

SOME ECUMENICAL VIEWS ON THE NIEO DEBATE

Oaxtepec, Mexico, April 1979

The following document was prepared by a group called to advise CCPD on economic matters, for the consideration of the CCPD Commission at its next meeting in the Cameroon (June, 1979) and of the WCC member churches, having in mind the series of international meetings that are going to be held during the next twelve months (UNCTAD, Manila, May - June, 1979; U.N. Conference on Science and Technology, Vienna, August 1979; IXth Special Session of the U.N. General Assembly on the Third Development Decade, Spring 1980). The document expresses some ecumenical perspectives on matters related to the present NIEO debate. This document does not represent an official position of the WCC.

I. Some WCC Stands on the Development Debate

Concern for the development of people - their struggles to liberate themselves from foreign domination, their efforts to improve their economic conditions and their fights against various forms of oppression - have been an integral part of the ecumenical movement from its very inception. The understanding of the concept and content of development has undergone many changes and the groping for a more adequate comprehension of the processes of development still continues, but it is also possible to discern some common strands in the ecumenical approach to development. In the first place, there is a conviction that the development of people is part of the gospel of salvation, even when it is concerned with material aspects and the processes involved are primarily secular. Secondly, it is affirmed that the churches have a special responsibility towards the poor and oppressed. And thirdly, development must be truly ecumenical in nature comprehending the whole world with all its diversity. The problem of the ecumenical movement has been to concretize these affirmations within specific contexts and at given times.

In the early years the ecumenical movement shared much of the contemporary views on development which was thought to be the effort of the poorer, primarily ex-colonial countries of the world to achieve something of the material progress that the advanced industrial countries, especially of the West, had already attained. It was thought too that the basic problem of development was related to non-availability of material resources and technical knowledge, which were to be transferred from the richer countries to the poorer ones. In this context, the ecumenical movement was something of a moral conscience of the nations of the world, particularly of the richer Western world, urging it to share its affluence with the poor in remote parts. The World Conference on Church and

Society (Geneva, 1966) heard many powerful and passionate pleas to the rich world to set aside 1% of its GNP as development aid. And at the General Assembly of the WCC at Uppsala, 1968, the churches gathered launched an appeal to ecclesiastical bodies to set aside 2% of their budgets for development purposes so as to become a challenge to governments and other secular institutions to commit themselves more fully to development assistance.

In Geneva in 1966, some minority voices raised the cry that development consisted basically of getting rid of the fetters of injustice embedded in the political and economic institutions within countries and at the international level. This view gained ground subsequently and found forceful expression in Montreux, 1970, where development was defined as an interrelated process of social justice, economic growth and self-reliance with the accent unambiguously on the first of these. This shift in emphasis at the conceptual level was also accompanied by the efforts to get member churches involved in development activities particularly through action-reflection programmes of people's participation. The involvement in concrete efforts of the people to liberate themselves from various forms of economic, social and political oppression led to the realization that the poor and oppressed who were thought to be the potential beneficiaries of development are the agents - indeed the only agents - to bring about their true liberation. It also brought home more clearly the oppressive power that prevailing economic and political institutions exert on the poor and dispossessed. At the General Assembly of the WCC in Nairobi, 1975, the churches therefore expressed their conviction that the process of development was essentially the struggle of the poor against the structures of domination and oppression and endorsed the view that the fight for institutional change within countries and in the context of international relations was a major part in the quest for genuine development.

A few months later at UNCTAD IV, the WCC initiated a process based on the action of the churches at various levels of society, focused on the search for a just, participatory and sustainable society (JPSS). One of the main components of this action-reflection programme has been the involvement of Christians, churches and the WCC in the search of a new economic order through which the existing injustices and disparities could be overcome. According to the experiences of many churches, it is clear that participation and sustainability cannot exist without justice, and that the struggle for justice demands a praxis of participation as well as ecological responsibility, which provide the basis for a sustainable society. An important part of this action-reflection process is the programme initiated by the WCC on "Churches and Transnational Corporations", where the attention is focussed on matters of transnationality, transfer of technology, power and accountability, etc. A clear awareness is coming through these action-reflection lines, about the urgent need to bring about systemic changes through popular

participation so that the people at large can determine the patterns of development that they should have. This was followed by the Central Committee's statement to the member churches at its meeting in Geneva, 1977, exhorting the churches to be involved both at the level of action and reflection in the search for a new international economic order(NIEO).

II. A critique of the present International Economic Order(IEO)

The state of international economic relations has deteriorated in a wide range of its components during the last two decades. But the seventies have witnessed a deepening of world problems that can only be described as an international economic disorder. It is common accepted knowledge that most of the elements of the "old" IEO still prevail, but are unable anymore to produce the internal economic adjustments in the major sectors of employment of the industrialized world. As a consequence, the already existing structural injustices prevailing in the relationships with the underdeveloped world have worsened.

