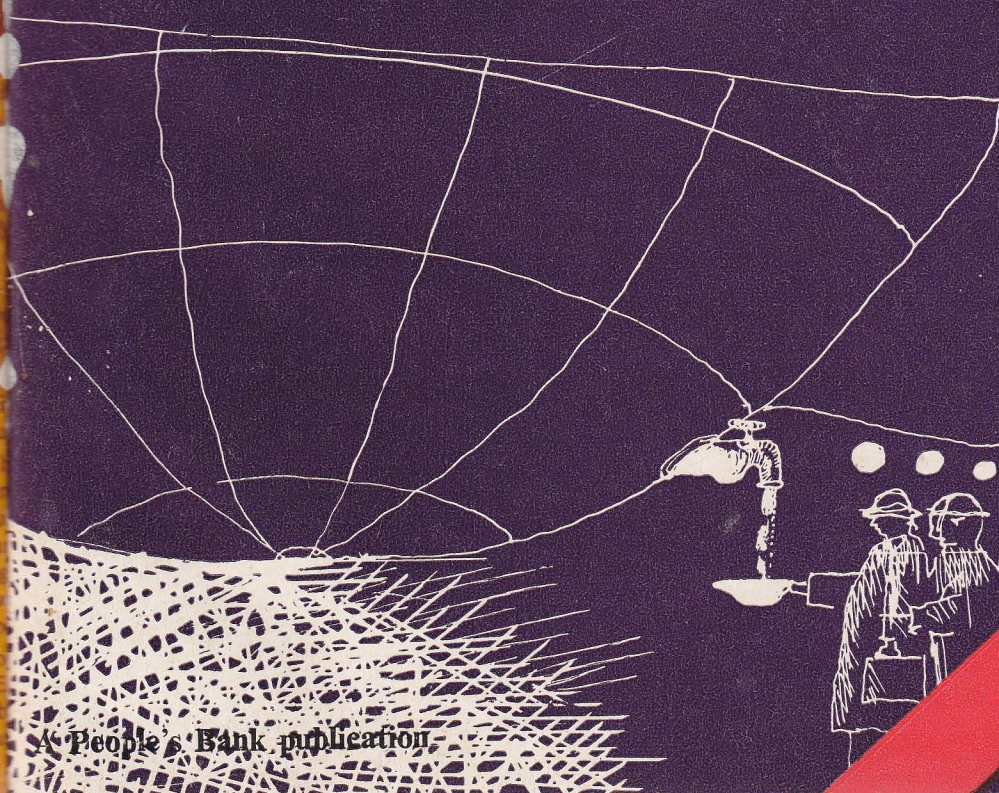


ECONOMIC REVIEW

AUGUST
1975



POPULATION

ECONOMIC REVIEW

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THE ECONOMIC REVIEW is intended to promote knowledge of and interest in the economy and economic development process by a many sided presentation of views & reportage, facts and debate.

THE ECONOMIC REVIEW is a community service project of the People's Bank. Its contents, however, are the result of editorial considerations only and do not necessarily reflect Bank policies or the official viewpoint. Signed feature articles also are the personal views of the authors and do not represent the institutions to which they are attached. Similar contributions as well as comments and viewpoints are welcome.

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- The Economics of Non-alignment. The last few years has seen a dramatic heightening of Third World demands for economic justice. Our next issue traces in depth this dramatic shift of Third World attitudes, especially as they affect Sri Lanka.
- Sri Lankan Aid. The reverse aid process whereby Sri Lanka aids the rich countries by its brain drain.
- Underdevelopment and Superstition.

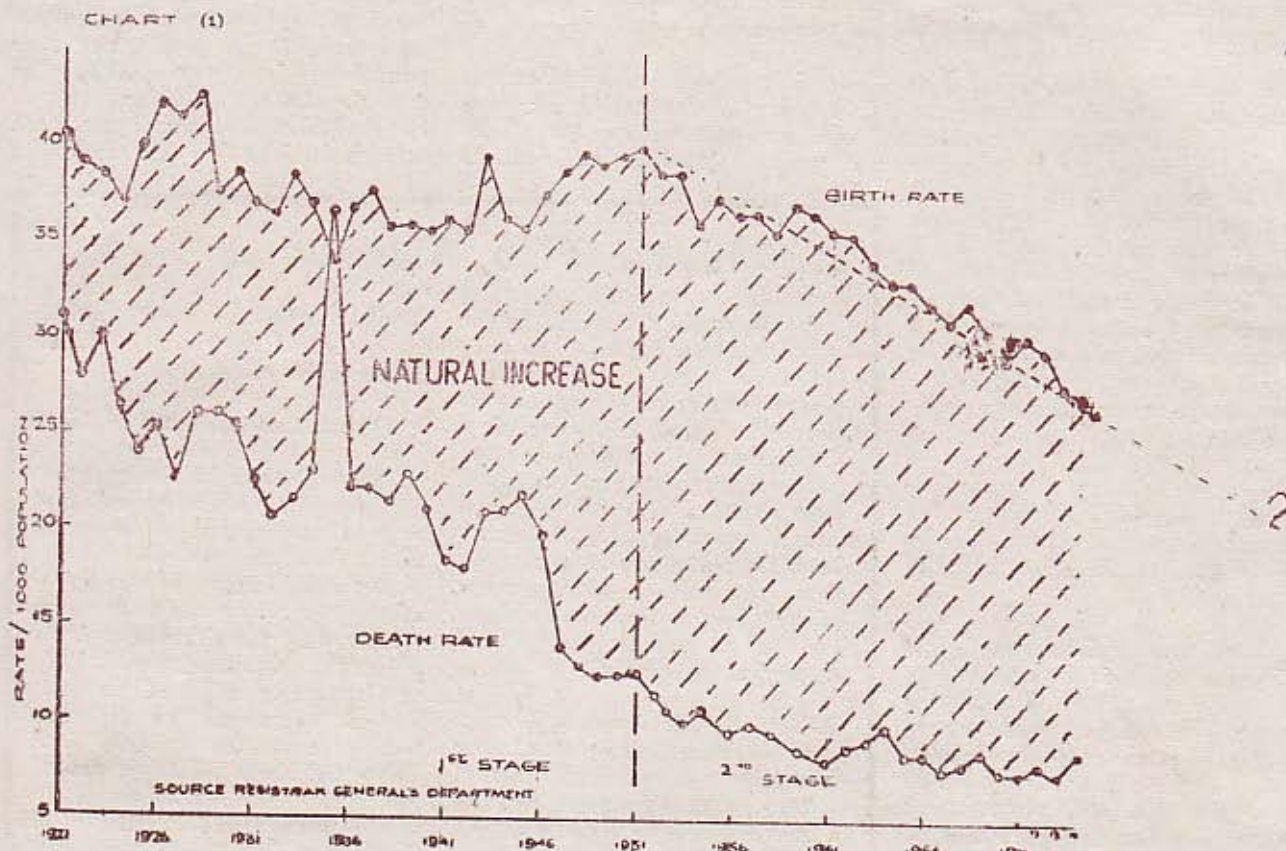
COVER

Cover drawn by Sarathchandra Samarakkody who has designed many book covers and posters. His major forte is as a theatre artist.

DIARY OF EVENTS

- July 1 Credit Councils commence operations in Sri Lanka.
- 1 Leading industrial countries, including U.S. and West Germany have shown their willingness to enter into a constructive dialogue with the Third World by supporting the principle of a new world economic order.
- 1 Trade provisions of the EEC Lome Convention take effect, granting duty free access to 99.2% of the 46 members' exports to the Community.
- 2 The 59th session of ECOSOC opens in Geneva—the main item on the agenda is preparation for the coming 7th Special Session of UN General Assembly which will deal with problems of development and international co-operation.
- 2 U.S. Treasury Secretary warns that America may make reprisals against the members of the OPEC if they raise their oil prices in October.
- 2 Three members of the EEC—West Germany, France and Belgium are understood to have signed the UN convention on the code of conduct for liner Shipping Conferences, giving a serious jolt to vested interests in the traditional ship owning West which mounted a massive anti-code propaganda.
- 3 India alters its rupee buying and selling rates against sterling from £5.333 to £5.3907 per 100 rupees and from £5.3050 to £5.3619 per 100 rupees respectively.
- 4 The West German Central Bank announced a further step to boost the country's stagnating domestic economy as latest unemployment figures showed only a small seasonal fall in numbers. The Bank said it was cutting by 10% the minimum reserve requirements of commercial banks.
- 5 International Co-operative Day.
- 6 The Cape Verde Islands became the world's newest nation when the Atlantic Archipelago's independence was proclaimed.
- 7 - 18 Inter-governmental Group on the Least Developed among the Developing Countries meets in Geneva.
- 10 The French Franc formally rejoined the European "Snake"—the joint currency float scheme which it left early last year.
- 10 International price fixing commodity agreements or the tying of commodity prices to inflation indices is opposed by the U.S., states Assistant Treasury Secretary.
- 14 U.N. Conference on International Inter Modal Transport meets in Geneva.
- 16 Argentina devalued the new peso financial rate from 30 to 35.4 to the dollar and from 26 to 28.08 commercial to the dollar.
- 16 A world dairy agreement was proposed by the European Economic Community (EEC) to the General Agreement on Tariffs and Trade. The agreement would set minimum and maximum prices for powdered milk, butter and dairy fats.
- 16 - 17 Meeting of EEC heads of State in Brussels.
- 16 - 30 Representatives of the Organization of American States meet in Costa Rica to amend the Inter-American Treaty of Reciprocal Assistance.
- 21 - 25 UNCTAD Committee on Commodities resumes its 8th session in Geneva.
- 22 The Export-Import Bank of Japan signed an agreement with the Sri Lanka Government to extend a 4,500 m. yen (6.4 m. sterling) loan to be used for the purchase of commodities from Japan and developing countries. The loan will be repayable in 27 years including a 7 year grace period at an annual interest of 4%.
- 23 The World Bank President plans to propose that the capital subscriptions and the voting power of the oil (OPEC) cartel in the bank be tripled from 5-15% in recognition of its growing stature.
- 23 The Commercial Co-operative Agreement (CCA) between Sri Lanka and the EEC, the 2nd such agreement to be concluded by the EEC was signed in Brussels. The 1st with India, came into force in May 1974. The 5 year agreement will give Sri Lanka's exports easier access to the Community.
- 29 Sri Lanka and Mexico signed an agreement on trade and economic collaboration.
- 30 ESCAP Committee on Social Development meets in Bangkok.

SRI LANKA'S BIRTH RATE & DEATH RATE PER 1000 POPULATION 1921 - 1974



Population and Resources

ATTENTION on increase of population and the dwindling share of the world's resources to sustain this population has kept mounting. This has evoked concern among many Third World countries including Sri Lanka. Since the 1950's it has been an article of faith peddled by many quarters that population control is a key factor in the development process. This view which emanated largely from the U.S. and the Western countries has been purveyed by many international agencies as part of their "Aid" programmes.

Recently, however, a rapid re-assessment has been in progress about the role of population. Part of this re-assessment has been that population has to be tied to sharing all the world's wealth and that popu-

lation growth itself is not necessarily a barrier to development. This revision of the imposed view of the last two decades reached a high point in the United Nations Conference on Population at Bucharest in 1974. The apparent purpose of the Conference was to adopt a resolution which would emphasise the key position of population growth as a major hindrance to Third World countries development. However, the conference carried in the wake of the new mood of militancy of the Third World, took an entirely different turning. Population was dethroned as a central factor in the development process and the consensus was that development was a pre-requisite to population control and not vice versa. The complete turn around is most dramatically seen when one

notes that even David Rockefeller, the funding father and former Chairman of the U.S. Commission on population growth changed his mind and joined the consensus position that population growth is not the primary source of poverty.

The sharp turn around in the United Nations position on population has not yet sufficiently filtered through to Sri Lanka. Hence this essay, which hopes to place in perspective the growth of population mythology and its present position.

MALTHUS AND THE POPULATION DEBATE

IDEAS of Liberty, Equality and Fraternity, emanating from the French Revolution, was a source of dis-

comfiture to the vested interests of the time. In this background the theory of population propounded by Rev. Thomas Robert Malthus (1766—1834) was an instant success with the British ruling classes.

The theory was based on the formula that population increases in geometric progression: 1 : 2 : 4 : 8 : 16 : 32; while the productive power of the land increases in arithmetic progression: 1 : 2 : 3; therefore the inherent tendency of the population to multiply in excess of available means is the root cause of all misery. Malthus saw no other salvation for the whole class of the poor than by keeping their propagation down to the "absolute minimum".

The overwhelming reception accorded to Malthus's theory in his time is adequately dealt with in the 13th edition of the Encyclopaedia Britannica.

"It can scarcely be doubted that the favour which was at once accorded to the views of Malthus in certain circles was due in part to an impression, very welcome to the highest ranks in society, that they tended to relieve the rich and powerful of responsibility for the conditions of the working classes, by showing that the latter had chiefly themselves to blame, and not either the negligence of their superiors or the institutions of the country".

The same source continues that, "in the conceptions of Malthus and his followers, a single social imperfection assumed such portentous dimensions that it seemed to overcloud the whole heaven, and threaten the world with ruin. The 'celebrated proposition' that population increases in geometrical, food in arithmetical ratio, has been conclusively shown to be erroneous, there being no such difference of law between the increase of man and that of the organic beings which form his food".

Subsequent developments in the economic history of the so called 'developed countries' had exploded the Malthusian mathematics. Malthus could not foresee the immense production resulting from the industrial and chemical revolutions which

brought enormous increases in agricultural production in the past two decades. All the "over-populated" countries in the Malthusian context particularly England, did not fulfil his prophecies.

Britain's production of wheat, as shown by calculations of the time, "could be increased enough within ten years to produce sufficient to

support six times the population of 1840".

Events in U.S.A. recorded problems of an expanding abundance of the chemical revolution. Phenomenal increases in the yields per acre created a "food explosion". "In 1798 the U.S.A. had a population of FIVE MILLION and more than enough food to feed them. Today

....And the Neo Malthusians

John Kennedy - President of the U.S.A., Oct. 1957.

"In the midst of this age of plenty the STANDARD OF LIVING of much of this world is declining; their economic backwardness and their poverty are increasing and their share of the world's population is growing..... There may be more prosperity in the world than ever before—BUT, strange as it may seem, there is also MORE POVERTY than at any time in the history of this planet".

Robert S. McNamara, Former U.S. Secretary of State and now President, World Bank Group.

"No other single problem is a greater threat to the prospect of economic and social progress in the developing world. Social tensions, political turbulence and the irrational eruption into extremism are the final bitter fruits of unmanageable population pressures".

J. Spengler, Professor of Economics, Duke University, U.S.A.

"What I am afraid of is, if India, for instance, doesn't do something it will become filled with people with aspirations for a much better life whose expectations won't be met. What will they do? They very likely will turn to the Communists or to some group that believes in a highly centralized state, which the communists might in time take over.

"The immediate danger in India is that private and public enterprise can't improve economic conditions rapidly enough if population continues to grow rapidly.

Many people will come to feel frustrated and this will play into the hands of the communists.

M. Vogt: Road to Survival, New York, 1948.

"Never before in history have many hundreds of millions teetered at the edge of the precipice 'two curves—of population and the means of survival—I have . . . crossed. Ever more rapidly they are drawing apart', if the 'untrammelled population' of 'spawning millions' is not brought to an end 'we might as well give up the struggle'..... They 'might as well' get rid of the 'sort of thinking..... that leads to the writing and acceptance of documents like the Communist Manifesto and the Atlantic Charter. It tricks man into seeking political and/or economic solutions for problems that are political economic, social, geographic, psychological, genetic, physiological etc.' Our education must be reshaped, as the story of our existence in an environment as completely subjected to physical laws as is a ball we let drop from our hand".

The United Nations Fund for Population Activities

Population: The Multilateral approach—pamphlet issued in 1973 before the Conference.

"Indeed many developing nations may well see most of their resources—needed for improvement of present miserable living conditions—eaten up by continuing high rates of population growth unless drastic action is taken at both National and International level".

it has a population of 177 million—and more than enough food to feed them. In fact the food keeps piling up higher and higher despite the abnormal demand of two wars in recent years, despite the fact that some 1,800,000 farms have disappeared in the last twenty years and also that about a MILLION acres of farmland every year are turned into highways, housing developments and factories". (W.B. Furlong, N.Y., Times Magazine, Oct. 1959).

In the century following while the Industrial and Chemical Revolutions exploded Malthus's theory of food shortages, an actual decline in the birth rates began, IRRESPECTIVE of any policies of birth control. The decline was the result of structural changes that occurred in those societies with the Industrial Revolution. This phenomenon is examined elsewhere in this issue.

The fundamental mistake made by Malthus and his followers is to have isolated the poor from the population and then seek to explain the poverty of this segment on the basis of its size.

The rich and the poor are a living inter-related combination of the population as a whole. The distribution of hunger in the population has not been due to the abundance of the poor, but to the poor distribution of society's abundance as well as the anarchic organisation, of society's means of production.

The productive power at the disposal of mankind has been proved to be immeasurable. But society has to be so organized as to bring about the most effective combination of men and science in the best interests of all.

Malthus made the error of looking at one phenomena of his society and applying it as a natural phenomenon true of all societies, at all times, and all places.

