

Editorial

THE persisting recession, unemployment and inflation in the developed countries, and the failure to reach agreement on a basis for re-opening global north-south negotiations at the Special Session of the United Nations General Assembly, scarcely seem to offer any bright prospects for 1981. Yet the underlying interest of both the developed and the developing countries in breaking the present impasse is greater than ever, not only on political grounds, but also for solid economic reasons on both sides.

Over the last year this Journal has frequently noted the contrasting fate of global meetings which have made little or no progress, such as UNIDO III or UNCTAD V, as compared with the detailed negotiations devoted to specific issues. We refer specifically to the agreements on the Common Fund and the Principles and Rules for the control of Restrictive Business Practices, and the more hopeful perspectives now opening up for the Law of the Sea and the International Code of Conduct on the Transfer of Technology.

There seems little chance that the global negotiations on a comprehensive programme for a new international economic order will result in anything more in the short term than continued sterile confrontation, and in these circumstances the suggestion of the United States Overseas Development Council is worthy of attention. The Council, in its publication *The United States and World Development Agenda 1980* (reviewed in this issue) has suggested a "two-track" approach to present problems. The longer term objectives of the developing countries in the new global negotiations would be recognized, while at the same time a determined effort would be made to agree upon an agenda consisting of real negotiable issues for a short term two year programme. Substantially the same idea underlies the Brandt report, the initial reception of which was distinctly cool in some of the developed countries, but which now seems likely to have paved the way to the Summit Meeting in Mexico in June convened by ten countries, five developed and five developing countries, owing largely to the joint initiative of Chancellor Schmidt and President Giscard d'Estaing.

The principal short term economic interest of the developed countries is security of supplies of oil and predictability about its price—which of course in real terms is likely to continue to rise as supplies become scarcer. But they share with the developing countries a vital interest in resuming growth in the world economy, and hence in resisting restrictions on international trade. Granted, priority has to be given now to combatting inflation; but inflation is largely a home grown product—no serious economist of any persuasion has ever denied that there is a relation between the level of real incomes and employment.

An immediate package for the developing countries could be: a more vigorous effort to make the Common Fund operational and to press forward negotiations on selected commodities of special interest to the poorest countries; reform of the International Monetary Fund, partly in its voting structure to take account of the changes in the relative financial strength of members since the

original rules were drawn up, and partly to alter the rules of conditionality; doubling the World Bank's loan-to-capital ratio; a change in the rules for public aid on a grant or strongly concessional basis so that it is concentrated overwhelmingly on the poorest countries; adoption without delay of the Code of Conduct on the Transfer of Technology so as to lead to the conclusion of numerous north-south technology agreements which would not only greatly expand the flow of technology but also assist the developing countries to build up their own capabilities; and, in a variety of specific ways through the established bodies of UNCTAD and GATT, a reversal of the trend towards restriction in international trade—an immediate interest of the more advanced developing countries but ultimately in the interest of everyone.

The suggested package is a mere outline. But it is in the concrete interest of both developing and developed countries, and is perfectly feasible. There must however be a desire on both sides to produce practical results and there must be a genuine consensus. Impetus to such renewed negotiations can be given both by a Summit Meeting of the kind now envisaged and in the UN General Assembly. Yet, while there is certainly scope for changes in the structure and voting arrangements of particular organs, as in the instance already given of the IMF, it is however quite unrealistic to expect the developed countries to agree that all the north-south negotiations should be subject to the deliberations and directions of a single United Nations committee, where the developing countries would have a built-in majority.

It is not known at present what the effect is likely to be of the advent of President Reagan, and more particularly of a Republican Senate in the United States. The new President has however declared that he will work hard to rebuild a bipartisan base for American foreign policy. This will enable the Administration to do some new thinking and even to adopt some new ideas. We also welcome the proposals of Lord Carrington to strengthen the foreign policy component of the European Community.

In political terms the attitude of the "non-aligned countries" towards the West is a reflection of the policy adopted by the Group B countries in respect of the legitimate economic aspirations of the "Group of 77." Perhaps there is now a chance that a constructive response towards the third world will be included as a central element of the foreign policies of the developed countries, and that the cost will be seen not so much as a fraction of their gross national product, but as a necessary and vital constituent of the general costs of an enlightened foreign policy.