It was only natural that a call for the establishment of a NEIO has been forcefully and timely presented by the underdeveloped world at the U.N., in the midst of the accumulated cycle of crises of the seventies: food crisis, energy crisis, monetary crisis, trade crisis, worsening of poverty and extensive increase of unemployment.

To understand the basic features of the present order, it is necessary to turn to its origins. Trade relationships between different countries of the world is a very ancient practice. But a big change in the quantity and characteristics in world trade took place at the beginning of industrial growth in Western countries. While technology formed the basis of growth within these countries, trade became the means of capitalist expansion witnessed dramatically during the era of colonization. Colonies were the political subjects of imperial powers of the West and the economic exploitations that trade relationship made possible was the basis of colonial domination which in some instances manifested itself even without overt political subjugation. The IEO of trade and capital transfers that emerged in the early capitalist era was thus the instrument and substance of the domination of the West over the rest of the world. It has undergone some important changes since then, but in essence it has continued to be the same. It is an order that confers special advantages to the rich and makes it difficult to the poor to survive the tough competition of the rich. The increase in international inequalities, and to some extent even of inequalities within the poorer countries is the inevitable outcome of operations of such an order which is part of an aggressively expansionist economic system.

This critique is not new. Though our insights in the working of the present IEO and in the structural causes of prevailing injustices

have deepened, the criticism is essentially consistent with that which the WCC expressed in the sixties. And the concept of a NIEO implies many policy-proposals which have been advocated already in the fifties.

The political problem is that those countries, institutions and people who had the power to change the existing unjust economic order into a just system used this power to maintain the status quo. And the result is even worse: not only a strengthening of the status quo but a growing international economic disorder, with more unemployment, poverty and inequality than ever.

Especially in the seventies, rich countries have implemented policies aiming to shift the burden of this crisis to the weaker parts of the world population or to future generations. The effect is an aggravation of the present crisis.

The failure of the industrial economies to solve their own internal problems hardens their position and retards momentum toward the achievement of a NIEO. To the extent that support for a NIEO in the industrial world presupposes some perceived cost or sacrifice, such support is predictably weakened when it is thought to aggravate already existing economic burdens.

Four sets of issues can illustrate the argument sharply:

- a) Growth and employment: Throughout much of the 1970's, numerous Western countries have compiled a disappointing record in their rates of economic growth and levels of employment. In part, these results arose because of policies that accorded priority attention to dealing with inflation (e.g., The Federal Republic of Germany); in part they reflected a failure to solve a persistently high incidence of unemployment among vulnerable segments of the population (e.g., U.S.A.).

In either case, a climate is created wherein the needs of poor countries do not receive the priority they require. (A particularly graphic example is restrictions on international migrant labor - a convenient safety valve for defusing the unemployment burden in the host country). Justice and solidarity should be sufficient reasons to mobilize industrial nations' support for a NIEO and not to condition its implementation to the achievement of accelerated growth in output and employment, when even in many industrial countries an open debate has started about the nature and the quality of further economic progress.

- b) Energy policy: Although one can argue about the circumstances by which the drastic rise in oil prices came about in 1973/74, most observers believe that oil (and other energy sources) have for too long failed to reflect their true scarcity value. Moreover, there is now perhaps more widespread anxiety than ever before about the adequacy of energy supplies to meet projected levels of demand at tolerable prices unless major conservation efforts

are undertaken in consuming countries in conjunction with policies to develop new supplies. To date, initiatives - both on the demand and supply sides - have been halting. A major responsibility devolves on the industrialized world. There the potential for conserving on energy use without jeopardizing welfare is infinitely greater than in Third World countries where rapidly expanding energy needs accompany the drive for industrialization. Industrial countries possess the capital resources to develop new energy technologies and to develop the new supplies from what is, in the case of some countries (e.g., U.S. coal) a favourable resource base. Capital so deployed would ease pressure on world oil markets. A failure to come to terms with this problem can easily lead to a scramble for limited energy supplies during the next decade or so - a process in which the claims of Third World countries can easily be ignored.