THE MALTHUSIAN ARGUMENT AND THE THIRD WORLD

THE arguments of Malthus have been revived and emphasised since the Second World War by Western

Resources and the Real Reasons

Jose de Castro
The Geography of Hunger

"Hunger has been chiefly created by the inhuman exploitation of colonial riches, by the latifundia and one-crop culture which lay waste the colony, so that the exploiting country can take too cheaply the raw materials its prosperous industrial economy requires. For economic reasons misery was hidden from the world's eyes, tragedies like that of China, where in the 19th century some hundred million individuals starved to death, or like that of India, where twenty million people died of hunger in the last thirty years of the Century, were glossed over" "the prevailing starvation in South America is a direct consequence of the continent's historical past. This history is one of colonial exploitation along mercantile lines..... There were the cycle of gold, the cycle of sugar, the cycle of precious stones, the cycle of coffee, the cycle of rubber, the cycle of oil, and during the course of each of these cycles, one finds a whole region giving itself up entirely to the monoculture, or monoexploitation of a single product—at the same time forgetting everything else, and thus wasting natural wealth and neglecting the potentialities of regional food supply".

And Agricultural Resources

(Dr. C. Taeber: Head of the Statistics branch of the Food and Agricultural Organisation, U.N.)

From conclusions reached by researchers, Dr. Taeber reports:—

"It is feasible to bring into production some ONE BILLION acres of land in the Tropical areas. Some 300 MILLION acres outside the Tropics. The production level assume per crop acre in the Tropics—

—is equivalent to that already achieved in the Philippines. The non-Tropics—is equivalent to that already achieved in Finland. Adding this figure to that considered attainable from existing crop land would more than adequately provide all of the required foodstuffs. And for cereals, roots, tubers, sugar and fats and oil, the total attainable under these conditions would more than double the goals used in these computations". Between 1968 and 1970 four major grain producers—The U.S.A., Australia, Canada and Argentina—cut wheat acreage from over 120 million to 81 million.

Colin Clark, Former Director of the Oxford University Agricultural Economics Institute, reports:—

"Confining ourselves to practical farming methods already used by the good farmers in different parts of the world, the world's cultivable and pasturable lands could feed something like TEN TIMES the world's population—not at subsistence levels but in an American style of diet.

nations. There are in this strong racist echoes and overtones of the supremacy of the West being overrun by black, brown and yellow persons.

The starving millions are seen as the pressure source that threatens the existing International order. "No time is to be lost. The peril mounts daily. Our way of life, if not the actual existence of ourselves and our children, is at stake. (The Popu-

lation Bomb—Hugh Moore Fund publication).

These new prophets (see box) have emphasised population as being the major reason for lack of development. These neo-Malthusians as they are almost invariably from the West finds the emphasis on population as being a central factor in underdevelopment advantageous in their international interest because it denies

the exploitative relationships that prevent development in the Third World. Primary among such disadvantageous relationships have been the deteriorating terms of trade of the Third World, a good example of which is Sri Lanka which had seen its produce fetching less and less in the manipulated markets of the West, whilst Western imports have risen rapidly in price.

Many impartial observers have pointed out the fallacy of looking at food resources being limited by population levels conceivable in the near and immediate future (see box). The main reasons for the poverty of the Third World is the past and continuous exploitative relationship with the West as is now evidenced in several United Nations resolutions on the New Economic Order.

The prescription of birth control for the "spawning millions" in support of preserving the world's resources hold neither logic nor reason. If the world is concerned about resource constraint where should its efforts be directed?

"ONE AMERICAN BABY EATS 50 INDIAN BABIES"

ACCORDING to their logic, the manner of luxury consumption, the waste and inefficient use of the presently abundant resources does not appear to receive as much attention as their preoccupation with reducing the consumption of the poor by reducing their numbers. Can the poor of our countries save anything even if they had less mouths to feed? Would the situation in the underdeveloped countries have been any better if the growth of their populations in the last decades had not taken place.

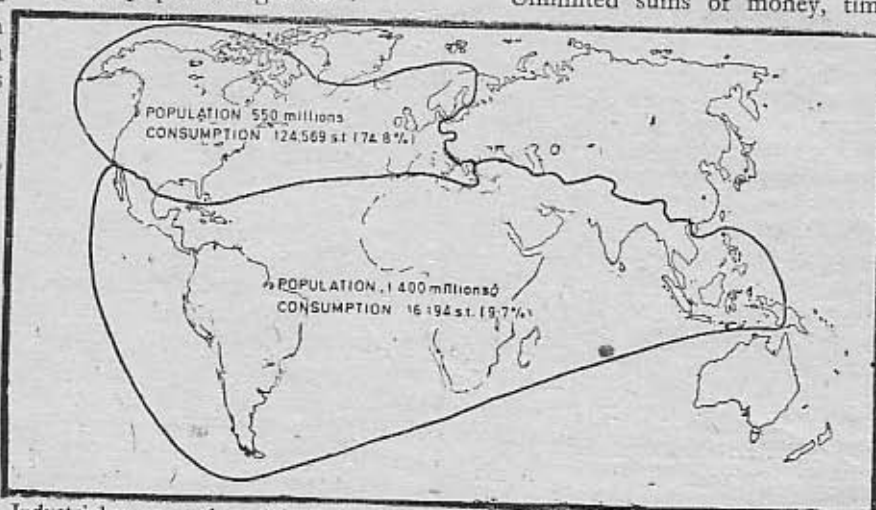
Millions of acres in the underdeveloped countries are used up to grow cash crops for export to the rich nations. It was deliberate Western policy to keep the colonies as cheap producers of raw material to feed the Industrial machines. Monopolies continue to wring millions of dollars from the former colonies through the expansion of unequal trade.

The anxiety about the exhaustion of raw materials has been largely the result of the fact that the former

colonial and semi-colonial countries have grown less and less reliable as cheap, enormously profitable sources of raw material, and the fear of being deprived of the channels for exploiting them.

OF "OVERPOPULATION"

WESTERN population experts popularly assume (or at least did so till the Bucharest Conference) that the underdeveloped countries are "overpopulated" and that their general backwardness and their inability to develop is due to "most of their resources—eaten up by continuing high rates of population growth".



Industrial consumption of tin (in short tons) in non-communist countries in 1967 (out of an estimated total non-communist consumption of 166,000 short tons).

Overpopulation must be stipulated in relation to something specific.

If it is resources, we find that poor countries are so despite possession of rich agricultural and mineral resources, and despite much lower population densities than their "colonial mother" countries. If it relates to rapid population growth rates, as is the case in many of the underdeveloped countries of Latin America and Africa, there would be an absurd position of many sparsely populated countries falling into the category of "overpopulated" and many densely populated countries not so. The fallacy of these ideas is clearly illustrated in the table (next page) that underdeveloped countries are "overpopulated".

The rules of International trade and capital transfer are being chal-

lenged by these underdeveloped countries and attempts made to unite in common action to procure fair terms of trade without much success against the Western giants. But large amounts of 'aid' have been made available for "development". Yet the underdeveloped countries become more dependent while the inequalities have become more visible and the gaps wider. Such "Aid" in large amounts are being offered through various agencies of the United Nations and mushroom organisations—with the recipe for the salvation of the starving millions and of mankind generally.

Unlimited sums of money, time,

energy, are spent on conferences, seminars etc. to create a general atmosphere of crisis and doom and establish support and spread a general belief that the "underdeveloped" countries are overpopulated and to promote the concept of "too many people" as the main reason for poverty, unemployment, slums and slow economic development.

The effect of such pressures on National Governments was an increased interest in the developing regions in setting up Family Planning programmes in their countries. Programmes of Family Planning have been established in the underdeveloped regions with the assistance of "Foreign Aid" and "Foreign Specialists" to teach the ignorant the subtle manoeuvres of population control. Yardsticks of measurement pushed by foreign concepts as targets

Some POPULATION DENSITIES

| "Poor" | | |
|---------------------------|-----|-----|
| Surinam (Dutch W. Indies) | ... | 4 |
| Bolivia | ... | 10 |
| Belgian Congo | ... | 13 |
| Columbia | ... | 26 |
| Iran, Iraq | ... | 30 |
| Philippines | ... | 175 |
| India | ... | 250 |

| Underdeveloped | Pop. per km. | G.N.P. per capita U.S. \$ |
|----------------------|-----------------|---------------------------------|
| Asia | | |
| India | 164 | —110 |
| Pakistan | 121 | —100 |
| Sri Lanka | 187 | —110 |
| Philippines | 123 | —210 |
| Indonesia | 81 | —80 |
| Africa | | |
| Senegal | 20 | —230 |
| Somalia | 5 | —70 |
| Zaire (Belg. Congo) | 8 | —90 |
| Mozambique | 10 | —240 |
| Angola | 4 | —300 |
| Latin America | | |
| Bolivia | 4 | —180 |
| Brazil | 11 | —420 |
| Chile | 13 | —720 |
| Columbia | 19 | —340 |

| "Rich" | | |
|-------------------|-----|-----|
| Belgium | ... | 800 |
| England and Wales | ... | 750 |
| U.K. | ... | 500 |
| Holland | ... | 610 |
| Italy | ... | 400 |
| France | ... | 200 |
| Spain | ... | 140 |

| Developed | Pop. per km. | G.N.P. per capita U.S. \$ |
|--------------------------|-----------------|---------------------------------|
| U.K. | 324 | 2270 |
| Netherlands | 319 | 2430 |
| Belgium | 317 | 2720 |
| Japan | 283 | 1920 |
| France | 94 | 3100 |
| Fed. Republic of Germany | 240 | 2930 |
| U.S.A. | 204.8 | 4760 |
| Canada | 21.4 | 3700 |

Source: Paul Baran and World Bank

have been established by some countries as family health measures without positive goals. These efforts were not successful by 1974, and 1974 was declared World Population Year to focus attention of world opinion on the population explosion, culminating in the World Population Conference, at which it was expected to formulate a "World Plan of Action" for control of population.

The Conference held at Bucharest failed to achieve its purpose. The Draft World Plan of Action was rejected as an "irrelevant diversion" to the major issues confronting the world today and a formidable alliance of Third World countries of various political hues and the socialist countries forced a reversal of the Western imposed views on population. As such the 1974 Conference is to be seen as a major turning point in the Third World's views of its own problems.

BUCHAREST—THE TURNING POINT?

The mammoth forum of governments gathered together in Roumania for a World Population Conference—to probe problems of "population explosion"—and critically examined subjects, highly sensitive and contro-

versial in content, as social and economic structures and policies and effects of "developed" and "developing" countries—in a general background of Red Flags, Lenin, and celebrations of Liberation of the Roumanian Republic.

Tame and non-committal as the Draft World Plan of action appeared to the conference planners who had spent several years attempting to involve governments more positively with the concept of "population explosion", a heated onslaught from the outset was its unhappy reception. The atmosphere was charged with political tension and general apprehension.

Setting the tone for the whole conference the President of Roumania in his fiery and animated inaugural address, called for a New International order.

CEAUSESCU—PRESIDENT REPUBLIC OF ROUMANIA

"We consider that in tackling the population question one should necessarily proceed from the fact that man is the determining factor of economic and social progress. Hence, the entire organization of society, the general policy of states, must have as their supreme goal the welfare and happiness of the people, the guarantee of man's freedom and dignity, the development of his personality, the participation of the masses in making their own history. We also consider that demographic policy should take account of the necessity to ensure a normal ratio between age-groups in order to maintain permanently every nation's youthfulness and vitality, the creative energy and thinking power of every people.

"Life demonstrates that the population questions must be analysed in close connection with the evolution of international relations, bearing in mind the reality that unequal and inequitable relations, of domination and oppression, are still maintained nowadays both on a national and international plane".

"The fact that some two thirds of the world population live in underdeveloped or developing countries, that the gaps separating, many of these countries from the economically advanced states grow deeper instead of narrowing down, is a tragic reality of the world today. Statistics drawn up by the United Nations Organization and its specialized agencies most convincingly illustrate the size of

THE CONFERENCE — SOME FACTS

| | Total |
|--|-------|
| Delegates from 135 countries | 1287 |
| Representatives from non government organs | 337 |
| Participants from related activities | 1204 |
| Journalists | 991 |
| | 3819 |

Cost of massive documentation: over \$ 3 million. How many forests cut down?

this gap. Early this decade, the per capita gross national product—a telling pointer of the peoples' material civilization degree—was of some 230 dollars in the developing countries

compared to 3,085 dollars in the advanced countries, the ratio being of 1:13. In a series of countries considered "the least developed"—with some 159 million inhabitants—the per capita gross national product is of only 85 dollars, the gap separating them from the developed countries amounting to the ratio of 1:36."

"In general, many peoples have not even the most elementary working and living conditions, while a number of states have reached a high economic development level underlying which are the gains of contemporary scientific and technological revolution. The division of the world into developed and underdeveloped countries is a result of the historic evolution, the direct consequence of the imperialist,

on the observance of every people's right to develop freely, in keeping with its aspirations. The population question is closely linked to the setting up of a new international economic order, to establishing economic relations on the principles of mutual advantage, to attaining a correct ratio between the prices of industrial products and of raw materials favouring a more rapid development of the countries lagging behind."

In the conference proceedings Latin America led the attack on the Western position with Argentina and Brazil declaring their countries as outright populationist. (They have large tracts of land which are empty and capable of being developed). Cuba declared that she had a steady decline in the

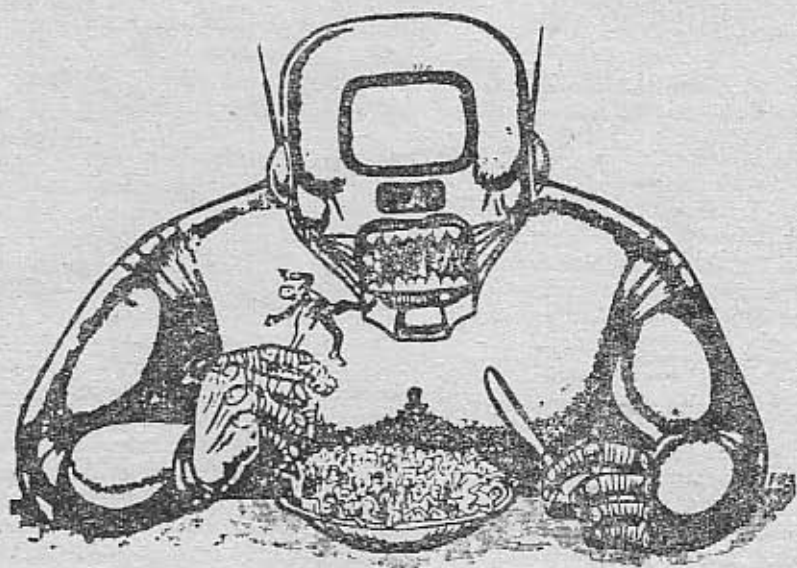
The African countries echoed the Latin American position and declared that their resource base although smaller, was in fact far less exploited. Notable in these countries was the problem of rural to urban migrations—even international migrations. These factors were attributed to a lack of economic and social development.

The Arab countries, foremost among them Algeria maintained that the population explosion was not the cause, but the result of underdevelopment. Egypt while rejecting the concept was of the view that the priority sought for birth control tended to discharge the industrialized countries of their obligations to assist in the development of the Third World.

The Asian countries expressed the view that the overall situation of the ratio of natural resources to population densities being lower and described by most speakers as underdevelopment and by a few as over population.

The Indian Position

Dr. Karansing, Health Minister of India announced a change of approach in the Indian Sub Continent when he said, ".....the path to family planning in every country lies through the eradication of poverty, which in fact has HISTORICALLY been the main cause of over-population. The need is to adopt an integrated approach encompassing the entire eco-system and covering the man-environment relationship in such a way that every human being born on this planet is assured of the material, intellectual and spiritual inputs necessary for the full flowering of the human personality....." ".....the dichotomy between the rich and the poor countries must be viewed in the broad historical perspective of the last several centuries. The departure from a certain uniform level came with the industrial revolution, a process in which both the presently developed and the developing countries have participated. The developed countries have been the beneficiaries of industrial progress to which the developing countries were compelled to contribute substantially through a process of



colonialist and neo-colonialist policy of exploitation and oppression of many peoples. That is why it is evident that the population questions, the development prospects of various peoples and nations as well as of mankind as a whole, are directly linked to the abolition of the imperialist, colonialist and neo-colonialist policy, to building a better and juster world, a society where man should fully enjoy the gains of contemporary civilization. More than ever before, firm action is necessary for placing international relations on new principles—of equality, respect for national independence and sovereignty, non-interference in internal affairs—

birth rate presently 1.9% due to improved living standards and educational advances. The lowest infant and mortality rates in the developing world were recorded in Cuba. Cuba's position was that she sees contraception only as a part of health-care.

The overall position of Latin America was that the ratio of natural resources to population was comparatively higher, and the high rates of population growth were not viewed as posing a serious problem.

Most Latin American countries refused to consider population at all except in terms of development.

colonial denudation over several centuries. This process of exploitation consolidated certain untoward relationships both political and economic."The headlong flight towards limitless consumerism must be reversed if the developed countries honestly believe that this is one world for all. The wastage of resources involved in this super consumerism is appalling. For example, billions are spent on overeating..... and then vast sums are spent on trying to counteract the effects of overeating!

INDIA: After over two decades of a crash programme of population control at national level India records an increased population growth rate.

A crash programme of population control with a well arranged network of clinics and motivation, with sterilization teams at every

must be clear about....." if the fallacies in this respect are not refuted".....there will be no decisive factor in the social productive forces. Man is in the first place a producer and only in the second place a consumer. Historically, the valiant industrious and talented people as in Asia, Africa and Latin America made outstanding contributions to human civilisation. But over a period of time the colonialists and Imperialists subjected the Asian, African and Latin American countries to brutal aggression and enslavement. They not only plun-

bazaar and street corner, cajoled with transistor radios, cash and other gifts to the "patients", incentive fees for the medical officer, nurse and motivators of the teams and vast sums of money invested, have succeeded in the programme claiming a large number of "averted births". That number has not joined the starving millions who continue to starve.

| Statistics | 1950 | 1960 | 1972 | 1973* |
|----------------------|--------------------------------|---------------------------------|---|-------|
| Total Population ... | 360,950,365 | 462,027,000 (1963) | 563,469,000 (1972) | 600.4 |
| Pop. Growth Rate ... | 1.3% (1941-50) ¹ | 2.15% (1951-60) ¹ | 2.2% (1963-72) ¹ | 2.5 |
| Birth Rate ... | 41.7 per 1000 | 41.0 per 1000 | 42.8 per 1000 (1965-70) ¹ | |

¹ U.N. Demographic Year Book.

