

Editorial

NOT THE LEAST of the outcomes of the Brandt Commission was the Cancun Summit which brought together the leaders of twenty-two countries, including President Reagan, Mrs. Thatcher (also representing the EEC) and President Chadli Benjedid of Algeria, the country which is the spokesman for and one of the driving forces in the Group of 77. Expectations from this meeting were raised high by the media, which now profess to be disappointed. It is important to assess what was actually achieved, modest though this may be. The most significant act was an agreement to support the relaunching of global North-South negotiations within the framework of the United Nations. True there is agreement on neither procedure nor timetable but a new start may be made shortly. Such an outcome required concessions on both sides: from the United States whose present Administration is reserved both about global negotiations and the United Nations as a forum for them; and from the 77 who were seeking wide ranging preconditions for new negotiations. Agreement reached on what is needed in specific areas is also likely to have an impact, in one way or another. The gravity of the world food supply situation has led to emphasis on what the developing countries have to do themselves to provide incentives to farmers, yet fully recognizes the need for more applied research and technical aid. Public insistence on resisting barriers to trade from such a wide spectrum of countries is yet another warning of the dangers of protectionism. There is clear understanding of the need to help countries dependent for their exports on only one or two single commodities to get reasonable and more stable returns; three significant countries, France, India and the United Kingdom announced they would ratify the Common Fund agreement. There was not yet unanimity on the need for a new affiliate of the World Bank to deal with energy, with as a main objective the attracting of funds for energy exploration and development in the third world from capital surplus oil-exporters; but it seems likely that the United States will have to withdraw their opposition. On the face of it there was no progress on money and finance, with the rich countries predictably insisting on the independence of the World Bank, the IMF and GATT, but more of them recognize that these bodies will have to and should give more power to the poorer countries in their governing bodies.

The significance of the Cancun Summit is that it makes possible a step forward in North-South relations. Algeria, in the name of the 77, which presented the case for the developing countries with dignity and moderation, has once again succeeded in getting across that the problem is made up of interconnected facets, is in fact a global one, and has to be tackled as a package recognizing the interests of each party, while advancing along the whole front. Some light is thrown on how this may be done by two recent reports. One is the first of what is to become a new series of annual reports by the Secretary-General of UNCTAD; the other is the fourth annual World Development Report by the staff of the World Bank.¹

¹ *Trade and Development Report 1981*, United Nations Publication Sales No. E.81.II.D.9; *World Development Report 1981*, Oxford University Press.

The UNCTAD report puts the trade problems of developing countries into perspective. The annual rate of growth prospects of the volume of exports of oil-importing developing countries accelerated from 5.6 per cent in 1970–75 to 9.0 per cent in 1975–80, while the annual rate of growth of the volume of their imports over the same period fell from 4.6 to 4.2 per cent. But balance of payments difficulties increased owing to the sharp rise in oil prices, increased prices of manufactures exported from developed countries and a rising burden of interest payments. The report argues, as did Professor Arthur Lewis in his Nobel Prize lecture in December 1979, that after a post second World War boom lasting a quarter of a century, the developed countries have reverted to lower historical long-term growth rates; this calls for new strategies, with four main planks. First, action is required to improve the terms of trade of those developing countries dependent on commodities, through appropriate policies to raise and stabilize returns; secondly, financial mechanisms are needed to match savings and investment at a global level; thirdly, increased trade in manufactures is feasible and essential—from 1970 to 1979 exports of developing countries to each other increased from 20.9 to 24.7 per cent of their total exports, and by no means as a result of regional groupings; and fourthly, developed countries should devise adjustment policies to restructure their economies and so reduce protection. The UNCTAD report takes a bland view of the policies and progress of the socialist countries and includes a caricature of the role of the transnational corporations; and it has not much to say on the specifics of the policies advocated. But the broad direction of this new report and its comprehensive and ingenious statistical and econometric basis are to be welcomed.

The World Bank report takes a somewhat more optimistic view of the growth of both the industrialized market economy countries and the developing countries, subject to pursuit of appropriate policies, on which it is more specific than UNCTAD. For example, to expand their exports of manufactures, including to each other, developing countries have to be competitive; and import substitution should be in line with international prices. There is emphasis on diversification of agricultural exports, with provision of adequate incentives to farmers. Capital surplus oil-exporters should expand imports from and increase investment in developing countries; stabilize oil price policy; and support assistance for developing countries energy production. The industrialized countries should expand imports from developing countries and pursue suitable adjustment policies; and increase their aid to poor countries.

As part of the contribution to this debate we publish in this issue a significant article by Dragoslav Avramović on the financial problems of the developing countries at the present moment. He puts forward a series of recommendations to carry the world out of these difficulties. He advocates in particular the introduction of an inflation-proof international currency for long-term loans to developing countries at a low rate of interest, together with emphasis on the need for price support for commodities, further trade liberalization and foreign investment. The problem is not a new one, but it may be moving towards a critical stage which can provide an effective stimulus for the acceleration of the process that has been given a fair wind, if only a gentle one, at Cancun.