- c) Protectionism and bilateralism: The twin problems of slack growth and a rising oil import burden threaten to restrict the volume of international trade and thereby damage both industrial and Third World countries. Both benefit from an expanding volume and multilateral network of world trade. Nevertheless, strong protectionist impulses have become evident in recent years. One effectively restrictive trend is growth of bilateral trade agreements. In some of their less edifying versions, these agreements have involved the exchange of arms for oil. But even where the trade in question involves "legitimate" products, the trend toward bilateralism, evoking the beggar-thy-neighbour policies of by-gone trade wars, is to be deplored. The world trade scene in recent years has also witnessed charges and counter-charges of "dumping", the negotiated imposition of quotas and the rise and number of non-tariff barriers. Our principal point is to warn of this potentially divisive tendency in trade relations, whose effect on the world economy is being reflected in the difficulty of major recent international negotiations, as for a dramatic instance the failure in mid-February, 1979, of a New Interantional Wheat Agreement, leaving the world at the mercy of a possible "wheat cartel" and eventually a new food crisis, if the major producers curtail again, the acreage planted with wheat.
- d) Global monetary and financial crisis: The international monetary and financial system is an integral part of the IEO. It was designed to support the domestic growth of capitalist industrial economies to further closer economic relations among them and to facilitate the integration of the Third World (then largely colonial territories) into the capitalist international order. For a quarter of a century the system worked rather well in terms of its own goals. But these did not include national development for the Third World territories. For them the system imposed external control of monetary and financial systems and created a dynamic toward mounting external debt, increased

outflows of capital and surplus and pressure toward increased export orientation to secure the foreign exchange for international currency reserve, debt service, and profit transfers.

Today, the Bretton Woods system has collapsed. This crisis weighs especially heavily on poor people and poor countries. In the industrial capitalist economies, financial and balance of payments crises have led to restrictionist measures raising unemployment and eroding social services. For the Third World, it has led to export earning losses, increased growth of external debt, enforced stabilization programmes giving top priority to debt service and no priority to the basic needs of the poor.

Meanwhile, the economic growth that has occurred among developing countries in recent years has been insufficient to materially improve the welfare of their inhabitants. Even if per capital growth rates in developing areas had matched those elsewhere, the absolute per capita gap between rich and poor would have widened. In fact, as the accompanying World Bank estimates show, developing-country growth rates for the period 1960-76 lagged behind significantly. Moreover, aggregate country growth rates - modest as they are - are widely thought to have sharpened income disparities within numerous developing countries. As expressed by World Bank President, Robert S. McNamara, in his Foreword to World Development Report, 1978, "... some 800 million individuals continue to be trapped in ... absolute poverty: a condition of life so characterized by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality, and low life expectancy as to be beneath any reasonable definition of human decency." (See Table I)

In sum: The new protectionism hurts people in developing countries and hampers a restructuring of world agricultural and industrial production. The energy policy of the industrialized countries leaves little room for energy consumption by poor people and in the future. The arms race makes it impossible to spend substantial funds on the eradication of poverty. The increasing tendency of the super powers to deal with world problems just among themselves weakens the U.N. The policies of the same countries...

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1. World military expenditure grew from 242 billion dollars in 1970 to 420 billion dollars in 1977. For comparison, 1977 investment in Third World countries was of the order of 210 million dollars and official development aid was not more than 25 billion dollars.

to increase their spheres of influence hamper a genuine development in many Third World countries. And the support given to transnational corporations increases the risk that economic developments in the future cannot be controlled by the people themselves and by their chosen representatives.

Therefore, and because for an ever growing part of the world's population poverty becomes unbearable, it is extremely urgent to take action. That is in the interest of all people, both in developing and in industrialized countries, in South, East and West.

III. Some items on the agenda of the NIEO negotiations

The NIEO negotiations which started at the VIth Special Session of the U.N. General Assembly (April, 1974), took place in different fora. These will continue until next year starting with UNCTAD V, in Manila, May 1979. Many issues are involved in these negotiations. Some are the same as those which were on the international agenda in the fifties and the sixties, and some are new items. In this chapter we will discuss some of them (finance, trade in commodities and manufactures, food, transnationals and technology), leaving others (e.g., seabed, communication, disarmament) for a later stage.

Food

One of the major problems of our time is the permanent state of hunger and malnutrition created by the structural imbalance in which two-thirds of the world's people produce only one-third of the world's food. Disparities in food consumption between the North - with overall overconsumption of food - and the South - with an overall food deficit - are rampant.

During most of their pre-colonial history, the peoples of the South were self-sufficient in food. It was the gradual integration of the South in the international division of labour dominated by the North that erased this self-reliance. The old economic order, based on the colonial system, is at the root of today's situation. Developing countries, often on the basis of monoculture, became highly dependent on exports of primary products. Many rich countries were able to reach a high level of self-sufficiency in food production. From net exporters of food, the developing countries became net importers. And developing countries, where many people are too poor to buy basic food, export through transnational companies food products like meat, fruit and vegetables at low prices to consumers in industrialised countries.

The present situation is that over one billion people suffer from some degree of calorie deficiency. More than 450 million people are seriously undernourished, a figure which is increasing annually.

Most of them live in the poorest developing countries, others in middle income developing countries. In some rich countries there are extensive areas of hunger and malnutrition. (In the USA, for example, 20 million people, or about 8% of its population suffer from it).

