a new world economic order from the perspective of the developed countries. And I'd think it would be interesting to have some comments from the panelists on that point. Is there anybody who would like to… ? Paul?

CALDERON: One quick point which I think needs… could be made from your discussion and from your comments and your question, and that is that you jump from the point of the question of the debt moratoria to the question of the new economic world order much too quickly for my liking. And the reason for that is that in the event of a debt moratoria, as you're discussing, for the subsequent creation of a new economic order, you'd be really generating the collapse of the Western, industrialized world as we now know it because the resources, which have been dealt, which form- which have created this so-called debt, which you are now asking not to be repaid, are the basic underpinnings of our current economic order.

So, I think it'd be an impossible dream, if you will. I agree with your concern about the prospects of increased debt and the question that industrialized nations now cannot adequately advertise the debt that they have generated. But I don't agree with that very quick leap you take from the question of the debt moratoria to the new economic world order because I think we have to deal with the issue of moratoria before we can deal with anything else. And I don't think that a debt moratoria is something which is an issue that has any basis for discussion, and maybe that's because it's too ingrained in my blood as a banker. That if I lend you money, I'll want to get paid back.

But the real… This is a situation which has many international bankers very much concerned not only in the underdeveloped world, but in the developed world as you say. I think the issue of England is a prime one, but I don't think it's a question of too much debt. I think it's a question of the lack of the will to produce economic and political structures to generate renewed growth and renewed economic activity rather than the country's inability to repay its debt.

So, let's consider that question of moratoria. It's a real easy sort of fanciful thought to entertain, but I don't think it's a realistic solution.

BLUMEL: I'm going to take one more question. Betsy?

BETSY: I heard no mention at all about the level of arms pending in the world today, and I would be interested to know the extent it actually enters in consideration of the economic problems, and whether there seems to be the records of multinational corporations and also the records of [...]. Several comments tonight almost bordering on saying that there are significant [...] code, as though perhaps there is working around some concept of a [...], which might make it possible for substantial disarmament to occur and work this economy together.

Are any of these kinds of concepts ever discussed in reference to the economic policies?

BLUMEL: Kal?

DUDHARKAR: Well I have one comment. Arms expenditure and other expenditure is like a population problem. We know it’s exploding, we know it’s bad, and we don't know what to do about it.

[*laughter*]

BLUMEL: Anybody else? Sandy?

GASSOWAY: I’ll make one comment. Robert McNamara, in his speech in Ottawa some eight years ago, he stated what the world’s arm budget was, and I forgot what it is. It’s gotten a lot bigger since then. I think it was 85 billion or something, and it’s probably doubled since then. But he said, “Just give me just 5% of that and I’ll run the World Bank’s budget for a year.” 5% of the world’s arms budget. It’s probably true. Same today. It keeps repeating this sort of thing.

I’ve just come back from Russia. Was impressed with one thing, and that is what the Russians set their minds on, they do well, and I’m very much convinced not only from my own observations, but from great deal of discussion with the people in our embassy in Helsinki, which keeps an eye on the Soviets, that they really got their first priority on two things: one is the arms budget and the second is space. And you see evidence of the arms budget everywhere. I kind of wish that they would try to do a set of few other things as their top priority outside of those two areas, and I suspect that they’d do well at it. If one of them were economic development elsewhere, they could probably do a good job. Much bigger, broader job than they do now.

BLUMEL: Do you... ?

HINERFIELD: I think that it's not just the Soviet Union that has defense expenditures at the top of its list of priorities. I think morality begins at home, and I think that if you have observed the presidential debates, you've observed a process where one candidate is out practically outspending the other candidate in terms of U.S. national security and U.S. national strength.

If Kal says this is something everybody agrees on, it would be a much better world if we controlled arms expenditure and nobody knows how to do it.

I wish that I had a penny for every resolution that has been passed in the United Nations over the years on arms limitation, and general and complete disarmament, and so forth. At every UN General Assembly session, the topic is discussed incessantly, and I might say recently, for the first time, they not only talking in terms of arms limitation, focusing on nuclear arms, but they're also beginning to talk in terms of conventional arms limitations.

Which is a good sign because here is where the developing countries themselves have been spending wild amounts of money. Here are countries with poor, poorest, starving and so forth, and they themselves are spending a tremendous proportion of their national budgets for arms because for multiple reasons: security, it's a matter of national prestige, it makes you a real member of the family of nations, you know, how many guns you have in your pocket, and I think that, you know, the fault lies in all of us here.

BLUMEL: Thank you very much. I want to thank our distinguished guest speakers and our panelists for being here this evening. I want to thank you all also for coming tonight. And finally, to remind you of the programs tomorrow, which will be held on this floor of this building. The rooms will be marked. If you do not have programs, I hope you will pick them up on the way out this evening.

Once again, thank you all.

[*program ends*]