* 1973 World Pop. Data Sheet. Pop. Ref. Bureau.

Similarly, petroleum which could be used for the production of fertilizers as vital for the green revolution in the developing countries, is utilized on the multiplication of an endless range of luxury transport vehicles as well as a great variety of plastics and chemicals which are speedily reducing the habitability of this world through pollution. This in turn requires huge investments in trying to combat the pollution, instead of preventing it in the first place....."

The Chinese position as expressed by Mr. Huangshu Tse, Deputy Minister of Health set forth China's views which had many similarities to the new Indian position.

".....the Third World now has a population of nearly 3 billion, which is more than 70% of the world's population. How to see this fact in a correct light is the first thing we

dered enormous wealth from Asia, Africa and Latin America, but also engaged in human traffic and evicted or slaughtered local inhabitants. Africa

alone has lost as many as 100 million people in this way.

The social productive forces in Asian, African and Latin American countries were seriously sapped. The population of some countries and nations declined drastically, and large tracts of land were laid waste.

After prolonged and heroic struggles waged by the people in Asia, Africa and Latin America, a large number of countries in these regions have successively won political independence and achieved marked progress in developing their national economy and culture as compared with the past.

Along with this development the population has grown rather quickly. This is not at all a bad thing but a very good thing. Is it owing to over population that unemployment and poverty exist in many countries of the world today? No, absolutely not. It is mainly due to aggression, plunder and exploitation by the imperialistic, particularly the super powers..... In our opinion, the primary way of solving the population problem lies in combating the aggression and plunder by the imperialists, colonialists and neo-colonialists..... breaking down the unequal international economic relations, winning and safeguarding national independence and developing the national economy and culture independently and self reliant in the light of each country's specific conditions and differing circumstances.

CHINA: "Of all the things in the world the people are the most precious".

Since the People's Republic of China was established in 1947, population has increased from 500 million to 800 million. Yet the annual grain output has doubled. Unemployment is nil. Famine has been abolished. Standard of living

is still low, yet everyone is ensured of employment, food and clothing and general progress is steadily improving.

This was not achieved through family planning—but through the abolition of social injustice and exploitation. Family planning in China began only in 1964.

| Statistics | 1949 | 1973 |
|----------------------------|---------------|---------------|
| Total Population ... | 500,000,000 | 800,000,000 |
| Population Growth Rate ... | ... | 1.7 |
| Annual Grain Output ... | 110 mil. tons | 250 mil. tons |

"AID" and Development.

Total aid to developing nations in 1969 amounted to 13.3 billion dollars, of this, total grants amounted to 4.4 billion dollars.

The balance represented *Loans* at high interest rates.

In 1969 the *public debt* of the recipient nations reached 45 billion dollars.

In 1969 annual debt repayments (services, profits and interests) came to 9 billion dollars.

In fact the recipients had to pay back to the donors much more than they got in grants.

Who were the real beneficiaries?

Since 1969, the grants have got smaller, whereas the debts have grown bigger. The improvement in recent months in the position of several oil exporting countries has not altered the overall picture. Even the World Bank's President Robert McNamara warned that one could not indefinitely allow a situation in which debt servicing payments have grown by 17% a year, whereas export earnings of developing nations have risen only 6%.

Again, who is eating up the difference?

.....As for the future according to the predictions made in the famous 'The year 2000' the world will reach a stage in which the ratio of population between the three underdeveloped continents and the two developed ones will be 5 to 1, whereas the ratio of per capita G.N.P. will be 1 to 20.

Anyone who puts these two sets of figures together must realise that the "explosion" could hardly be limited to population.

.....The claim that "over-population is the reason why the have-not countries are poor" is a worn-out tune.Why do you (the West) fly into a rage at the mention of establishing a new international order?..... The average population to a square kilometre is only 12 in Africa, and 15 in Latin America. Though population density in the developing countries of Asia is a bit higher it is nonetheless lower than that in the developed countries of Western Europe. How can it be said then that the have-not countries are poor because of over population?

Eastern European countries similarly maintained in unequivocal terms that population growth rates had nothing to do with the real reason for backwardness and only served to detract attention from needed social and international reforms. It was their view that there was no need for population policy in a well organised society and that the demographic trends would automatically adjust to social and economic factors.

The United States and a few of its Western allies stood virtually alone as proponents of views rejected by the other conference members. The two main proposals of the U.S. namely:—

- (a) "Overpopulated countries" make a systematic effort to reduce the size of families to an average of two children and
- (b) to accept the specific target date of 1985 by which to implement birth control policies were resoundingly rejected.

The final consensus of the conference was included in a resolution, the main points of which were:

- That the question of population could be viewed only from its historical evolution and is inseparable from political and economic problems.
- That radical changes in social, political and economic structures long overdue have now become imminent.
- That the emphasis should be on the promotion of those social and

economic measures and programmes that would have a bearing on population growth and not direct forms of birth control.

- That the regulation of fertility and family formation was an inalienable right of individuals and couples, however, countries should provide them with the knowledge and means to exercise this right responsibly.
- That population must be considered only as a part of broader integral strategy of development within the sovereignty of each nation.

John D. Rockefeller, funding father and former Chairman of the U.S. Commission on Population Growth, millionaire, philanthropist—changed his mind and joined the consensus position that population is not the primary source of poverty, disease and illiteracy and gross inequality. He maintained that in the West growth had been concerned with material, but not human development. "In an interdependent world the internal task of developed nations is clear—to stabilize their own populations and moderate their levels of consumption in a sensible and orderly way. Most industrialized countries are doing well with respect to the first objective; the second is far more difficult at this juncture."

Asked if he had any specific proposals—he replied he hadn't.

"I come to Bucharest with an urgent call for a deep and probing re-appraisal of all that has been done in the population field, all that has been learned, so that the years ahead may yield the results mankind so desperately wants."

The final outcome of the conference was that the draft plan of action which it was expected to approve disappeared entirely. The general argument of population as being the prime inhibitor to development was rejected. All the draft plan's specific proposals disappeared under attack and only general principles of extending the basic human right to individuals to determine their own fertility and make family planning available to all couples and individuals was approved.

"They're poor because they have too many kids" is the commonest of all clichés about world poverty. It is a convenient myth for blaming poverty entirely on the poor.

Until recently it was necessary for poor people to have a large family. Take the case of an ordinary Indian peasant-farmer. His life is plagued by malnutrition and ill-health, with the result that he is too old and weak to work by the time he is fifty (indeed the average person in India dies before his fiftieth birthday). Unless he has sons to support him he will simply die young. But only half his children are likely to be sons and only half of them are likely to survive. Therefore, for very survival, he and his wife need to have a large family.

Now, because of improvements in child health care, more and more people are surviving. But it takes time for an understandably-insecure people to adjust to this trend and compensate for it by having fewer children.

Secondly, the need to have a large family would be dramatically reduced if a man and his wife did not have to die in poverty

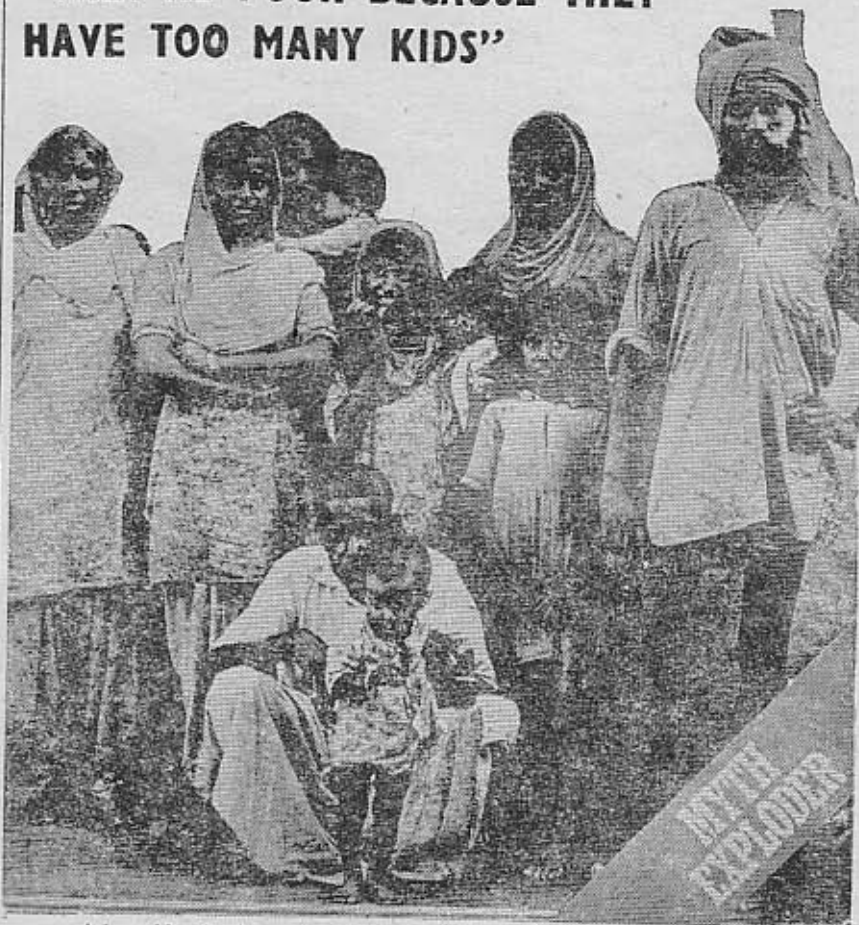
when they are too old or ill to work—if there was adequate social security, the population increase would automatically slow down. For evidence of this we need only look at the slowing down of population growth in rich countries as these countries have become more affluent.

In other words, large families are more a result of poverty than a cause of it, and in the last analysis prosperity is the best contraceptive.

This increased prosperity for the poor world is not a physical impossibility. It is a fact that the world has enough resources to feed and provide for many times more people than it has at present. Therefore, at the present time, the question of how to achieve a more equal distribution of the world's increasing wealth is more important than the question of how to cut the world's birth rate.

Education for family planning is still an essential part of the fight against underdevelopment. But to blame the poverty of half the world on the population explosion is a mistake which obscures the need for more important changes and stands in the way of their realisation.

"THEY'RE POOR BECAUSE THEY HAVE TOO MANY KIDS"



Adapted by the Australian Freedom From Hunger Campaign 'ideas centre' from the *New Internationalist*.

SRI LANKA

The Declining Birth Rate in Sri Lanka

An analysis of the demographic development of Sri Lanka in the past century reveals a number of significant features, which when examined in-depth, enables a reasonable assessment of the relative importance of socio-economic variables as against directly manipulated family planning programmes—and their effect on fertility rates.

It would be pertinent at this point, to refer back to the historical experience of the developed countries of the West. The classical explanation is of a demographic evolution of population through three stages—

1. Of High fertility—High mortality
2. Of High fertility—Low mortality
3. Of Low fertility—Low mortality

The "developed" countries are presently in stage (3). Of significance to our analysis is the fact that these countries arrived at stage (3) IRRESPECTIVE of any programmes of "population control".

In those countries, general economic prosperity as a result of industrialization, improved Health, Education, Equality of Women, Prohibition of Child Labour, Old Age Pension and all such factors associated with general prosperity are the main causes attributed to the decline in fertility. What must be noted is that with industrialisation new forms of production based on organized wage labour in large farms or factories brought about a break up of the family based methods of production. Wages often mean that resources are bought in quantitatively calculated terms. An extra mouth to feed and find employment for becomes an additional burden in quantitative terms. An extra child came to be looked upon not as a potential economic asset, but as a potential liability. Thus new relationships were created between individuals and of families.

In this context of changed social circumstances those people consciously desired small families irrespective of any family planning outside motivation. Fertility rates of those

countries have dropped to even below replacement levels, so much so that some of these countries are today finding themselves having to "import" labour in large numbers which is now becoming a problem. Incentives are being introduced to encourage more and more children e.g. France—and yet fertility keeps dropping.

Similar altered family attitudes are again evident in those societies that are changing from a large number of small producers working with family labour to large co-operatives or collectives, as in the socialist countries.

TABLE II
(World Pop. Data Sheet 1973)

| | | | |
|----------------|-----|-----|-----|
| U.S.S.R. | ... | ... | 1.0 |
| China | ... | ... | 1.7 |
| Yugoslavia | ... | ... | 0.9 |
| Rumania | ... | ... | 1.0 |
| Hungary | ... | ... | 0.4 |
| Czechoslovakia | ... | ... | 0.5 |

Sri Lanka's Declining Fertility

In Sri Lanka the social structure is undergoing rapid changes. However, there has been no corresponding economic progress largely because of external restraints. In spite of a general lagging behind in economic progress, a most significant feature that has been observed is the rapid decline in fertility in the last 20 years. All records and statistical data reveal the fact that the family planning programme has not made a significant contribution to this decline.

TABLE III

| Year | Crude birth rate | Crude death rate | Rate of natural increase |
|-------|------------------|------------------|--------------------------|
| 1960 | ... | 36.6 | 1.6 |
| 1961 | ... | 35.8 | 8.0 |
| 1962 | ... | 35.5 | 8.5 |
| 1963 | ... | 34.4 | 8.6 |
| | | (34.1) | |
| 1964 | ... | 33.2 | 8.8 |
| 1965 | ... | 33.1 | 8.2 |
| 1966 | ... | 32.3 | 8.3 |
| 1967 | ... | 31.6 | 7.5 |
| 1968 | ... | 32.0 | 7.9 |
| 1969 | ... | 30.4 | 8.1 |
| 1970 | ... | 29.4 | 7.5 |
| 1971* | ... | 30.1* | 7.7 |
| 1972* | ... | 29.7* | 8.0 |
| 1973 | ... | 27.2 | 8.8 |
| 1974 | ... | 27.2 | 8.8 |

* Provisional average annual rate of change
% Change, 1960-1972

It is reasonable to assume therefore, that certain other factors have brought about a consciousness, and attitudes comparable to those prevailing in the developed countries examined above, and conducive to a general desire for small families.

In order to understand this phenomena the demographic development of Sri Lanka is given in the graph on page 3 and Table III on this page.

The table presents in unmistakable terms the following features:—

- (i) Prior to 1950 the crude Birth Rate has remained fairly steady around 38 per thousand population. The crude Death Rate has fluctuated around 20 per thousand prior to 1946—and falls drastically to 14 per thousand in 1947. This fall is explained by the application of post-war scientific and technological knowledge for the control of infectious and communicable diseases that had periodically plagued the country, foremost of which was Malaria, coupled with greatly improved general health services.

- (ii) 1950 - 1973: The Crude Birth Rate is seen to have steadily decreased from 39.7 in 1950 to 27.8 in 1973. The crude Death Rate which has continued to decline from 14 per thousand in 1947 to 8.6 in 1960, has remained constant between 7 and 8 per thousand to the period ending 1973.

It could be assumed that death rates would continue to remain constant as these are levels comparable to developed countries of the West under best available health-care services. There would in fact be a slight increase in the death rate as the proportion of older people increases with declining death rates. This feature has already been noticed (1971 and 1972).

- (iii) From 1950, a constant and regular declining trend is unmistakable. It can be seen from the shape of the curve that the actual rate of decline per year is accelerating. The

most recent statistics available record the rate of natural increase for 1974 as 1.8 - 1.6 per cent. It is specifically stated that this does *not* include the migration figure. (Central Bank Report on Economic Performance Problems—1974)

- (iv) All indices point out clearly that an extension of this curve would even reach below desired levels in the foreseeable future.

Recent demographic studies *have identified three major features:—

1. That women have begun to marry later in life.
2. That more women remain unmarried.
3. That married couples are having fewer children.

- * (a) Second Inquiry on population growth and development and country statement—1974 Planning Ministry.
(b) Recent studies in the Fertility of Sri Lanka.
(c) Socio-Economic variables in the demographic transition. Central Bank Staff Studies, Vol. 5, 1975.

Family Planning Programme Activities

During the period ending 1972, the low acceptance rates of contraceptive methods and general slow progress of family planning programme activity, could not have made any significant contribution to the declining crude birth rate. However, the increased decline in the Marital Fertility Rate for women in the older age groups 30-44 suggests an increased use of some form of family planning method. Judging by available reports and K.A.P. studies this is more likely to have been caused by natural methods rather than contraceptive use. However, that there has been considerable motivation to family planning practice, though programme activity, cannot be discounted although it has not been evaluated in terms of programme achievement. Of the various socio-economic reasons adduced to the declining birth rate, the effects of the system of compulsory Free Education has been the foremost.

The Effects of Free Education

The large proportion of children born with the decline in mortality in 1947, have now reached adulthood and are in the peak ages of reproduction. As a result of compulsory free education, these groups have received several years of training through the education scheme. Of the 13.4 million population in Sri Lanka today only 18% have not received any schooling (Socio Economic Survey 1969/71). Schemes are being extended to bring into the system the balance 18%.

An increased proportion of girls are observed to enter the education system and remain in it for longer periods. Those who come out after several years of training, wish to find employment and postpone their marriages until they do so. The labour force participation rates particularly of women are seen to have increased considerably. More women are going in for higher education. Such factors are given as reasons for a breakup of traditional patterns of occupation and as a result, the changed attitude of women towards early marriage and family size.