Global average annual growth of food production is inadequate: 2.4% in the period 1974-1978 (1.9% in the industrialized countries and 3.1% in the developing countries, less than in the sixties).

The slow rate of growth in food production in recent years has made developing countries highly dependant on food imports. So developing countries' grain imports rose from 32 million tons annually in 1962-1964 to 68 million tons annually in 1977-1978 (of which 9 million tons were transferred as food aid). Total food imports for domestic consumption in developing countries rose from 7 billion US dollars in 1970 to 22 billion US dollars in 1976.

Based on recent trends, aggregated developing countries' import needs will reach 145 million tons in 1990. A short term response to this problem is to enable developing countries to earn more foreign exchange from their exports of raw materials and manufactures (and to increase long term food aid to the poorest countries).

The only long term solution is to enable developing countries to raise their domestic food production.

Therefore, it is necessary that they receive the necessary inputs in food production (capital, technology, seeds, fertiliser, etc.). This, however, will only be effective if the following conditions are met:

- an adequate agricultural reform, beginning with radical land reform, within developing countries to the benefit of small farmers;
- economic growth and income distribution within developing countries to the benefit of the poorest people, enabling them to demand food;
- a change in agricultural production in developing countries to increase self-sufficiency in food;
- a decreasing dependence in agriculture on foreign enterprises which press for export agricultural products;
- higher export prices and earnings of developing countries' raw materials and manufactures, not only to finance food imports in the short run but to enable them in the longer run to deploy resources for local food production.

Commodities

From the foregoing it will be clear that there is a direct economic relation between the prospects of the developing countries in

the field of food and agriculture and their position in international trade in commodities and manufactures.

Still many developing countries depend heavily on the production and exports of raw materials. Thereby they meet substantial difficulties:

- low export prices (especially in comparison with the prices of imported manufactures);
- wide fluctuations in export prices;
- relatively small value added, due to the fact that the processing of raw materials is concentrated in industrial countries;
- for many commodities the demand only increases with the rate of population growth, and quite a few meet increasing competition from synthetic substitutes.

Since the Second World War many proposals have been made to deal with these problems and to enable the developing countries to increase the export earnings of their commodities and to diversify their economies. These proposals have hardly been implemented. Only very few international commodity agreements were reached and these were not very effective because in fact they only dealt with the problem of price fluctuations.

Since 1973, the developing countries demand an Integrated Programme for Commodities (IPC). Essentially this means:

- dealing with the various problems not on a commodity by commodity basis, but for all commodities simultaneously;
- dealing with all the problems concerned and not only with the problem of excessive price fluctuations (thus stability of export income and not only of export prices, increased export income, increased local processing, greater participation of exporting developing countries in marketing and transport and a more sure access to markets).

Essential for such an IPC is a facility to finance the necessary policy instruments. Therefore, a Common Fund has been proposed to finance the programme.

The negotiations on the Common Fund took several years. Recently they have been concluded with some success: agreement has been reached on the creation of a Common Fund. However, the outcome is very modest in several respects:

- the agreed Common Fund is very small;
- product coverage is small too;
- some economically powerful industrial countries still refuse to support activities of the Common Fund other than buffer-stock financing (which is the main instrument to create more price

stability);

- there is as yet little hope that negotiation with regard to the individual commodities within the framework of the IPC will be successfully concluded within a reasonable time period. (In fact, at present no individual commodity agreement likely to utilize the Common Fund exists);
- until now there are no results with regard to the other elements of the IPC (local processing, etc.).

Therefore, it is important to realize that the negotiations on the IPC have not yet been concluded; they have hardly begun. At UNCTAD V decisions on the scope and the time schedule for these ongoing negotiations should be made. These decisions should be based on a commitment of governments:

- to work for a really effective IPC for as many commodities as possible, dealing with all the structural problems involved;
- to guarantee individual producers and farmers an income which at least enables them to fulfill their basic needs;
- to guarantee exporting countries an income (e.g., through adequate compensatory financing facilities next to price stabilization measures) which enables them to finance the imports necessary for their economic development;
- to control the activities of national and transnational companies active in the field of production, transport, marketing and distribution of commodities.

Manufactures

The relations described above also apply to production and trade in manufactures. A radical restructuring of production and trade in manufactures is central to the attainment of a NIEO, not only because of the inherent necessity of industrialization in a process of economic development, but also because of the relation between industrialization and the prospects of agriculture and other sectors of the economy. Industrialization is a must for developing countries to reach their targets with respect to employment, food consumption and general welfare. However, for restructuring to lead to a NIEO it must be within a framework set by states concerned with the welfare of the poor, not of transnational corporations concerned with surplus maximization. Restructuring is essential, but restructuring which is by and for workers and farmers through their states, if it is to relate positively to the establishment of just, sustainable and participatory societies.

The Lima UNIDO Conference set goals for a 25% Third World share in global manufacturing production for the year 2000 (versus under 10% now). This requires a share of 30% in global trade in manufactures. The Arusha Meeting of the 77 reaffirmed these

targets. They represent a technically feasible first step towards a less unequal division of world production and trade. Little progress has been made in spelling out how these targets can be reached.

In fact, the past few years have seen the emergence of a virulent new protectionism threatening the existing access for manufactured goods exports of poor countries to industrial economy markets and also threatening the continued expansion of trade among capitalist industrial economies. The new protectionism is in part a reaction by capitalist industrial economy trade unions against TNC restructuring of the world economy in ways perceived as threatening the livelihood of their members. Its increasing momentum flows largely from the stagnation and increasing social tensions which have characterized the capitalist industrial economies since 1973. The Multifibre Textile Arrangements - its best known but far from only manifestation - have choked off the growth in production and exports of garments and textiles to industrial capitalist economies with grave damage to several Third World economies.

The immediate problem at Manila is halting the advance of the New Protectionism. If this does not happen there is a real likelihood that trade restrictionism will become more and more widespread, greatly aggravating world production, employment and trade problems. The Tokyo GATT round utterly failed to resolve the danger. In the short term, restoration of the GATT framework of liberal trade and tighter regulation of "safeguard" clauses (special import restrictions to meet a crisis situation) halting new coercive export quota and trade agreement coercion by the capitalist industrial economies and immediate steps to begin dismantling existing ones (notably MFA) seems appropriate. That view has been put forcefully by the 77 at Arusha.

However, free trade cannot offer a long term solution to restructuring world production and trade in manufactured goods. Freer access to centrally planned and capitalist industrial economy markets is a necessary condition for achieving the Lima targets, but not a sufficient one. Major restructuring requires international government management of change. The target products, trade levels and related supporting measures do need to be planned to ensure that costs and benefits are equitably shared, transitional problems minimized and control kept in the hands of national and intergovernmental bodies at least in principle responsive to the needs of their societies in a way TNC's cannot be. The long term goal of managed trade to facilitate Lima production and trade targets was also endorsed by the 77 at Arusha.

The possibility of restructuring and the meaning of whatever restructuring in manufacturing is achieved cannot be separated from transfer of technology, restrictive business practices and control over TNC's. Access to and freedom to use technology at

at reasonable prices, reduction of private trade restrictions against Third World manufactured exports and reassertion of national sovereignty over TNCs (in the industrial capitalist as well as the Third World economies) are correctly seen by the 77 as integral to restructuring manufacturing production and trade.

Restructuring manufacturing will require all economies to restructure employment. For the industrial capitalist economies this will require active employment policies to ensure that the costs of change do not fall on the weakest individuals and communities, and that unemployment is reduced. To date imports from the Third World have caused perhaps 2-4% of gross industrial capitalist economy job loss and have been largely balanced by job gains on expanded exports to the Third World. Thus, the New Protectionism has been largely an exercise to scapegoat and mystify rather than tackle the unemployment problem. With major restructuring, a higher proportion of the need to create new jobs - perhaps one in four - would relate to global manufacturing changes. In the context of a JPSS, solutions must avoid allowing further rises in unemployment, placing the burden on the weakest (e.g., expelling migrants) and seeking to block restructuring. Altering employment structures toward public and private services, changing work-week or work-year or work-lifetime lengths and other growth and life style changes can allow an active employment policy to succeed.

The central test of the success or failure of UNCTAD V in Manila will probably be its ability or inability to halt the advance of the New Protectionism and to make a start toward negotiating a framework for planned changes in manufactured goods production and trade structures. Despite a clear coherent and negotiable 77 position there are grave doubts whether the industrial capitalist economies will be willing to join in a serious attempt to achieve success in this area.

Technology/TNCs

Development requires access to and mastery of applied knowledge. Development defined in terms of a nation or society requires national control over economic units. Today inequality in command over and ability to create applied knowledge and transnationalization of production by large enterprises operating across national frontiers are among the central characteristics of the system of international economic relations. Therefore, technology and TNCs are central concerns both in the struggle for just, sustainable and participatory societies nationally and for a NIEO globally.

Domestically, the key questions concerning technology are choice and creation. What socio-political ends are sought and which technologies are necessary for, or consistent with, attaining them? How can national ability to understand, control, adapt and create technology be developed?

Internationally, the issues center on a transfer of technology - that is access to, control over the use of and the cost of technology to secure it from industrial capitalist or socialist enterprises and states. Access to technology is often critical to altering levels and structures of production. Restrictions by transferers on technology use often hamper Third World building of manufactured goods exports. Very high technology changes slow the pace of growth and increase balance of payments and debt problems.