Low Birth Rate in the Estate Sector?

On the other hand, the fact of education and literacy in itself being a deterrent to high fertility is not borne out by the experience of the Indian Tamil estate labour, who are the least educated, of all sectors in Sri Lanka but have a lower birth rate, (25.7) than the national average of 30.5.

The social changes underlying these statistics appear to be of a far more fundamental nature, and can only be understood by examination of the changes that have occurred in our society much more deeply than has been done up to now.

Deep Changes in the Social Structure of Post War Sri Lanka

The immediate post-war period brought deep changes in our society, placing individuals in different relations to one another.

For centuries before, the bulk of production in South Asia was in small family units—of small farmers, artisans, owning or leasing their land and tools and working mainly with

family labour and the unpaid labour of kinsmen or apprentices. The production was mainly for the limited consumption of the closed circle of the small village or group of villages. The significant feature for this analysis is the dominance of the family as the unit of production and its effect on the institution of marriage and ideas of family and children.

The production of those communities were closely bound to the rhythm of the seasons—and followed a pattern that has gone on for generations without change. Reproduction and growth are as natural as the sowing and harvesting of the crops—and sexuality bound up with the regeneration of the species.

Prior to the war, the major forms of production in Sri Lanka was of this type, with the exception of the enclave of the Estate sector worked with Indian Labour and the narrow South West Coastal strip.

In the post-war period two phenomena emerged to change this pattern:

1. Commodity production for a market on a larger scale where people worked for wages. In 1971, out of 3.2 million income earners, 2.2 million were wage earners. (Socio-economic Survey).
2. The system of compulsory Free Education imparting 8-10 years training. In 1971, 85% of the population had been through several years of schooling.

Both phenomena produced the end result of placing man in completely different relationships, one to the other, from what had been the pattern over the last few centuries. In the case of actual employed wage labour by his daily practice. In the case of students and unemployed by the training they received through the schools system.

The schools system was copied from the forms developed in early Capitalist society, designed to train the community as disciplined wage employees.

In the first period of this system one is wearied away from direct family ties and productive family tasks. One is gradually "socialized"

in terms of discipline, loyalty, punctuality, regular hours of work etc. The school leaver thus tends to reject ideas of family normally generated by those who live and work in family units of production. The school leaver is oriented to becoming an independent wage earner and seeks wage employment.

Changes in Attitude to Marriage and Family Size

These changes have affected their attitudes to family and marriage in various forms, some of which are:—

- (i) For a person who sells his labour power to another for a fixed wage, his child cannot be of help to augment his product or income.
- (ii) All his consumption needs have to be purchased out of his earnings, reckoned as wage rates per hour or day. He is thus constantly reminded of the process of quantification of his needs and their translation in terms of money. Each additional mouth to feed and educate has to be reckoned in quantities of money—wage rates—income—labour. This makes people far more aware of the 'burden' of bringing up children.
- (iii) Education is a process that is acquired outside the family and costs have to be calculated in today's society. This involves a non-working period of 15-20 years.

The new forms of social organization bring about a social environment highly conducive to smaller families.

This is evident in the contraceptive "acceptor" reports for 1973 and 1974, where with increase facilities made available at all Government Medical Institutions people are seen to have availed themselves of these services. There is clear indication that with the expansion of service facilities envisaged in the Government's Family Health Programme with U.N.F.P.A. assistance, the demand for family planning services would be of such magnitude as to effect a far reaching impact on an already declining Birth Rate.

THOSE IN THE FAMILY PLANNING PROGRAMME OF SRI LANKA TO END OF 1974

| | Period of Contribution | U.S. \$ | Rs. | Cts. | U.S. \$ |
|--|---|-----------|---------------|-------------|-----------|
| Swedish International ... | 1953 - 1965 | 655,000 | 3,110,000.00 | 1974 - 1967 | 2,892,000 |
| Development Association ... | 1965 - 1974 | 1,780,000 | 11,300,000.00 | | |
| United Nations Family Planning Association ... | 1973 | 5,992,702 | 40,151,103.00 | | |
| Ford Foundation ... | 1966 - 1972 | 271,000 | 1,720,000.00 | | |
| Family Planning Association— | | | | | |
| International Planned Parenthood Federation ... | 1958 - 1974 | | 5,734,580.00 | | |
| Brush Foundation | | | | | |
| Pathfinder | | | 206,238.00 | | |
| Oxfam and other misc. } | | | | | |
| Family Planning Association ... | 1953 - 1974 | | 1,161,101.00 | | |
| International Planned Parenthood Fund—Preethi ... | 1973 - 1974 | 200,000 | 1,340,000.00 | 1975 - 1976 | 200,000 |
| Colombo Plan ... | 1973 - 1974 | | 11,685.00 | | |
| Govt. Donations to Family Planning Association ... | 1958 - 1974 | | 1,237,500.00 | | |
| Government* ... | 1973 contribution to UN-FPA Project ... | | 7,578,617.00 | | |
| | | | 73,550,824.00 | | |

*There was no separate govt. budget allocation for Family Planning prior to United Nations Family Planning Association agreement.

Average conversion rate 1\$ = Rs. 6.70.

Although Sri Lanka cannot claim economic prosperity in terms of G.N.P. and per capita calculations, she is far in advance of South Asian countries in deep social changes. In fact, some of the conclusions arrived at after much discussion at the World Population Conference, as pre-requisites for the success of family planning are what Sri Lanka has already established. The declining birth rate confirms a cumulative effect of these changes. The very fundamental

characteristics of the forces underlying the decline are such as to justify a reasonable prediction, that in this context of social change, and doubly aggravated by present economic strains and stresses, that this declining trend would perpetuate itself with cumulative effect to perhaps even less than desired norms within the next decade.

Government policy has consistently maintained an integrated approach

through its Maternal and Child care services and presently through its carefully programmed Family Health Service. Isolated programmes of birth control have never been government policy. Nor any form of coercion by anti-natal legislation, incentives or withdrawal of social welfare benefits. Recent trends appear to more than justify government attitude and approach.

Yet in spite of this, much energy and dollars continue to be spent by pressure groups and outside agencies. Some of these directly propagate the very same philosophy that was resoundly defeated at Bucharest. The connection between population and resources (including our just share of the world's resources) is rarely made. The day when these pressure groups carry in their propaganda the U.N. Conference view that the average rich westerner consumes fifty times as much as a Sri Lankan, will be the day when such propaganda will be seen as serving Sri Lanka's interest and not the imposed view of the rich western world. The private population control lobby in Sri Lanka must at least reflect the new mood of the Third World and not be seen as simply the tool of outside interests.

NEW ACCEPTORS OF FAMILY PLANNING AT GOVERNMENT, MUNICIPALITY & F.P.A. CLINICS BY METHODS

1973 AND 1974

| Year | Loops | Orals | Condoms | Foam tabs. | Other | Sterilization Male | Sterilization Female | Total |
|-----------|--------|--------|---------|------------|-------|--------------------|----------------------|--------|
| 1973 ... | 27,528 | 34,214 | 12,963 | 348 | 630 | 1,850 | 18,398 | 95,931 |
| —1974 ... | 29,698 | — | — | — | — | 7,292 | 34,942 | 71, |

—Records on Acceptors of Oral contraceptives, condoms and miscellaneous methods are not presently kept at Government Clinics.

THE ECONOMY

Mobilisation of Savings

THE average rate of savings in Sri Lanka during the past few years has been around 12-13% of the Gross Domestic Product. The Five Year Plan envisaged a saving rate of 17% of the G.D.P. to generate the resources required to meet the investment targets of the Plan. This was to be achieved by raising the marginal rate of saving, that is to say, by saving a larger proportion of the increases in income during the Plan period. It was estimated that at least about 26% of such increases in incomes should be saved if the investment targets are to be met. In other words, the consumption out of additional incomes should be limited to a maximum of 74%. The realization of such a planned target of savings depends on (a) the extent to which the government is able to achieve a surplus on current account in the budget (government saving) (b) the size of the surpluses that State Corporations are able to generate and (c) the extent of private savings—the retained profits of firms and the savings of households. The actual realized savings in recent years has fallen far short of these planned estimates. Nevertheless, there has been a distinct improvement in the mobilisation of savings in recent years.

Government Savings

The government revenue in Sri Lanka in recent years has amounted to around 24-25% of the Gross National Product. Despite this high revenue-GNP ratio, it has become extremely difficult for governments to generate any significant saving out of the revenue to finance public investments. In fact, in many years, the government savings have been negative, meaning that the current expenditure has exceeded the revenue. During the last ten years, while the government revenue has increased by an annual compound rate of 11.1%, the recurrent expenditure has increased by 11.2%. A distinct improvement is however seen in the last two years. In both 1973 and 1974 the government has been able to generate current account surpluses of

reasonable magnitudes. The performance in this respect is particularly impressive in 1974 when nearly 20% of the government capital expenditure in that year was financed by the surplus in the current account. This was made possible on the one hand by the sharp increase in government revenue during the year and on the other, by the ability to restrain the growth in recurrent expenditure by measures to contain the food subsidy bill.

Surpluses of Public Corporations

Compared with the situation that prevailed a few years back, the public sector corporations have shown a significant improvement in recent years. Among the state industrial corporations, except for Milk Board, Oils and Fats, Hardware and Fisheries corporations, all others have been able to generate surpluses during 1974. Practically all trading corporations have also generated surpluses of varying amounts. In the years to come, the state corporation sector is bound to expand further and it will be called upon to play an increasingly important role as a generator of surpluses required for investment.

Household Savings

In regard to private savings, information is available only on the resources that banks, savings institutions, provident funds and the insur-

ance have been able to mobilize. There has been a notable increase in the savings and savings certificates during the period 1970-74. They rose from Rs. 1949 million at the end of 1970 to Rs. 3109 million at the end of 1974—an increase of about 60%. There has been a particularly impressive increase in the total savings deposits and savings certificates amounting to over Rs. 450 million in 1974. Perhaps the main factors behind this increased mobilisation of savings are the growth in incomes in the rural sector as a result of increased food production and the higher market prices for agricultural produce, and the ability of banks to tap rural savings through an expanded network of branches. The savings deposits and the savings certificates of the National Savings Bank rose from Rs. 967 million at the end of 1972 to Rs. 1342 million at the end of 1974, an increase of nearly 40%, and this was a result of the additional incentives offered to savers through higher interest rates and income tax concessions, expansion in branch network, and the saving promotion campaigns.

A considerable portion of the savings mobilized by the National Savings Bank, Provident Funds and the Insurance Corporation has been invested in government rupee securities. In 1974, these three sources accounted for 74% of the total subscriptions to rupee securities. The government's loan programme has become increasingly dependent on these three sources of savings.

TRADE GAP WIDENS

Sri Lanka's trade deficit for 1975 was nearing Rs. 1,000 million by the end of June this year. Current indications are that the country's trade gap in 1975 will outstrip even 1974's record adverse trade balance of 1,107 million. According to latest Customs data, while total imports during the first six months of this year cost the country Rs. 2,885 million our exports brought in only Rs. 1,912 million.

Comparative figures for the first six months of 1974 and 1975 are:

| Exports Rs.Mln. | 1974 | 1975 | Imports Rs.Mln. | 1974 | 1975 |
|-----------------|-------|-------|-----------------|-------|-------|
| | 1,529 | 1,912 | | 2,078 | 2,885 |

Mainly responsible for the Rs. 800 million increase in our import bill during this period were the imports of Rice, Flour, Sugar, Petroleum and Fertilizer; while though falling prices of Rubber, Gems and Jewellery and Refined Petroleum products resulted in Rs. 100 million less in export earnings, the increased earnings from tea brought in the additional Rs. 400 million for this year.

China heads the list of over 100 countries both as our chief buyer and supplier. Country-wise Sri Lanka's five major trading partners for the first 6 months of 1975 are:

| Imports by Sri Lanka | | | Exports from Sri Lanka | | |
|----------------------|----------------|------------|------------------------|----------------|------------|
| Country | Value Rs. Mln. | % of Total | Country | Value Rs. Mln. | % of Total |
| China ... | 330.9 | 11.5 | China ... | 211.9 | 11.0 |
| France ... | 297.2 | 10.0 | U.K. ... | 173.2 | 9.0 |
| Saudi Arabia ... | 274.9 | 9.5 | Pakistan ... | 156.7 | 8.0 |
| Japan ... | 257.7 | 9.0 | Iraq ... | 117.8 | 6.2 |
| Australia ... | 216.2 | 7.5 | U.S.A. ... | 111.9 | 5.9 |

SPOTLIGHT ON AFRICA

RECENT events in Southern Africa have been highlighted in world news. The decolonization of Mozambique and the victory of FRELIMO under the leadership of Samora Machel, the decolonization of Sao Tome and Principe Islands, the bitter and bloody fighting in Angola between the various liberation movements have received wide press coverage.

These isolated snippets can be understood better against the backdrop of Africa's economic relationship to the western world. Before we in Asia absorb these media images we might well pause and look at some aspects of African history.

White Racism

The image of Africa and the African people in the eyes of many Asians remains primarily the picture that was painted by our common colonial masters. The myth of white supremacy, the illusion of manifest destiny and the imagery of the savage, have come to us, not merely through the text books but also multifarious other forms ranging from Tarzan films to tales of the missionaries.

The picture of Africa as a dark continent is impregnated with racist allusions and our European masters succeeded in developing this racialism to the extent of making Asians believe that they were superior to the Africans. Of course in the eyes of the Europeans both Asians and Africans were, as a former local Governor—Barnes—put it niggers. It is not unnatural even today for Asians to believe the implications behind that fantastic story of Stanley stumbling from waterfall to waterfall discovering Africa and finally meeting Dr. Livingstone, we presume. History text books have succeeded in legitimising the absurd implications of that event. It was after all nothing more than an American meeting an Englishman in Africa. Regardless of the pioneering aspects, it only meant the beginning of the collaboration of one more

power the United States of America, in the share of the spoils of Africa by brutalising its heritage. As Kwame Nkrumah pointed out western monopoly interests dominate about 80 percent of African trade. U.S. investments in Africa amounted to 287 million dollars in 1950 and soared to 1,700 million dollars in 1964. Similarly U.S. exports to Africa in the same period jumped from 494 million dollars to 916 million dollars and U.S. imports went up from 362 million dollars to 1,211 million dollars. Such was the nature of the rake off, of Stanley's successors. Livingstone's British successors, in South Africa alone, have an estimated investment of £ 900 million producing a profit of £ 130 million a year for the British coffers.

Slavery and Exploitation

In the white man's voyage of discovery we are told nothing about the magnificent civilizations of West Africa particularly the level of social and cultural life in places like Benin, the traditions of the Yoruba and the Ethiopians, the developments in East Africa especially those around Zimbabwe. All these and more were deliberately left out. Instead we have heard of cannibalism and Christianity. Paradoxically, the cannibals were not the native Africans but the invaders. Ten million Congolese were massacred by the Belgians, in the process of satisfying the hunger of the slave trade and the quest for rubber. The population of Africa was decimated and denuded. It has been estimated that between 1650 to 1850 the population of Africa remained a constant 100 million, whilst that of Europe rose from 103 to 274 million. The stagnation was not the result of birth control but of murder and the trade in human flesh. The story has been well documented by Eric Williams in his book *Capitalism and Slavery*. It describes vividly the so called Triangular Trade between Europe and Africa and the West Indies and the American South.

Millions died merely in the process of transport across the infamous Middle Passage. The trade was carried out by the Belgians, Spaniards, Portuguese, the Dutch and of course the British.

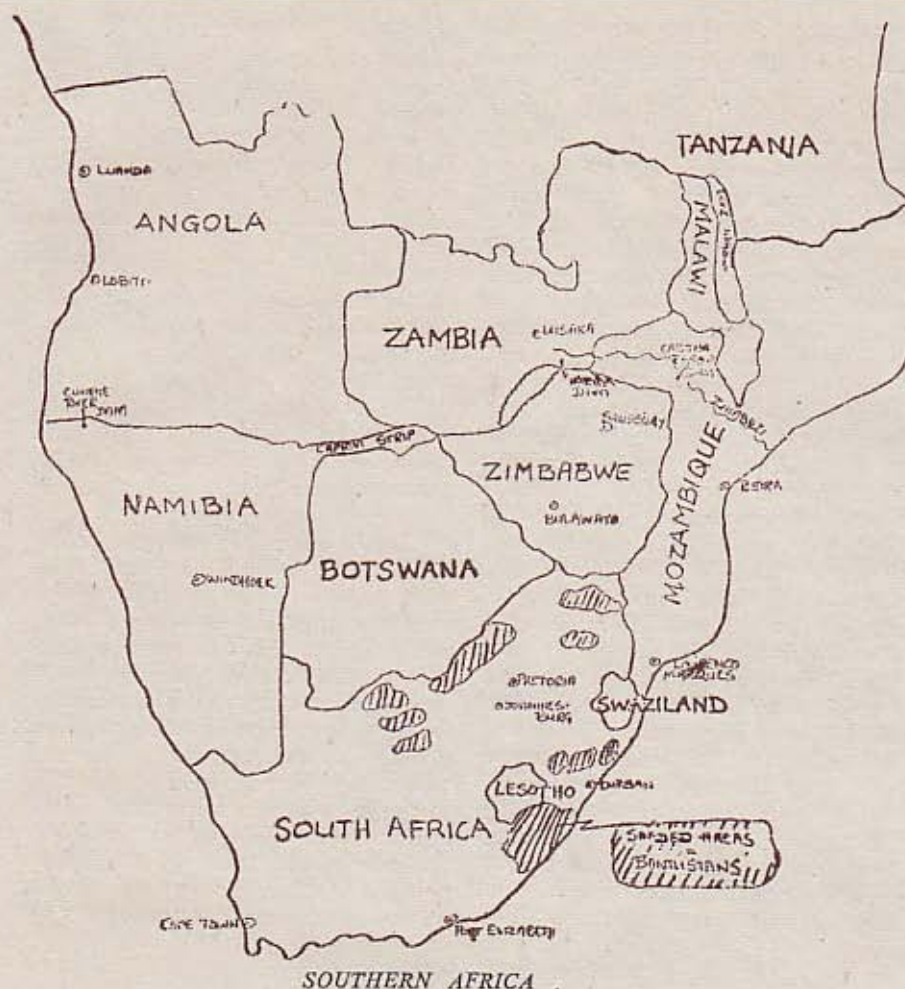
The British in their sickly humour even forced Africans to sing:

Rule Britannia, Britannia rule the waves.