The basic question of whether private ownership of knowledge (patent, trademark, copyright) is either ethically sound or economically appropriate has been raised in the NIEO debate. However, actual negotiations have centered on a proposed Code on the Terms of Transfer of Technology drafted by a group of experts convened by UNCTAD and under negotiation among governments.

The Draft Code is based on national and regional codes including those of Mexico, India and the Andean Pact. It seeks to regulate charges and conditions of use of technology and balance in contractual relations which accept the concept of intellectual property rights. To date, industrial economies have sought to erode controls and to limit enforceability. In fact, the present code is weaker than many industrial capitalist economies' internal regulations and is at most a first step. Its adoption, however, could be a small step toward a NIEO - its continued rejection is a symbol of refusal to proceed towards equal access to knowledge and therefore to opportunity to develop.

Transnational corporations are the dominant institutional forms of capitalism today. They account for about one-third of the output and half the international trade of industrial capitalist and Third World countries and have increasing links with socialist industrial economies. Their massive presence - especially in knowledge, finance, manufacturing and commerce - makes them critical to the structures of production and distribution in First and Third World States. Their multiplicity of operations in several States makes national regulations difficult even for capitalist industrial economies. Their internal logic centered on corporate growth and profit on a global basis means that national development requires the reassertion of national sovereignty over their activities.

In the absence of national control, trade between States which is internal to corporate groups, shifts of surplus and production from one State to another, decisions over technology transfer and use are taken by TNCs without concern for national economies much less for societies and least of all for the poor. These problems are not unique for Third World economies, but are more severe for them than for the capitalist industrial economies.

Internationally, the TNC issue has focussed on a "permanent sovereignty over natural resources" and a Code of Conduct for TNCs.

The first has achieved the status of an international legal principle and has been used to achieve initial revision of some grievously unequal mining contracts. The Code - drafted by the U.N. Transnational Center is the subject of deadlocked negotiations. Its central features are to require TNCs to disclose information to States, to obey national economic legislation and to end restrictive business practices. Despite the fact that TNCs create problems in their economies and that they have sought to regulate nationally, industrial capitalist economies have resisted adoption of a Code and especially adoption of interstate enforcement procedures.

The Draft Code - like the one on transfer of technology - is weak. It does not fully assert the social nature of capital and the necessity for social control over its use nor does it provide a set of regulations as restrictive as those imposed domestically by some capitalist industrial States. Nevertheless, its adoption and implementation could be a first step towards reasserting social control over capital and national sovereignty over production and trade. Without those reassertions, a NIEO is unattainable; production and trade changes would benefit TNCs, not national societies and still less the poor whether in Third World or capitalist industrial economies.

Finance/Money

The postwar IEO was founded at the 1945 Bretton Woods Monetary and Financial Conference. From that Conference came the International Monetary Fund (IMF) to regulate international liquidity, exchange rates and payments and the International Bank for Reconstruction and Development (World Bank) to play a central role in resource transfers first for Western European reconstruction and subsequently for Third World development. Together with the General Agreement on Trade and Tariffs (GATT) to promote freer international trade, the Fund and Bank set the framework for the 1945-70 era of relatively rapid, sustained growth of the capitalist industrial economies.

Likewise, the erosion of the old order lending to the present New International Economic Disorder first made itself apparent in the international monetary field at the end of the 1960's. The erosion of the strength of the dollar, the explosive increase in private international lending (TNC banks) beyond effective national or IMF control, the uneven distribution of international liquidity and the growing balance of payments crises of major industrial capitalist economies put an end to the orderly international monetary system the Fund had regulated. Repeated attempts to re-establish modified variants of that system have failed - the monetary scene remains one of disorder, not order.

Even if the old order could be restored, neither economic logic nor social justice would be served by doing so. The system was designed by central capitalist economies to serve their interests

as perceived in 1945. The changes in production structures among industrial economies and the demand for development of the Third World countries require a new system as does the need to relate socialist industrial economies to a NIEO on monetary issues in a way impossible within the present IMF.

No clear set of proposals for global monetary and financial reform as a basis for negotiation exists. A general pessimism on the prospects for monetary reform has limited the proposals likely to be before the Manila UNCTAD. However, a checklist of the minimum elements for the monetary and financial side of a NIEO would include:

- a) re-creation of the IMF as a global central bank with a central bank's power to create liquidity via the issuance of special drawing rights;
- b) linking issues of special drawing rights both to global international reserve needs and to national development requirements;
- c) orienting the new central bank to development and employment and away from the narrow restrictionism which has characterized the IMF;
- d) bringing TNC banking (e.g., the Eurodollar market) under the new central bank's control;
- e) expanding and reorienting the World Bank to make it a more serviceable source of support for nationally oriented development oriented to social justice;
- f) creating structures of participation and voting in the new central bank and World Bank more equitable and less biased against the Third World than the present one dollar, one vote;
- g) identifying and filling gaps in the structure of international financial institutions

Only on the gap filling is any serious discussion likely at Manila. The gaps include: compensatory finance adequate in amount and duration to cover temporary needs of economies (especially Third World economies) severely affected by export price falls; explosive rises in vital import prices or natural disasters such as drought; medium period (10-20 years) loans for broad development programmes and major productive unit creation (e.g., mineral project development) at bearable interest rates; Third World controlled financial bodies to support the growth of intra-Third World production, trade, communication and finance.

Debt

The burden of external debt servicing weighs heavily on many developing economies. The burden is increased by the uncertainty of export earnings from commodities and the threat posed by the New Protectionism to changed structures of manufactured goods production and trade.

The dynamic of debt creation is part of the dynamic of inequality. On the one hand, attempts to develop - whether through increasing exports or through nationally oriented production - often result in rising debt. On the other hand, the very process of expansion on the part of the industrialized capitalist countries, led by transnational corporations and banks, has stimulated the creation of debt in the Third World countries.

The basic issue of how much, if any, of the debt built up within an hierarchical and inequitable international economic system should be repaid has never been squarely posed at the international negotiation level.

The issues before Manila include:

- a) a global conference to set criteria for partial debt deferment and write-off (as opposed to case by case negotiations after a crisis emerges);
- b) increased access to industrial economy markets for Third World exports to make debt service less burdensome;
- c) adequate compensatory finance to reduce the special burden of debt service during balance of payment crises;
- d) recognition - especially by the IMF - that national social justice and development goals must have first priority and debt service a lower one in credit and stabilization programmes negotiated by the Fund with member states.

These measures would not solve the debt problem - only the achievement of the trade and monetary aspects of a NIEO could even begin to do that. Nor can they be seen as fully consistent with social justice. However, they would move the struggle over debt in a direction less inconsistent with attainment of a NIEO and of social justice.

Aid

Aid is not a permanent feature of a NIEO. Rather it is a transitional necessity until the inequalities of the old order have been lessened. As such it should be seen not as an act of charity but of mutual self-interest or of solidarity, rather analagous to unemployment or disability compensation within capitalist industrial economies.

Aid is inadequate in amount. The 1% of Gross Domestic Product (GDP) target agreed by most industrial capitalist economies has been met by few of them - the average is under .49%. It has never been accepted by socialist industrial economies - their average aid transfer is about .19% of GDP. The only groups meeting the target are the five richer OPEC States.

Aid is equally inadequate in quality. Much is little more than export promotion credits. Little is available as programme support grants for nationally determined development priorities. Disbursement, purchasing and accounting controls greatly hamper its value. Many aid allocations divert national development away from social justice and meeting the basic human needs of the poor. Finally, aid transfers remain unilateral and annual rather than automatic and predictable.

The quantitative and some of the qualitative targets will be on the Manila agenda. Their endorsement there is likely, but real progress will depend on Third World and domestic pressure on capitalist and socialist industrial economy governments to implement the Manila resolutions rather than to ignore them as they have their predecessors.

Because aid is at best a support for transition to a NIEO and at worst a palliative suppressing symptoms without treating structural causes, it is self-defeating to seek to make aid the main route to development, NIEO or social justice. However, especially for very poor economies whose states are committed to social justice, aid is critical. Its presence will not bring just, participatory and sustainable societies but its absence or inadequacy can set back the struggle for their attainment.

Conclusions and recommendations

1. Disillusion and failure in the dialogue and international collaboration.

The Second Development Decade is coming to an end in a general climate of frustration and disenchantment. The countries of the Third World have not seen their aspirations satisfied. The decision-making process in international relations continues out of their reach.

2. A stage opens which requires action.

The Third World countries must now move from frustrating dialogue to a stage of organization, coordination, and action - mobilizing the political forces committed to breaking the relations of dependency and eradicating internal inequalities. Future negotiations represent a challenge which requires political determination in order to break the impasse. They are also an opportunity to modify attitudes among the leading circles of the developed countries.

3. Worsening of the crisis and deepening of the inequalities.

The urgency of action is even more inescapable than before given the deterioration of the international situation and its repercussions internally. The difficulties are shown to have structural

roots and thus do not respond, as before, to solely short term policy measures. The dangers of inflation persist; unemployment has taken on structural characteristics; disequilibrium in the monetary system makes commercial relations anarchical and leads to a deterioration of the financial system; debt strangles and conditions development patterns; the entire system gives rise to a growing fragmentation of, and contradictions among, interests and policies. In sum, a dynamic of instability and inequality is strengthened.