Britons never, never, never shall be Slaves.

Hawkins who made fantastic amounts of money robbing Africans on the Guinean coasts, (the English guinea originates from this) not only was knighted by Queen Elizabeth I but he also became her business partner to found the Levant Company. The Queen and the knight named their first ship, going in search of African slaves, *Jesus*. The Levant Company was to become later, the British East India Company.

The slave trade and the raw materials of Africa provided a vast part of the primitive accumulation necessary to give the boost to the development of European capitalism. Many European cities like Bristol, Manchester, Liverpool, Nantes, Bordeaux and Seville were built on the profits of this bloody trade. Some of the great names of European business were founded in the same way. The loot collected by David and Alexander Barclay went to form Barclays Bank. Lloyds Bank had similar origins. Lever Brothers, Union Miniere, Compagnie Francaise D'Afrique Occidentale, Ralli Bros., Elder Dempster, De Beers Consolidated, Standard Bank, Jurgens & Vanderbergh, and Cadburys are just a few of the commercial and industrial complexes that had their origins in the exploitation of Africa. The most famous of these of course was the first mentioned Lever Brothers now better known as Unilever, the Anglo Dutch combine which drew its life blood from the veins of Africa. They were soon to be followed by American companies like United States Steel, Farrell Lines, Morgan Guaranty and in recent times a host of others.



SOUTHERN AFRICA

When the 1870 Congress of Berlin divided up Africa into spheres of influence for the Big Powers it did so to legitimise the existing competitors or to make concessions to the new arrivals like Germany. All the imagery that accompanied the white man's burden, the stories of poverty and primitive life were screens drawn to blind the eyes of the world to the fact that the African continent is, in terms of her mineral resources, one of the wealthiest regions of the world. It is a vast continent and it is often forgotten by us Asians that it is closer to us than Europe. The African continent is larger than the United States, Western Europe, New Zealand and India put together, and it encompassed the great civilisations of not only Benin, Egypt and Zimbabwe but also many others like the Ethiopian and Zulu cultures. It was necessary for the Big Powers to put a blanket over the achievements of the African people and more than that

over its wealth. In the words of the *United Nations Survey of Economic Conditions in Africa* "Africa is well endowed with mineral and primary energy resources. With an estimated 9 per cent of the world's population the region accounts for approximately 28 per cent of the total value of world mineral production and 6 per cent of its crude petroleum output. In recent years, its share of the latter is increasing. Of sixteen important metallic and non-metallic minerals the share of Africa in ten varies from 22 to 95 per cent of the world production".

These ravages have left an indelible scar on the history of the African people. It interrupted African development and "removed Africans from history". Modern thinkers such as Fanon and Cabral referred to this phenomenon when they spoke of colonialism having made Africans into objects of history. Even today

the international news media have conditioned not only Europeans but also Asians to believe that malnutrition is the natural lot of Africans. Charitable organisations like Oxfam publish pictures of black children with huge heads and bloated stomachs, and call upon the European people to save the starving African children. They of course never bothered to tell the story of how the starvation was created in the first place. The gap between Africa and these countries in 1968 was as follows in per capita income terms in US dollars.

| | | | |
|-------------------|-----|-----|------|
| USA | ... | ... | 3578 |
| France | ... | ... | 1738 |
| UK | ... | ... | 1560 |
| Africa as a whole | ... | ... | 140 |
| Congo | ... | ... | 52 |
| Ghana | ... | ... | 198 |
| Kenya | ... | ... | 107 |
| Malawi | ... | ... | 52 |
| Morocco | ... | ... | 185 |
| South Africa | ... | ... | 548 |
| Tanzania | ... | ... | 62 |
| Zambia | ... | ... | 225 |

Recent Developments

When the winds of change blew across Africa in the fifties and sixties power was transferred to African leaders. But these transfers came often as a result of bitter struggle. Kenya and Algeria are clear examples. But when the colonials left, in addition to the companies, they also left big schools which continued the old tradition. The French had a net work of *lycees* and *Ecole Supérieures* and of course the omnipresent *Alliance Française*. The British had left behind Gordon College, Kings College, Makerere, Livingstonia College, Fourah Bay College and Achimota. By and large at least in the immediate post independence era the products of these schools and colleges acted in the "acceptable milieu" but things were soon to change. Africa began to produce Ben Bella, Nyrere, Nkrumah, Lumumba and Amilcar Cabral. The old calculations had somehow gone awry and the real struggle for independence was beginning.

It is in this context that one can make some meaning of the recent popular victories in Southern Africa in the Portuguese controlled territories. They came after 450 years of Portuguese colonialism. They have

shattered once and for all the illusion of the lush-tropical paradise. At best it will be recreated with new equations. The relationship between Portugal and its African colonies was in effect that between the river and the tributaries. But in this case Portugal was not even the main river. A long time ago, even before Ricardo had invented his theory of comparative cost, based on the exchange of English cloth to Portuguese wine, Portugal had become a British colony in all but name. After the Second World War the control of Metropolitan Portugal was shared by Britain, the United States, Germany and Sweden, in addition to most of the other Western European powers. Portugal was a tottering regime sucking its wealth out of Africa not only for its behalf but also for many other countries. What is more it provided important military bases which were strategically placed for the United States and NATO in the form of the Azores islands and the Cape Verde Islands. For the raw materials and the military bases, the Western powers continued to support Portugal's tenuous hold on Mozambique, Angola, Guine-Bissau, Sao Tome and the Principe islands. When the African Liberation Movements launched their offensive against Portugal they were in fact taking on more than Portugal. Their present victory means much more than the earlier decolonisation victories in Africa. The Algerian war of independence perhaps is a more valid comparison.

MOZAMBIQUE

MOZAMBIQUE is primarily an agricultural country. Its best land was under control of the white Portuguese settlers. The entire plantation sector of mainly tea is Portuguese owned and controlled. The Black population largely existed on subsistence farming, cultivating maize, manioc, rice, peanuts, millet and potatoes on tiny patches of land. During the 10 year liberation struggle, Frelimo had successfully taken control of two of Mozambique's larger provinces and succeeded in developing the war time agriculture despite the continuous bombing raids and chemical warfare used by the Portuguese. It is in the development of this sector that Mozambique's future lies, if it is to achieve a self-reliant growth.

Mozambican industry is directly and indirectly controlled by Portuguese, South African, Italian, and British capital. Coal production of 360,000 million tons is to be exploited by a Japanese Company. Oil prospecting was pursued under US, French, German and South African companies. Deposits of manganese, radioactive minerals, asbestos, iron ore, diamonds and natural gas have been found. But the key to opening this treasure house was the Caborra Bassa Hydro-electric Dam project being built on the Zambezi river near Tete. The project was costed at 300 million dollars and its construction was awarded to a consortium known as Zamco, consisting of Siemens, Telefunken, Brown Boveri, Hotchief, and Voight (Germany), Cogolex and CCEG (France), English Electric (Britain) and CTA and Vecor (South Africa). The dam when built would provide the necessary power for these massive industrial projects. It will be the biggest such project in Africa capable of producing some 17 billion kilowatt hours of electricity a year (Aswan 10 billion kwh). The principal beneficiary would be South Africa which had plans to buy this electricity through a grid running across the two countries. The resolution of this problem between South Africa and Mozambique's Revolutionary Government is going to cause many problems in the immediate future.

The Mozambican Liberation Movement (Frelimo) suffered many reverses on its road to victory, including the assassination of its leader Dr. Eduardo Mondlane. Though independence has been won, the young government despite its massive difficulties has decided to close the port Beira to Rhodesian goods resulting in a massive loss of foreign exchange. It has done so in solidarity with the struggle of the Rhodesian people against the white minority regime of Smith.

ANGOLA

Angola like Mozambique is primarily an agricultural country. 84 per cent of its people live in the rural areas. Its chief exports are Coffee, Diamonds, Iron ore, Oil, Sugar and Cotton. The Plantation sector is controlled by Portuguese and South Africans. But even more than

Mozambique, Angola has got massive mineral resources. Angolan Diamonds are treasured in European markets and the trade is controlled by Portugal and South Africa. The high grade iron ore in the Cassinga mines is controlled by Krupp of Germany and other US interests. Angola's massive deposits of Oil are controlled by Standard Oil and Gulf Oil of the United States. Recently investments have been made in aluminium, sugar, cellulose, plastics and meat factories. Like the Caborra Bassa Dam a similar project is planned to harness the Cunene river. Again the project is controlled by foreign monopoly interests.

The bitter fighting between MPLA, FNLA and UNITA is fanned and encouraged by foreign interests which plan to continue their economic and political stranglehold over Angola. The fighting therefore, though seemingly between African and African, is in reality between the Angolan people and various foreign interests who have backed their candidates in the hope of future returns. Once again like in the early era it is the African people who suffer. Independence in Angola has not brought an end to the struggle. It seems to have in fact begun.

SOUTH AFRICA

DETAILED press reports of the success of African liberation movements in Southern Africa, and the euphoria of Third World governments have removed the focus from the major threat to the peoples of the region—South Africa. The dramatic developments in Portugal have brought flux to a seemingly static and unchanging situation. But South Africa has meanwhile been engaging in "quiet diplomacy" not merely to ensure its own survival, but to subvert the liberation struggle in the regions by new methods. The two matters are inextricably inter-twined.

South Africa's main strategy to ensure the survival of its white minority system of apartheid has been its plans for the establishment of a *New Commonwealth* under its control, of all the countries of Southern Africa. It envisages this new relationship with the surrounding African countries only on the

Population (1970) and Average Annual Growth Rates (1960-1970)

| | Popu- lation (thousands) | Growth rate % |
|---------------------------|--------------------------------|---------------------|
| Angola ... | 5,501 | 2.2 |
| Botswana ... | 575 | — |
| Burundi ... | 3,544 | 2.0 |
| Malawi ... | 4,440 | 2.6 |
| Mozambique ... | 7,729 | 1.9 |
| Namibia and S. Africa ... | 22,160 | 3.0 |
| Rwanda ... | 3,596 | 3.0 |
| Tanzania ... | 13,270 | 2.5 |
| Zambia ... | 4,136 | 2.5 |
| Zimbabwe ... | 5,310 | 3.3 |

Source: World Bank Atlas

basis of no questions being asked about its domestic policy. The *Bantustan* or tribal homelands policy remains the cornerstone of South African domestic policy. It is a scheme of separation of races in the country under the facade of self-government invented to remove from the white areas the most volatile political and social element—South Africa's exploited black indigenous work force. But more than that, the scheme is designed to maintain a flexible labour force which can be utilised to satisfy the needs of the mines and industry. For years now, South Africa has suffered from a shortage of skilled labour, caused by its own policy of racial restrictions. In 1974 South African mines were faced with a shortage of 20,000 men, resulting in a drop in gold production by 12%, at a time when gold prices rose to record heights. The situation was worsened by the ban on the migration of miners to South Africa by Malawi, as a result of the death in an air crash, of 74 returning Malawian miners. Lesotho and Mozambique may soon follow suit. Black South Africans themselves have been reluctant to work in the gruelling and hard conditions of the mines. Therefore South Africa's hope lies in attracting workers from the surrounding African States and this is one of the reasons for the proposal for "better" relations under the guise of the *New Commonwealth* or *Detente*.

THE OUTWARD LOOK

The growing needs of South African capital, drive it towards finding new markets for export goods, raw mate-

rials and investment outlets. Its own market cannot absorb any more in view of the pauperisation of its work force. Rather than redistribute national income to increase the purchasing power of the South African people, it prefers to expand outside. *External expansion is a way of continuing internal repression and sustaining apartheid.* The South African white minority has no other alternative if it is to continue its racist policies.

South Africa spends 10 million dollars a year merely to improve co-operation with Black Africa, and its investments in the rest of Southern Africa total 2 billion dollars (US). This is not surprising since Southern Africa is known to have every known mineral, and South Africa's strength in the area grows daily. She exports more than twice of what she imports from the region. The communications, postal, transport systems, money and banking institutions in *Namibia, Lesotho, Botswana and Swaziland* are entirely South African based and controlled. The economies of these four countries are merely extensions of South Africa's. South Africa is also *Malawi's* major trading partner.

Since the Unilateral Declaration of Independence (UDI), South Africa has invested nearly 1 billion dollars in Rhodesia and *Rhodesian* exports to South Africa are close to 90% of Rhodesia's total export (most of it for re-export to break the UN sanctions). *Mozambique* earns 50% of its foreign earnings by providing services to South Africa, mainly through migrant mine workers. This is in addition to the Caborra Bassa problems mentioned earlier. *Angolan* diamond and mineral deposits have South African involvement and the Cunene Dam Scheme provides another link. *Zambia* imports more from South Africa than any other country. The South African company, Anglo-American controls *Zambian* copper mines despite nationalisation. The copper provides over 90% of *Zambia's* foreign earnings. The *Detente/Commonwealth* policy therefore takes the pressure off and the stares away from the apartheid system and helps to tighten the economic stranglehold over the region, through labour intakes, exploited

markets, raw materials and investment openings. *The detente and growing economic links will make it more difficult to ostracise South Africa making it more difficult for any international policy of boycott by tying its prosperity to that of the other African countries.*

The triple veto in the UN Security Council against South Africa's expulsion from the UN was the first such 3-pronged veto in the history of the organisation. It only shows the nature of the relationship between South Africa and Britain, France and the USA. Meanwhile South Africa continues to develop its military strike power with the help of the same powers and it now has the capacity to manufacture tanks, heavy artillery, airplanes and atomic weapons.

South Africa, though situated in Africa, is in reality a part of the Western World. This is not merely a question of skin colour but economics and militarism. The Western powers see South Africa as a crucial link in retaining their markets, raw materials, sea lanes and standard of living. It is an integral part of the Anglo-European system.

The recent removals of petty apartheid restrictions like multi-racial cinemas, are intended to present merely an image of growing liberalism—nothing more. The Africans though forming 80% of the population, are still restricted to 13% of the worst land. The black man in South Africa is bound by a 1000 laws restricting his rights on the basis colour, they have no political rights in the land of their birth, they have no recognised trade unions, or the right to strike, and 50% of the children born in *Bantustans* die before the age of 5 from malnutrition. (That in a country where the white population is said to have the *highest* living standards in the world). Thousands are banned, jailed or tortured every year.

The success of the anti-colonial movements against Portuguese oppression does not detract from the fact that the situation in Southern Africa is more grim than it seems at first sight.

COMMODITIES

TEA

Prices — Production up

TEA export earnings in the first half of 1975 (January - June) amounted to Rs. 983.31 million as against Rs. 545.84 million in 1974. The substantial rise in export earnings was the result of a marked increase in prices of tea in this period (i.e. Av. Colombo Auction price in January - June 1975: Rs. 3.23/per lb. as against Rs. 2.67/per lb. in 1974). The quantity of tea exported in the first six months of 1975 was 230.06 million lbs. compared to 170.98 million lbs. in 1974, an increase of 59.08 million lbs. Tea production in the period January to June 1975 at 261.63 million lbs. recorded an increase of 22.61 million lbs. over the corresponding period last year (i.e. 1974 - 239.02 million lbs.). Major share of the higher production came in from High Grown teas. In fact there has been an increase in production of tea from all areas this year compared to last year, as revealed from Table I.

Tea Smallholdings Development Authority

A Bill to establish a Tea Smallholdings Development Authority was passed in the National State Assembly on August 7th, 1975. It provides for the development, management and regulation of tea smallholdings; and for the compulsory acquisition of movables and immovable property. There are at present 18-20% of the tea acreage held by smallholders in about 117,174 holdings. The Tea Smallholdings Development Authority will be established under the Ministry of Plantation Industries and would consist of a Board of Management comprising of a representative of the Minister of Agriculture and Lands, the Tea Controller or his representative, the Land Commissioner or his representative two representatives of the Minister of Plantation Industries and a representative of the Minister of Trade.

TABLE I
TEA PRODUCTION, EXPORTS AND PRICES
(January - June)

| Elevation | Production January - June (Mln. lbs.) | | Exports January - June (Mln. lbs.) | | Av. Colombo Auction Prices upto June 8th | |
|------------------|---|--------|--|--------|--|------------------|
| | 1974 | 1975 | 1974 | 1975 | 1974 Rs. Cts. | 1975 Rs. Cts. |
| High Grown ... | 97.87 | 102.93 | | | 2.96 | 3.26 |
| Medium Grown ... | 83.39 | 91.58 | | | 2.49 | 3.03 |
| Low Grown ... | 57.75 | 67.12 | | | 2.52 | 3.45 |
| Total | 239.02 | 261.63 | 170.98 | 230.06 | 2.67 | 3.23 |

At the London Auctions, teas from all countries recorded an increase in price compared to 1974. The table below provides data on the London market prices of tea for Jan.-June, 1975 in comparison to the corresponding period in 1974.

TABLE II
LONDON MARKET PRICE OF TEAS
(New Pence per kilo)

| Country | 1974 January-July | 1975 January-July |
|-------------------|----------------------|----------------------|
| | 1974 July | 1975 July |
| Sri Lanka ... | 61.34 | 63.76 |
| North India ... | 56.91 | 62.27 |
| South India ... | 52.30 | 60.42 |
| African Countries | 59.89 | 62.25 |
| Average ... | 57.61 | 62.18 |

RUBBER

Export Duties

Government introduced a new sliding scale of duties for rubber with effect from 21 July 1975. Under this scale—

- when the f.o.b. price for RSS 1 is above Rs. 1.60 a lb. the duty rises above 12 cts. by 1 cent for every 2 cent rise in the f.o.b. price;
- when the f.o.b. price is below Rs. 1.60 a lb. the duty falls below 12 cts. by 1 cent for every 2 cents fall in the f.o.b. price;
- the fixed duty of 3 cts./lb. is abolished.

The difference between the old and the new duty is illustrated below.

| F.O.B. price | Duty/lb. under new scale | Duty/lb. under old scale |
|-----------------|--------------------------------|--------------------------------|
| Rs. 1.60 | 12 cts. | 38 cts. + 3 cts. fixed duty |

Government also introduced a cess of 8 cents a lb. on rubber exports to finance the development of the rubber industry. This cess would replace the annual grants from the Consolidated Fund.

More exported less earned

Exports of rubber for the first six months this year at 191.9 million lbs. were higher than for the same period last year by 10.2 million lbs. However, export earnings at Rs. 325.3 million were lower than for the first six months last year by Rs. 57.3 million. The overall drop in prices during this period as compared with 1974 accounted for the drop in total earnings. RSS 1 prices has shown an upward trend beginning with the last week in July 1975 though it is still below the levels obtained in the same period in 1974.

RUBBER EXPORTS

| | 1974 January-June | | 1975 January-June | |
|------------------|----------------------|------------|----------------------|------------|
| | Q lbs. | V Rs. mln. | Q lbs. | V Rs. mln. |
| Sole Crepe ... | 3,866,046 | 18.0 | 5,173,726 | 14.1 |
| Latex Crepe ... | 42,508,571 | 148.5 | 51,935,637 | 92.2 |
| Scrap Crepe ... | 16,010,570 | 38.3 | 16,420,230 | 22.1 |
| Sheet rubber ... | 69,177,472 | 177.2 | 107,675,956 | 195.8 |
| Block rubber ... | 196,224 | 0.8 | 775,724 | 0.1 |
| Total | 131,758,883 | 382.8 | 191,981,273 | 324.3 |

COCONUT

Metrication

The Metric System came into operation in respect of Copra, Coconut Oil, D.C., and Coconut Shell Charcoal with effect from 1st July, 1975. On 24th June, 1975 the Coconut Marketing Board instructed all Auctioneers/Brokers, Shippers and Millers to conduct their transactions in respect of these four products in Metric Units.

Crop Forecast

According to the provisional estimates prepared by the Coconut Marketing Board the total coconut production during the first half of the year has shown an improvement of nearly 29% over the corresponding period last year. The estimated production during January/June 1975 amounted to 1154 million nuts compared with 896 million nuts during the corresponding period in 1974—an increase of 258 million nuts. The total production for the year is expected to be more than 2300 million nuts.

New Coconut Product a Substitute for Nuts

Pilsburg-Mindanao Flour Milling Co., Inc., Manila is in the process of manufacturing an entirely new product from coconut which can compete with almonds, walnuts, pecans, cashew and peanuts. Philnut—name of the product—is considered as a real nut substitute and can be introduced to the manufacture of confectioneries and their baked products.

Actual Exports

Export earnings from the coconut products in June 1975 at Rs. 42.7 million showed a decrease of Rs. 3.3 million and Rs. 3.8 million in comparison with the previous month and the corresponding month last year.

Earnings from the export of coconut oil in June 1975 at Rs. 24.1 million recorded an increase of Rs. 2.1 million or about 9% when compared with the preceding month, despite a decrease of 31% of the volume exported compared with the previous month. This was due to the substantial increase in the average f.o.b. price.

Earnings from the export of desiccated coconut in June 1975 at Rs.

9.9 million showed a decrease of Rs. 5.0 million when compared with the preceding month. This was due to the decrease of the average f.o.b. price as well as the volume exported during the month.

Earnings from the export of coir fibre and fibre products in June 1975 at Rs. 7.1 million showed a decrease of Rs. 0.5 million when compared with the preceding month, despite an increase of Rs. 84 per long ton in the average f.o.b. price. This was due to a decline in the volume exported in June 1975.

Export Approvals

The total value of the exports approved by the Coconut Marketing Board for the period January-July 1975 amounted to Rs. 290.7 million as against Rs. 297.9 million for the same period last year.

The total volume of kernel products approved (Copra, Coconut Oil, D.C. and Fresh Nuts) during January/July 1975 amount to 484 million nuts equivalent as against 249 million during the corresponding period last year. This represents an increase of 235 million nuts or 94%.

International Prices

The average London market prices of Copra, Coconut Oil, D.C. and Fibre continued their downward trend in July 1975 as well.

SPICES

EXPORT earnings from spices during the first half of this year at Rs. 30.8 mln. were lower by Rs. 12.8 mln. as against the same period in 1974. There was a marked drop in the exports of

Cinnamon quills and chips. Imports into Mexico during the period under review was confined to only 2195 cwt. as compared with 14147 cwt. in the same period in 1974.

Exports of Cardamoms has registered a marked increase both in quantity and in price during the first half of this year as compared with the same period in 1974. Export earnings from Pepper, Nutmeg and Cloves has declined during the period under review compared with the same period in 1974.

Essential Oils

The two major essential oils exported from Sri Lanka, Cinnamon Leaf Oil and Citronella Oil has shown a downward trend in earnings during the period under review. Further details are given in the Table below.

Trade Agreements with Mexico

According to the Protocol on economic co-operation between Mexico, and Sri Lanka Mexico will purchase 700 tons of cinnamon during the remainder of 1975. For 1976 Mexico is expected to purchase 1600 tons. After this period purchases of cinnamon by Mexico will take into account average imports during previous years. This trade is to be handled exclusively by the Sri Lanka State Trading (Consolidated Exports) Corporation as the sole exporter to Mexico and Compania Nacional de Subsistencias Populares (Conasupo) of Mexico as the only importer. Among other products which were examined with a view to extending and increasing trade were rubber and essential oils.

SPICE EXPORTS

| | | 1974 | | 1975 | |
|----------|-----|-----------|---------------|-----------|---------------|
| | | Q Cwt. | V Rs. mln. | Q Cwt. | V Rs. mln. |
| Cinnamon | ... | 75,651 | 28.9 | 36,350 | 17.4 |
| Cardamom | ... | 1,347 | 2.6 | 4,369 | 6.9 |
| Cloves | ... | 8,796 | 8.9 | 2,738 | 3.0 |
| Pepper | ... | 4,896 | 2.3 | 1,789 | 1.1 |
| Nutmeg | ... | 1,610 | 0.9 | 611 | 0.3 |

ESSENTIAL OIL EXPORTS

| | | 1974 | | 1975 | |
|-------------------|-----|-----------|---------------|-----------|---------------|
| | | Q Cwt. | V Rs. mln. | Q Cwt. | V Rs. mln. |
| Cinnamon Leaf Oil | ... | 1,172 | 3.1 | 455 | 0.8 |
| Cinnamon Bark Oil | ... | 10 | 0.3 | 4 | 0.2 |
| Citronella Oil | ... | 1,744 | 3.6 | 1,150 | 1.3 |
| Ginger Oil | ... | 6 | 0.1 | 1 | 0.05 |
| Cardamom Oil | ... | 14 | 0.5 | 3 | 0.03 |
| Clove Oil | ... | 10 | 0.02 | — | — |
| Nutmeg Oil | ... | 24 | 0.08 | 40 | 0.2 |

End of the Rigid Hierarchical Organisation

THE management and administrative structures that grew up in the 19th century and still function, for instance, in countries like Sri Lanka belong to the class of hierarchical pyramidal organisations. Scientific workers in Western countries have within the last 10 years or so reported on the collapse of these hierarchical organisations, as well as their inefficiencies and repressive nature. There is emerging now new classes of organisations which are more decentralised.

This has been largely motivated by the changes occurring in Western societies which has resulted in the growth of an aware and educated set of employees, as well as the emergence of a high degree of change in these societies resulting in the need for new organisation structures.

Among the well known writers on this genre of management are persons like Benis, Davis, Blauner, Emery, Trist, Harman etc.

What they have been describing is that Western industrial society today possess a set of characteristics that tend or would tend to change the nature of organisations within it. These characteristics are a high rate of change, a high growth of knowledge and information, rise in the level of education in the general population, a gradual breakdown of class imposed views of the concept of the proper situation of one's life, and a resulting rise in the level of aspirations and expectations in the population. These developments are reflected in organisations, one of whose many transformations as the result of this is the break-down of the traditional pyramidal authority structure and the rise of multiple centres of authority in an organization.

In the structure of jobs and roles, the rising revolution of expectations has seen a demand for lowering of the degree of alienation and loss of autonomy in jobs. Alienation, especially with its aspect of too tight a unidirectional control of lower level participants is also spread unevenly

in industries. There is a trend technologically towards a less alienating technology as well as socially towards less alienating forms of job structure in conventional technologies. That is, there is a trend towards increasing the autonomy in jobs.

One of the workers in this field, Trist for instance, contrasts the situation during the time of the classical hierarchical structure and today in a set of dichotomies (for instance the educational level of workers is higher today than previously). Similarly cultural values and expectations for the work population in the Western countries have changed from achievement, self control and independence to self expression, interdependence and self actualisation. The organisations on the other hand have changed from mechanistic forms having competitive relations and separate objectives to organic forms having collaborative relations and linked objectives.

Other writers have emphasised that rapid change is the metaphysic of the present age and for the manager of today's Western organization it has become the *Zeitgeist*, the acceleration and growing complexity of change bearing heavily on organizational variables. Bennis has noted that the last 100 years has seen the speed of communication increase by a factor of 10, speed of travel by 10, speed of data handling by 10, and ability to control diseases by 10. The effect of these changes reach to the very core of human relations and have wrought profound changes.

The coming order according to these writers is characterised not by equilibrium but by emergent change. A persisting trend is towards the institutionalisation of this change as a process of research-development-innovation-dissemination and towards organizational forms promoting change. Significant shifts in the economic and value patterns of society are occurring at a very fast rate. In the past, there was probably for example, some conflict between

the older and younger generations, but in the past there was also a long time to socialise children into patterns that were relatively constant. Now the patterns themselves change rapidly and history becomes less of a guide in predicting the future.

Change as a way of life had been observed by de Tocqueville in America over a century ago, but the changing scale and acceleration of change is a recent phenomenon.

Apart from change there has been the growth of educated personnel in Western countries. For instance thirty years ago only one in eight of the American workforce had attended high school and less than 4% had attended college. Now four out of five are attending high school and about 35% of the population attended college.

These changes have resulted in a strong crisis in authority in Western hierarchical organisations. The rise of an educated workforce which overflows the slots of the conventionally stratified economy and society leads to an erosion of traditional bases of legitimacy of authority. The fact that there is also simultaneously a growth of awareness of their rights among the lower participants in society detracts from the claims to legitimacy of the power holders.

Harman notes that American society has witnessed in recent decades the erosion of authority of "the parent, the teacher, the scholar, the law, the state". The issue is largely one of a balance between authority, based on power and authority and one based on a voluntarily given respect. A significant proportion of the American population including ethnic groups and the youth population deny that the established authority figures exist on a basis of trust and consensus.

These sweeping changes in the organisations in the Western world in the last 10 years has resulted in a wide rethinking on the organisation authority and job structures of most Western organisations. Consequently new experiments and new forms of organisations have appeared which emphasise decentralisation, participation and non-hierarchical systems. This column will in future issues, focus on some of these new organisation experiments.

Needed A Water Reforms Programme

In agriculture, water and land are the two basic natural resources. One becomes the prime resource when it is limited relative to the other and this calls for efficient use of the limited resource. Water is more scarce than land in the 12 districts of the dry zone which produces over 60% of our paddy. Here land can be used only if water is made available. The importance of water is enhanced in paddy cultivation — the mainstay of the dry zone economy — by the fact that it is not only critical for growing the rice plant but is also required in substantial quantities for field preparation. Hence, in an area where water is the limiting factor, care and prudence have to be exercised in its use.

None will dispute that scarce items in high demand are costly and provision of water to the dry zone farmer costs a tidy sum to the public treasury. Paradoxically however, water is a free agricultural input to the farmer. The current Five Year Plan in its programme for development and progress of irrigation facilities to about 200,000 acres will spend something like Rs. 1,154 million for the purpose. This is more than 1/3 of the planned investment in the entire agricultural sector. Water for 3,90,000 acres in major irrigation schemes and 2,30,000 acres in minor schemes of the dry zone is thus provided with a high investment. Further, these schemes are also maintained and administered at a high recurrent cost. This is especially true in major irrigation schemes and it would be useful to examine the problem of water use afresh in these areas.

Extravagant use

It is widely accepted and repeatedly lamented that water provided to the farmer at a high cost is used extravagantly and wastefully. Ex-sluice requirements in major irrigation schemes are estimated at 1.0—3.0 acre feet in Maha and 5—8 acre feet in Yala. But water issues of over 16 acre feet for Maha at Uda Walawe and field of 18 acre feet in Yala at Gal Oya have been reported. Though

these may be glaring cases of water waste, it is generally estimated that in Maha when the monsoon too brings water to the dry zone, twice as much water is used as is needed for paddy. Some of this wasted water could be conserved for use during the parched season of Yala. However, it is ironic that water is wasted even during this season. Another aspect of waste in Yala is that the limited available supply of water is repeatedly and traditionally used on a high water-consuming crop like paddy. A major consequence of over-irrigation and waste of water is the drastic reduction of the potentially cultivable acreage.

Excessive use of water also leads to other problems like water logging at lower reaches, washing away of top soil and fertiliser, and delays in cultivation or loss of seasons. Farmers' over-estimation of water requirements result in many water disputes and loss of production. The incessant demand for water sometimes leads to illicit tapping causing damage to structures as well.

Why the wastage

What are the major causes of this water wastage? Though wastage definitely takes place at the farmer's hand by no means is he solely responsible for it. It is also due to several institutional and technobureaucratic deficiencies. The average farmer obviously lacks adequate scientific knowledge on resource use from a national point of view. Water is often so scarce, when it is available the tendency is to use it extravagantly. And from an individual point of view he does it in order to get maximum use of it to get certain added benefits too like that of weed control. This however is in contradiction with national goals.

While it is possible to take advantage of the early Maha rains to commence cultivation activities (preparation of land etc.) farmers habitually wait for irrigated water, rather than use stored water to supplement the rains, which is possible in Maha. This will further enhance the Yala supply.

Though farmers are held responsible for the proper maintenance of

bunds and channels, and the Cultivation Committees empowered to supervise these activities, the job is not satisfactorily performed. In addition to this, anti-social activities by powerful groups especially at the top end of an irrigation system lead to waste of water at the expense of tail-enders.

Further, farmers of one tract very often decide independently on the varieties of paddy to be grown in individual plots. The result is a mix of varieties whose duration may range from 3 to say 4½ months. As the feeding channels are not so laid as to independently reach every paddy plot, one could well imagine the resultant confusion in water use.

Get the most of it

The institutional framework that had been in existence from time to time with authority and power to improve and enforce better water use has also not lived up to expectations. Passing of these functions from the Agrarian Services Department to the Territorial Civil Engineering Organisation or from Vel Vidane to the Administrative Secretary of the Cultivation Committees etc., did not bring about significant changes in the sparing of this costly national wealth: water.

Further the field layout of our tracts makes water waste inevitable. Water is supplied through one farmer's plot to the other. Thus fields are flooded over long spells often in functioning as the channel for fields lower down. This practice also seems to have conditioned farmers to an acceptance of the seeming abundance of water flowing willy-nilly through their lands.

Water is a resource that is not only wasted but also sub-optimally used though in dry zone context it is a potentially highly productive input. Its use has therefore to be rationalised and optimised, particularly in view of the gigantic Mahaweli scheme which is soon going to bring large quantities of costly water to the dry zone areas. While the current land reform was a vital necessity for the wet zone in the context of its socio-economic situation, a comprehensive water reform programme is no less urgent to put the dry zone land and water resources in to maximise use in the wider national interest.

The Western Tea Market

Notes Towards a Strategy

Paul Caspersz

Tea has controlled the country's economic life for nearly a century. This control has been on the whole detrimental to the country's well-being specially to its less privileged sections.

With statements by several government ministers indicating an imminent nationalisation of foreign owned tea plantations nationalistic interest in the industry now turns to its marketing aspects. In this article Paul Caspersz who is researching at the moment at the Institute of Development Studies, University of Sussex sketches some of the possible strategies.

TEA is one on a list of agricultural commodities which are vital to the economies of developing countries. Developing countries (here distinguished not only from developed countries but also from centrally planned countries, some of which, according to socio-economic indicators, would be developing countries) accounted in 1972 for more than half the world production of tea, rice, bananas, pepper, coffee, cocoa, jute and kenaf and allied fibres, hard fibres and natural rubber. In 1972 developing countries accounted for more than half the world exports of these commodities as well as for more than half the world exports of sugar, tobacco and cotton (Cf. FAO Commodity Review and Outlook 1973-1974).