4. The interrelation between the international crisis and internal conditions.

The effect of the crisis in the economies of the First and the Third World demonstrates that it is not possible to consider the two spheres independently. The internationalization of capital and production, the expansion of the transnational corporations, the reinforcing of bilateralism and protectionism are only a few of the factors which are now remodeling international relations and imposing styles of development more connected to these relationships than to those of the respective peoples. The urgency of action toward the establishment of a NIEO is critical to national economic restructuring.

5. The general impact of the crisis on the people of the First and Third Worlds.

This deterioration is only in part a problem of governments. The dependency and exploitation of the peoples of the Third World continue to be the object of prime concern. But the deterioration and instability of the conditions of life of important segments of the population in First World countries requires increasing attention. This situation also demands the mobilization of the political forces of these people for internal and external changes. This amplification of national conflicts also opens the door for social, political and ideological solidarity with and among the exploited which, based on solid popular interests, goes beyond the realm of charity.

6. In search of effective people's participation and representation.

Peoples, and especially the most deprived sectors among them, are at the last instance, the real protagonists of the development process. The transformation of socio-political conditions and relations within each country is not only a requirement of a just and participatory society, but also of human development. To strengthen the political capacity of the poor, and to bring about higher levels of solidarity with them is matter of urgent consideration.

7. The urgency of other strategies, policies and models of development.

In view of the above, it is necessary to formulate alternative

strategies which are adequate for distinct historical realities, not an abstract or universal model, but rather, based on a series of criteria, one which serves as a plan of partial goals for action within the framework of tactical considerations in each situation. This requires a programme of action, mobilization and people's participation in favour of a society which they feel is their own. This set of criteria touches on the whole range of internal social relations, their economic results, and the aim of political change necessary to include the poor in global decision-making. Production as a social process must be oriented toward meeting human needs, understood not only in a material sense but in the widest sense of people's rights.

8. Development for peace and cooperation. As it was stated at the WCC Consultation on Disarmament, Glion, Switzerland (April, 1978):
- "The interlocking relationship between the existing world economic order and the military-industrial bureaucratic technological complex hinders the proper utilization of available resources. Disarmament is therefore essential for the proper utilization of the human and material resources available for social development and for the creation of a New International Economic Order (NIEO).

For example, the labour, resources and facilities currently used for military purposes can be more effectively used for the satisfaction of basic human needs in both developed and developing countries. Resources released by disarmament could be channelled to more positive and less dangerous technological research for development, e.g., sources of energy, (...)

The armaments race has further detrimental effects on national and international development in that it has caused military research and development (R & D) to predominate in science and technology. It often absorbs the best scientific and technological talent, wastes human and material resources, and distorts research priorities, particularly in Third World countries.

The labour, resources and facilities now devoted to military activities should be channelled instead to the satisfaction of basic human needs in both developed and developing countries. The present concentration on military research and development could be replaced by intensive efforts to tap new energy sources, overcome malnutrition and disease, solve pressing urban questions, provide answers to housing and transport needs, and discover new forms of appropriate technology for the developing world." (The Security Trap - Arms Race, Militarism and Disarmament: A Concern for Christians, IDOC International, Rome, 1979, p.143).

A main theological conviction of the WCC through this process is that God's justice is exercised, in the first place, by giving priority to the poor and the oppressed. To the poor the Kingdom of God is promised (Lk. 6:20). To them the Gospel (the liberating power of God) is proclaimed. To the captives and oppressed, liberation is announced (Lk. 4:17-19). With this in mind, and trying to be aware of all the implications of these biblical affirmations, the churches and the WCC are trying to be involved in the search for a new international economic order, bringing more justice to people's lives.

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TABLE I

AN ECONOMIC PROFILE OF DIFFERENT COUNTRY GROUPS

<u>Country group</u> ¹	<u>GNP per capita</u>		Index of per capita food production in 1974-76 (1965-67=100)
	US \$ 1976	Annual % growth rates 1960-76	
Developing countries:			
- Low income	150	0.9	96
- Middle income	750	2.8	104
Industrialized countries	6200	3.4	110
Capital surplus oil exporters	6310	7.0	...
Centrally planned economies	2280	3.5	114

¹Low income = below \$ 250 per capita

Middle income = above \$ 250

Industrialized = OECD minus Greece, Spain, Portugal and Turkey (which are classed as "developing") plus South Africa.

Capital surplus oil exporters = Saudi Arabia, Libya, Kuwait.

Centrally planned = China, USSR, all of Eastern Europe except Yugoslavia, Cuba, North Korea and Mongolia.

... not available

Source: World Bank, World Development Report, 1978, pp. 76-77.