These commodities are vital, actual and potential foreign exchange earners for the developing countries.

Primary commodities comprised as much as 88 per cent of the total export earnings of the developing countries as a group during 1963-65. A large number of these countries are dependent on just two or three commodities for most of their incomes.

Fluctuations in foreign exchange earnings arising from instability in commodity prices, invariably pose various problems to developing countries by de-stabilising the economies

of these countries through their influence on savings and consumer spending and by adversely affecting economic growth through their disruptive effects.

Fluctuations in commodity prices have the effect of weakening the competitive position of natural products vis-a-vis synthetics and substitutes supplied at more stable prices.

In this respect one should examine current efforts of UNCTAD, ITC and FAO to set up a multi-dimensional international agreement for tea.

It was decided that the first stage—in response to the demands of the new mood of the Third World—was to obtain a report on the feasibility of a minimum export price for tea. The Report was entrusted to a British firm of development analysts.

The export price of tea is a function of four chief variables: the characteristics of the product, the composition and nature of world supply (taken to include considerations of cost of production) and demand, the price of imports (both those needed for the tea gardens and for product development research and those needed for national economic development) and the international marketing system.

What does the Report fundamentally do? It pegs the minimum export price of tea on the first two variables and neglects the last two. It suggests that the minimum export price (for which in any case it envisages a thousand difficulties) be fixed in relation to recently achieved actual prices but says nothing of the tremendous inflation of recent years and months of import prices (while it is elementary economics that exports must pay for imports) and barely mentions "the existence of concentrated buying power in the hands of a few large multinational concerns, with interests as producers, packers and distributors in the major producing countries".

In not a single analysis of supply of tea undertaken in UN studies, indeed, so far as the present writer is aware, in no analysis so far of the economics of tea production has there been a systematic and detailed analysis of the wages of tea workers. Are their wages in any way commensurate with their share of labour time per unit value of output? One has also to determine at some stage if the supply price of tea is what it is because wages are so low in the two major producing countries, namely, India and Sri Lanka. It is taken as an axiom in the beverage trade that tea must be the cheapest beverage. Why?

The phrase "demand-inelasticity" often occurs in the documents. But if this implies that when there is an excess of supply over demand, price must decrease disproportionately in order to absorb supply, surely it must also imply that the quantity that is equal to or less than equilibrium demand can, in a situation of perfect inelasticity, be sold at an infinitely high price, and, in real life situations of less than perfect inelasticity, be sold along a price line that shows a definitely rising trend. This second aspect of demand-inelasticity has never even been mentioned in existing documents.

Incidentally, why the minimum-price report (and others like it) should have been assigned to a group of analysts in the affluent world is difficult (or easy) to justify.

The instruments and the data of research, no doubt, are now more than proportionately located in the affluent world, but this is precisely where international organisations like UNCTAD and FAO can be expected to strain every political and financial nerve to see that the instruments and data of research are placed in the hands of Third World researchers for subjects of vital significance to the Third World. These researchers are neither scarce nor incompetent. There must only be a will to find and fund them.

By this it is by no means implied that affluent world researchers can never have their hearts, (and so their minds) in the right place. For instance, the December 1974 UNCTAD report on Bananas and to some extent the April 1975 Commonwealth Secretariat Report on Tropical Commodity Trade (though not so much the 1975 UNCTAD Report on Cocoa) are steps in the right direction.

EEC Fund

In a sense EEC is an organisation in the West explicitly set up in the interests of an economically strong Europe. In the EEC reports on primary commodities there is a clear demarcation of the divergent interests of the *pays consommateurs* and the *pays producteurs* and a recognition that concessions have to be made to the latter in the interests of the former.

The Convention of Lomé signed in February this year by the nine members of the European Economic Community (EEC) and 46 African, Caribbean and Pacific (ACP) countries is of special interest because of its scheme for the Stabilization of Export Earnings (Stabex) of less developed countries.

Briefly, the Scheme is as follows: To qualify for financial aid under Stabex a particular specified export product must have earned at least 7.5% of all export earnings (or only 2.5% for 35 "least developed, landlocked or island" States) in the year preceding the year of application for aid. Such applications can be made if actual export earnings—due to a fall in prices—in a particular year are at least 7.5% (or 2.5% for the 34 countries) below a reference level calculated for each ACP State and for each product.

For tea will qualify for Stabex: Kenya (over 7.5% of exports), Uganda, Malawi and Rwanda (over 2.5%), probably Tanzania and Burundi, while Cameroon and Zaïre are far below the threshold.

There is a certain pride of achievement in Brussels about the Convention of Lomé. But at least one serious economist interviewed there (an expert on Stabex) admitted that Lomé is in fact much more modest than it was somewhat prematurely made out to be. A Stabilization Fund of 375 million U.A. for 29 products for 46 ACP countries for five years is not a big sum. Yet Lomé has within it the seeds of future development of an international trading system that could give the developing countries the best possible deal, though still within the confines of the existing free enterprise structure.

Denmark

Denmark is a small but important market for Sri Lanka. Per capita consumption of tea is high for Europe. U. Meinert Jorgensen, head of the recently closed Ceylon Tea Centre in Copenhagen and Consul for Sri Lanka in Denmark, has estimated that Sri Lanka's share of the Danish tea market is about 55% but only 20% comes from direct purchase in bulk of packeted form from Sri Lanka and the rest from the UK or from Danish blenders who buy abroad. Tea sales in Denmark are in three chief forms: tea bags, scented teas and orthodox teas, in 1975 roughly accounting for 20, 30 and 50 per cent of the market respectively.

Sri Lanka accounts for 85-90 per cent of the orthodox teas but only for 18-20 per cent of tea bags and scented teas. Jorgensen and others in the trade are convinced that expansion of Sri Lanka's share of the Danish market now depends on Sri Lanka and whether she will produce high quality tea bags and scented teas. The Tea Research Institute of Sri Lanka has worked on the technique for scented tea. What progress on development in this field?

Tea bags, scented teas, even the packeting or canning of tea raise the question whether Sri Lanka has or will be able to import the equipment. All these processes are highly sophisticated and automated in existing U. K.

factories such as those of Brooke Bond, Twinning and Lyons Tetley. Whether and to what extent manual labour can substitute for machines needs to be investigated. However, so long as Sri Lanka wants to have a place in the international tea arena, she can forget only to her peril that the consumer abroad wants a product that is convenient and very attractive. The capitalistic consumer is as exacting as the capitalist.

Product Development

The processing and marketing of tea in the U.K. and the rest of Europe, in the U.S.A. and Japan, point to the importance of product development: new methods of presenting tea to the consumer (so long as it has to be sold to a consumer society in need of continued excitement and powerfully wooed by competitive beverages) and new uses for tea. Is a vitaminized tea possible? Can tea be used for the manufacture of dyes and staining materials of various kinds? Can the tea dregs be saved for fertilizer? Product development must be linked to market research and needs laboratory experimental research, but here again the odds are against developing countries both for new development and for research.

Fundamentally, the developing countries will have to fall back on their own resources. The ambiguities of foreign "aid" are evident in institutions like the (Danish) Industrialisation Fund for Developing Countries (Industrialiseringsfonden for Udviklingslandene). The resources of IFU are supplied by the Danish Government from the revenue of the excise duty imposed on coffee. IFU joins Danish firms with equity capital for investment in developing countries; it also extends loan capital to joint ventures with Danish firms. After only six years of existence the earnings of the Fund have now made expendable Danish Coffee funds. The whole experiment is an interesting commentary on the cost of Foreign "Aid" and on the "Aid, not Trade" ("because we know better what you need") thesis. What foreigners have been able to achieve for themselves in developing countries, we must be able to achieve for ourselves in our own country—with tea or with anything else that is ours.

Is India a Test-house for Biological Warfare

A Press Trust of India (PTI) report released on 29 July 1974 had alleged that some research projects being carried out in India by or under the auspices of the World Health Organisation of the UN were in fact a camouflage for conducting research on Biological Warfare (BW). The projects were the Genetic Control of Mosquitoes Unit (GCMU) near Delhi, the Ultra Low Volume (ULV) spray project near Jodhpur and the bird migration studies conducted by the Bombay Natural History Society (BNHS). The PTI report prompted the Public Accounts Committee (PAC) of the Indian Parliament to institute its own inquiry and the findings were presented to the Lok Sabha on 30 April 1975. Last month, we published extracts from the PAC Report covering the GCMU project. This month we conclude with extracts covering the GCMU project the ULV spray project and the BNHS study.

It is not a question of whether BW experiments have actually taken place. The real issue concerns the psyche of Indian scientists and technological policy-makers: are they cautious enough, and conscious enough, to scrutinise all collaborative offers—even those coming from such agencies as the UN—before they lap them up?

Conclusions and Recommendations of the Public Accounts Committee (1974-75) 167th Report: "Foreign Participation or Collaboration in Research Projects in India" (Ministry of Health and Family Planning)

GCMU-Questionable Intentions

There is also considerable published evidence on the dangers of a new colony of mosquitoes being established as a result of genetic experiments. The Defence scientists had also pointed out that the use of cytoplasmic incompatible strains involves "the introduction of alien

strains of the species into the country giving rise to the danger of opening avenues of new diseases into the country with potential uncertainty and serious risk". In the face of such unknown hazards, the Committee is doubtful whether the decision to release genetic strains of mosquitoes into the environment was justified scientifically (7.1.33).

If the GCMU were really justified... the highest priority should have been accorded to work on the malaria mosquito (7.1.38).

WHY WERE THE PROJECTS MANNED BY FOREIGNERS?

"... a number of foreign experts and consultants had been inducted into the project from time to time, despite the fact that... the Indian scientists working in the unit were some of the highest qualified and experienced people... the ground (was) that the Indian scientists did not have experience in genetic methods, although most of the techniques and instruments of the GCMU had been developed by Indian scientists... (7.1.7).

"Under these circumstances, the Committee finds it difficult to appreciate the rationale for permitting a large number of foreigners not only to participate in the research, but also to determine and dictate its policies and programmes. Of the seven project leaders appointed between January 1970 and July 1973 by the WHO, four were US nationals, one a Japanese and the other British". (The only Indian employed as a project leader from August 1972 to November 1972 was himself an employee of the WHO). "In addition, as many as 37 short-term consultants and temporary advisers, 20 of whom were US nationals, have visited the GCMU in New Delhi since its inception. They have apparently been given free access to the primary data collected by the Unit (7.1.8).

"... The Committee finds that Dr. Gerald Dean Brooks, the present WHO project leader, had obtained his Ph.D. from North Carolina University only in 1973 when he joined the GCMU. Similarly, Dr. Yasuno, who was acting project leader from November '72 to April '73, was only an ecologist and not a geneticist. Mr. H. L. Mathis, one of the consultants, had just a B.Sc. degree and Mr. J. E. Graham, another consultant, an M.Sc. degree. The Committee is, therefore, unable to accept the contention

What causes even greater concern to the Committee, in regard to the experiments on *Aedes aegypti*, is the fact that the Ministry of Health has shown utter disregard to the warnings of eminent authorities on yellow fever on dangers of eliminating dengue. There is enough published evidence to show that dengue offers protection against the more fatal yellow fever.

In the first Gharpure Memorial oration held as early as May 1971, Dr. C. G. Pandit, who is one of the foremost authorities on yellow fever in India, had raised the question whether we would lose the "umbrella of protection" against yellow fever by succeeding in eradicating dengue (7.1.39).

The attention of the Committee has also been drawn..... to even more

that the Indian scientists were not equipped to play the leading role in the project." (7.1.9).

"The Committee finds that the agreement between the Government of India and the WHO also provided for the appointment of a national counterpart to be nominated by the Government of India. Though the Director General of the Indian Council of Medical Research (ICMR) had been appointed as the Indian counterpart Project Administrator, the Committee is surprised that the Director General did not know that he was the national counterpart for the GCMU project, for he himself informed the Committee during evidence that Dr. T. Ramachandra Rao, an entomologist and former Director of the Virus Research Centre, Poona, was the officer in charge of the programme in the ICMR. It was only subsequently that the Department of Health informed the Committee that Dr. Rao had not been appointed as the Indian counterpart but only as an officer on special duty in the ICMR.... This is a measure of the indifference of the Ministry of Health to the activities of the GCMU and the extent to which the Ministry had given a free hand to the foreign project leaders of the GCMU and the WHO consultants (7.1.5).

"Apparently there has been a lack of purpose and seriousness on the part of the Ministry in appointing the Indian counterpart. The Committee understands that the present Director General of the ICMR is a nutritionist and the former Director General a cancer specialist... It is indeed amazing that persons with no genetic experience should have been entrusted with the task of overseeing a complex genetic experiment and ensuring that a vital health and security interest of the people of India was properly protected."

UN OR USA?

"In the GCMU project, the WHO was the collaborator only in a formal sense and the entire project has been financed by the US. According to the agreement between the WHO and the National Communicable Diseases Centre of the United States Public Health Service (USPHS), the patent rights of inventions or improvements arising out of the project are to rest with the U.S. (7.1.55).

"There is also enough published evidence on the link between the USPHS and the US Biological Warfare Research Center at Fort Derrick... The USPHS is also stated to have received more than \$380,000 in funds transferred from the US Army General Corps which, according to the Stockholm International Peace Research Institute (SIPRI), has the responsibility of co-ordinating the chemical and biological warfare programmes of the US Navy, Army and the Air Force... The London Conference on CBW (Chemical Biological Warfare) in 1968 revealed that the USPHS maintains a close liaison with Fort Derrick. Under these circumstances it is likely that the ultimate and only beneficiary of the GCMU experiments is the US military machine (7.1.56).

authoritative and important evidence on cross-protection by Dr. Max Theiler, a Nobel laureate honoured for his work on yellow fever..... (7.1.40).

.....No serious consideration appears to have been given by the Ministry of Health or the Indian Council of Medical Research for more than three years to the questions posed by Dr. Pandit on the eradication of *Aedes aegypti*. What is even more distressing is the fact that Dr. Pandit's views had been dismissed as "thoughts raised in a lecture".....(7.1.41).

.....the entire GCMU project has been ill-conceived and is of no utility whatsoever to India. The benefits, if any, that are likely to occur to India are also not immediate but only potential. On the contrary, the project is of far greater importance to any country which might want to develop an effective biological warfare system...(7.1.57).

The BHS Bird Migration Study

Yet another research project that has caused serious concern to the Committee is the study on the possibilities of dissemination of anthropod-borne viruses by migratory birds, conducted by the Bombay Natural History Society (BNHS) in collaboration with an explicitly military organisation of the US, the Migratory Animal Pathological Survey (MAPS) and the Smithsonian Institution, which has also worked for the US Army in identifying suitable areas for chemical and biological warfare tests (7.1.68).

The implications of the BNHS Bird Migration Study for the development of a biological warfare system are far more direct and evident than the GCMU. In this case.....the BNHS had directly signed an agreement with MAPS, a wing of the US Army. It has also been admitted by the Ministry of Health that blood smears on slides had been sent by the Society to MAPS in Bangkok during 1967-68. The Committee also finds from the Interim Report on the activities of BNHS's bird migration study project from 1969 to 1972 that the majority of blood samples and ectoparasites were sent to MAPS for study. In one of his letters (see box below) Dr. Salim Ali of the BNHS had also admitted that..... once the ectoparasites collected from birds had been sent to MAPS, it was "usually the last" they "hear of the material".....(7.1.69).

The Committee also observes from the SIPRI Report that the various

medical research units of the US Army and Navy studying bird migrations and local infectious diseases in the Middle East and Far East have contributed to the chemical and biological warfare research and development programmes. The SIPRI Report also points out that when the US Army tested their BW weapons in the Pacific in the 1960s, the Army conducted, with the help of Fort Derrick, preliminary studies to find out if migratory birds would carry the BW agents from the test zones into populated areas (7.1.71).

... the Committee is concerned to note that the Ministry of Defence had cleared the collaborative project with MAPS in 1967 merely on a 'technical point' (that it did not involve visits to sensitive areas) and had not considered it necessary to examine and evaluate why the US Army and its wing MAPS were interested in the bird migration project. Apparently the Ministry had not realised that any grant from any wing of the US Department of Defence is always provided only with a military objective. This is evident from the Mansfield Amendment to Section 203 of the Act on Military Appropriation for Research and Development according to which, "none of the funds authorised by this Act may be used to carry out any research project or study unless such project or study has a direct and apparent relationship to a specific military function or operation....." (7.1.73).

DR. SALIM ALI'S LETTER (Extract)

Dated 17th October, 1969; reply to Dr. Ramachandra Rao (then Director of the Virus Research Centre (VRC), Poona).

Dear Dr. Ramachandra Rao,

The ectoparasites collected from birds in Aurangabad District (Report No. 8) have, as usual, gone to MAPS in Bangkok as *quid pro quo*. There they will be sorted out and sent to the respective specialists for working out. This is an unsatisfactory arrangement in so far as the Society is concerned since it is usually the last we hear of the material. We have not been collecting any sera because of technical limitations—only blood smears. The slides also go to MAPS.

I would be happy if in future you could send a couple of your technicians with our field teams from time to time to collect ectoparasites and sera for study at the VRC. It seems a pity not to be able to make fuller use of our opportunities...

Yours sincerely,

(Sd.) Salim Ali

INNOCENCE OR CALLOUSNESS?

"From the information furnished by the Ministry of Health, the Committee finds that the Indian Council of Medical Research has two other projects—'Human biology studies on differential tissue' and 'Conducted study on infective hepatitis in India'—which have again been sponsored by the Office of Naval Research, USA. Similarly, a grant for the purchase of equipment and laboratory supplies, which are not available in India, for a project on 'The relative role of cardiac effects in the regulation of cardiovascular functions' in the Vallabhbhai Patel Chest Institute has been given by the US Air Force, through the European Office of Aerospace Research, Brussels, Belgium. The Committee fails to understand why such collaboration with the US Navy and Air Force in these had been permitted." (7.1.85).

"According to an understanding with several governmental agencies at the time the BNHS-MAPS project was cleared by the Ministry of Defence, any project which has any defence sensitivity should be channelled through the Ministry of Defence. There was also the understanding that any project that was referred from the United States should go through ARPA—Advanced Research Projects Agency—of the US. The Committee would like to know if this arrangement still continues". (7.1.75).

Why this doubt of ARPA's bonafides? The PAC was presented with evidence contained in a New Scientist article (8 August 1974) wherein it was defined as "elite group of civilian scientists conducting high risk research and developments of a revolutionary nature, in areas where defence technology in the US appears to be falling behind or in areas where the US cannot afford the risk of falling behind". ARPA, it is said, was responsible for evolving the herbicide warfare programme under the guise of food technology research. Again, ARPA financed a GCMU-like project in Burma in 1967 before GCMU was set up in New Delhi. It was again ARPA that conducted a blood-group survey in South India and other Asian nations. This blood group survey, according to

New Scientist, was related to the development of ethnic weapons by exploiting genetically related susceptibilities and intolerances in order to use germ or chemical weapons selectively against certain populations. India has four seismometer stations, all supplied and maintained by ARPA, for detecting underground nuclear explosions. The New Scientist revealed that within ARPA is a project called AGILE which is a counter-insurgency programme responsible for opening up limited warfare technologies (7.1.26).

When the Committee asked whether the Ministry of Defence was aware of such activities of ARPA before entering into an understanding that all collaboration projects referred to by the US should go through ARPA, the Ministry of Defence replied in a written note:

".....This agency (ARPA) is responsible for the support of research projects with the (US) Department of Defence funds in various well recognised centres for research, both in the US and abroad. From the records available to us, it appears that in 1967 when the clearance of the BNHS' project was given on a technical point, our organisation was not aware of the project AGILE supported by ARPA". (7.1.27).

"The various projects examined by the Committee... raise the basic question about the way scientific activities and related research are sponsored and run in the country. What causes great concern... is the absence of any explicit policy frame or a well defined institutional mechanism within the Government for reviewing projects in sensitive areas and fields of high scientific and technological content, promoted and/or actively participated in by foreign agencies... (7.1.86). Government should identify a set of scientific or operational areas in which investigations by foreigners or by foreign-assisted programmes should be subjected to the most careful and comprehensive scrutiny on a case-by-case basis before governmental approval is given for the initiation of the project. The scientific areas selected at a particular point of time would need to be defined in the context of the prevalent international situation and advances in science and technology" (7.1.87).

ULV Spray Experiments and Microbial Insecticides Study

Two other foreign sponsored projects also merit notice in view of their importance in biological warfare techniques. The first is the WHO-sponsored Ultra Low Volume (ULV) spray experiments for urban malaria control being conducted near Jodhpur and the second is the PL-480 financed study on microbial insecticides at the G.B. Pant University of Agriculture and Technology, Pantnagar (7.1.78).

The Committee finds that an ULV spray machine obtained from the US under PL-480 funds is being used to spray malathion insecticides for malaria control. The Committee understands that the ULV technique is an acknowledged method of spraying aerosols of biological warfare agents. According to the SIPRI Report, "improvements in agent dissemination technology have a high, perhaps the highest, priority in CBW programmes". (7.1.79).

The SIPRI Report goes on to say that "weather is critical to the performance of many types of CB weapons. Maximum effectiveness thus depends on the ability to predict or measure prevailing weather conditions and to exploit the air streams occurring over the target. The particle size in which the payload of the CB weapon is disseminated is also critical. Efforts to improve aerosol generating techniques are presumably a prominent feature of the large area incapacitating weapon systems". (7.1.80).

The Director General, Health Services, has stated during evidence that, "theoretically the possibility of using the ULV machine for purposes other than the spraying of insecticides, for which it is primarily meant, as an aerosol for spreading virus or bacterial infection is definitely yes". (7.1.81).

The Committee has been informed that it is now proposed to shift the experiments from Jodhpur to Ajmer. The Committee is unable to understand the rationale for this, especially in view of the fact that the incidence of malaria in Ajmer in 1974 was only 864 cases, as against 35,979 cases in Ahmedabad. (7.1.83).

The object of the studies on microbial pesticides at Pantnagar is to experiment on biological control of insects and pests through parasites and predators. The Committee understands that the microbial pesticides require microcapsules for encapsulating the viruses. According to the SIPRI Report, micro-encapsulation is a technique for wrapping microscopic particles in individual protective coatings. This technique is used by germ warfare experts to protect the BW agents from sunlight, etc. and to preserve the viruses in an easily usable form for a long time... The Report states that microbial pesticide research is likely to continue providing impetus to the CB weapons programme and adds that possibilities of spin-offs into CBW technology are obvious enough. (7.1.84).

Courtesy: Science Today
A Times of India Publication.

DEVELOPMENT AND INDEPENDENCE

by Mahbub ul Haq

My irreverence for established thinking and my impertinence in questioning some of the currently fashionable thought on development aid and trade have been referred to. I would certainly like to keep up that tradition of irreverence and impertinence, since I do feel strongly that we have to question what has happened in the last two decades in a spirit of utter frankness and candour—in order to be honest to ourselves, to our mission and to the problems that we confront.

Let me briefly review the present state of development, particularly the emerging mood in the Third World. I believe that if Dag Hammarskjöld (the man whose memory the Dag Hammarskjöld Foundation commemorates) were alive today, he would have been greatly distressed by the present mood of confrontation between the developed and the developing countries, between the rich and the poor nations. He would have been greatly saddened by a world which was so divided economically as to have about 20 per cent of the population enjoying about 80 per cent of the world income. We have today about two-thirds of humanity living—if it can be called living at all—on less than 30 US cents a day. We have today a situation where there are about 1,000 million illiterate people around the world, although the world has the means and the technology to spread education. We have about 60 to 70 per cent of the children in the Third World suffering from malnutrition, although the world has the resources to give adequate nutrition to all of its population. We have maldistribution of the world resources on a scale where the developed countries are consuming about twenty-five times more of the resources per capita than the developing countries. We are in a situation where, in the Third World, millions of people work incredibly hard for very miserable rewards. It is easy to be very sophisticated about it and to explain it all in terms of stages of

"I believe that there is going to be a dramatic shift in the balance of economic, financial and political power between the developed and developing nations over the course of the next few decades." With these words, Mahbub ul Haq, formerly Chief Economist in the Planning Commission of Pakistan and now Director of the Policy Planning and Program Review Department of the World Bank, indicated in the keynote address to a seminar of the Dag Hammarskjöld Foundation in Sweden the startling outlook for development and the need for a total rethinking in the policies of both developed and developing countries. Mr. Haq who addressed the seminar in his personal capacity, has been in the fore front of the new thinking on Third world problems and has been associated with the recent drafting of several Third World declarations for a New Economic Order.

development but it is not likely to carry much conviction in our countries where people toil in a broiling sun from morning till dusk for mere subsistence and for premature death without ever discovering the reason why.

We had assumed, two decades ago, that this cause of development was going to be a joint venture between the developing countries and the developed world, and that there would be a major transfer of resources from the rich to the poor nations, to lay the framework for accelerated development in the developing countries. That has not happened, and we should honestly face the fact today that it is unlikely to happen, judging by the current trends.

There was, in the last two or three years, again a revival of hope that man may realize the limitations of this planet and, as such, there may again be a common concern for joint development. When the concern about the environment arose in the developed countries, many of us in the developing world viewed it partly with suspicion and apprehension, but partly, at least, with some hope. The hope was that this concern could bring home to humanity the fact that this was a small planet and that its survival was a matter of interdependence. But I must confess that the environment concern has contributed, so far, not to uniting this world but to further dividing it. We all subscribe to the concept of one planet and one world and one humanity, but very few practical steps have been taken to translate this concept into real shape. In fact, most of the people in the Third World are acutely aware of the fact that there are two worlds, two planets, two humanities—one

embarrassingly rich, the other desperately poor—and that their concerns have gradually drifted apart.

Two Worlds, two planets, two humanities...

In your world, there is a concern today about the quality of life; in our world, there is a concern about life itself, which is threatened by hunger and malnutrition. In your world there is a concern today about the conservation of non-renewable resources and learned books are written about how the world should go into a stationary state in order to conserve these resources. In our world, anxiety is not about depletion of resources but about the best distribution and exploitation of these resources, for the benefit of all mankind rather than for the benefit of a few nations. While you are worried about industrial pollution, we are worried about the pollution of poverty, because our problems arise not out of excess of development and technology but because of the lack of development and technology and inadequate control over natural phenomena. In the developed countries, you can afford to fuss about adverse effects of DDT; we have to be concerned about what it means for our crops and for sustaining human lives. You can afford to be concerned about polluted beaches; we have to worry a lot about the fact that less than 10 per cent of the population in the Third World has even drinkable water. I do not wish to overdraw the contrast here, but I think we must recognize something which is becoming increasingly a fact of international life—that our two worlds, while they touch and meet, rarely communicate. And it is that process of real communication,

real dialogue, that we have to encourage today if we are to equip ourselves to deal with the problems of this world.

It is my own conviction that the developed countries simply do not care—except for a very few exceptions, and Sweden constitutes such an exception—what really happens to the Third World. The Third World is not important enough, financially, economically or politically, to figure in the calculations of the developed countries. While we all pay homage in all international forums, in various conferences and seminars, to the concept of international co-operation, the world—particularly the rich world today—simply does not believe in it. And it is a blunt truth that unless the realization comes to the developed countries that the Third World is important for them—economically, financially and politically—there will be no major change in the policies of the rich nations. I think that we must all work to create that realization. Such a realization can come only if we look at the Third World in a longer-term perspective, because I for one believe that there is going to be a dramatic shift in the balance of economic, financial and political power between the developed and the developing nations over the course of the next few decades. I think most people in the developed countries look at these problems from the wrong end of the telescope. They keep arguing that, even though international order may be unjust, the Third World has to reconcile itself to it and find its place in it. I do not think that they realize that the Third World is the future international order, and that the developed countries have to start thinking today in terms of fashioning policies to come to some reasonable accommodation with this future international order.

A dramatic shift in the balance

Let me illustrate what I mean by a dramatic shift in the world balance of power. First, if we look at the demographic trends, we find that the rich nations are a shrinking minority of the world. Today they are about 30 per cent of the total population of the world; by the next century, they would have dwindled to 10 per cent. There is a real question whether such a shrinking minority will be able to

control the economic, financial and political destiny of the world—and what means it may have to employ to do that.

Second, look at the control of international resources. Most of the agricultural and mineral resources are produced by the farmers, labourers and miners in the Third World and it is quite obvious that the developed countries are going to be increasingly dependent on the resources imported from outside. Initially, natural resources were obtained by the developed countries on the basis of a colonial pattern of exploitation of the developing world. Later, the availability of cheap oil enabled the developed countries to replace many of the natural fibres by synthetics and to create new resources for continued industrialization. We are witnessing today a major change in the balance of power in regard to the sharing of benefits from the exploitation of these resources. Already oil is becoming more expensive and its price in future is likely to be determined by the free play of market forces and the availability of viable substitutes rather than by feudal power structures. This is a painful transition for the industrialized world for it implies a major transfer of resources from the developed countries to the producers of oil. I would suggest that this is merely the beginning of a redistribution of real resources on an international scale which is long overdue. The world financial power is likely to change dramatically right in front of our eyes. The change is probably too close for us fully to comprehend its significance and there may be a good deal of resistance to it in the developed countries, but none the less the change is a real one—and almost an inevitable one.

Third, the developed countries will need the Third World in future even to sustain effective demand for their expanding production. While the developing countries are not really important today in the economic calculations of the developed countries, I am convinced that over the next few decades a realization will come that the prosperity of the developed world cannot be sustained by the continued impoverishment of the Third World. Western capitalism learnt a bitter lesson, through the depression of the 1930s, that every

penny going to labour was not a penny taken away from profits but would come back twice over through effective demand and really grease the wheels of prosperity. This led to the birth of enlightened capitalism, where as much attention was paid to sustaining the purchasing power of the workers as to worrying about the profits of the capitalists. Today we have a situation where the capital of the world is concentrated in a handful of nations but its labour is mainly crowded in the Third World. I am not sure that you can keep this capital and labour apart through immigration laws and through restrictions on capital transfers and yet have the basis of continued world prosperity.

Fourth, let us also realize that the future balance of political power will change radically as some of the developing countries also acquire nuclear weapons. It is inconceivable that the monopoly of nuclear power should remain only in a few selected hands over the course of the next century and that political power be exercised by a minority of mankind in a world that prides itself on its democratic philosophy.

It is my belief, therefore, that the balance of political, economic and social power is likely to shift dramatically in favour of the Third World over the course of the next century. The developed world will do well to recognize this so that we can all shape the international order in such a way that, instead of a bitter confrontation and a catastrophe, we can promote policies of mutual accommodation and harmony. This is our common responsibility as the citizens of this world. I am sure that if Dag Hammarskjöld were alive today he would have dedicated his life to evolving such policies of accommodation so that we could all move away from the ugly confrontation which otherwise may arise.

Need to avoid confrontation

If the world were ruled by enlightened self-interest, a number of policies would immediately make sense. First, the developed countries would come to terms with the termination of the windfall profits they obtained in the past, as a result of cheap oil and other natural resources, instead of regarding the current developments as illegitimate ones. In fact, they would go

further and facilitate the geographical redistribution of industry that must come as a result of this development. There must be a major redistribution of industry today, particularly those industries based on energy or using a lot of unskilled labour or leading to environmental pollution. The comparative advantage in some of these industries is changing radically in favour of the Third World. The developed countries can either resist this trend ferociously through protection and international manipulations or come to terms with it gracefully, since it is likely to prevail in any case in the long run.

Essence of enlightened self-interest

Second, if there were policies of accommodation and the developed countries were ruled by enlightened self-interest, they would not try to exploit the present weak bargaining power of the poor countries in all international forums in order to gain only a temporary advantage. Instead, they would create a framework for those agreements which can last over time, since they benefit all the parties. Let me mention a few examples. There is a major dialogue today over the exploitation of the resources of the ocean which, according to some estimates, can yield £15,000 to £20,000 million a year over the next few decades. Only the developed countries today have the capital and technology to exploit these resources, even though they belong to all mankind. It would be the essence of enlightened self-interest to establish an international regime for the exploitation of these resources so that the Third World could obtain an adequate benefit from them. It would be narrow and short-sighted to try to split the Third World around this issue in international forums and to promote unilateral national exploitation, since this would only set the stage for territorial battles tomorrow.

Similarly, take the exploitation of some of the natural resources of the Third World by multinational corporations based in the developed countries. If the multinational corporations were guided by enlightened self-interest, they would dismiss rather than reward those officials who negotiate extremely favourable concessions from poor, helpless developing countries, concessions which give these

corporations a temporary advantage that cannot last and which provoke these countries at a later stage to nationalize foreign interests.

Again, in the past, whenever a synthetic substitute was developed to replace a natural resource, it was hailed in the developed countries as a triumph of Western technology, without worrying about the poor producers of natural resources—whether rubber, jute or cotton and without worrying about how they would now survive on 10 cents a day, instead of their former 30 cents. The developed countries debated endlessly the question of adjustment assistance on a national basis, i.e. how to take care of those people who were displaced by international competition and new technologies within their own countries. There has been very little concern about adjustment assistance on a world-wide basis, even though some of the poor countries have gone through some major and abrupt changes in their living standards because of the impact of Western technology. It is in fact ironic that there is so much concern about possible adjustments in life styles in the rich nations today as a result of the so-called oil crisis, while there has been so little talk in the past about much more abrupt and cruel adjustments in the living standards of the poor.

I realize that all this talk about enlightened self-interest is far too idealistic. It is too idealistic to believe that somehow the rich nations and the whole world are going to be able to foresee these long-term developments and to shape current negotiations between the developed and the developing countries accordingly. Here the Third World faces a major dilemma. Should they base their policies today on certain optimistic assumptions which they feel may not materialize despite the fact that they have some liberal allies in the developed countries? Or should they turn away from policies of accommodation and turn inwards and base their future policies on fairly pessimistic assumptions about aid, trade and the future pattern of international co-operation? It is my personal view that while it is incumbent on the liberals in the developed and the developing world alike to

keep working for policies of accommodation, there is no alternative for the Third World but to turn inwards and to assume the major burden of its own development. It is futile for the Third World to keep blaming the international order for its own future development and conceive its longer-term development within a framework of economic and political independence. Since the time is short, let me give you in a summary fashion my own views on what this would imply.

Entirely new development strategy

First and foremost, this implies an entirely new strategy of development. The Third World must evolve a life style consistent with its own poverty and current level of development rather than pursuing illusive Western living standards. This means that development should not aim merely at the highest rate of GNP growth but at the participation of the majority of the people in the development process, so that increasing production does not get warped in favour of a privileged minority. It means a direct attack on poverty by mobilizing the creative energies of the people themselves. It implies reliance on local institutions and improvised technology. Basically, the new development strategy has to build development around people rather than people around development and has to achieve this largely through local resources and indigenous effort. This appears to be a simple statement but its significance for refashioning current development strategies is extremely profound. I have expressed myself at length on this subject elsewhere so I will not elaborate this theme any further.

If development strategies in the Third World are refashioned in this manner, the role of foreign assistance will also have to be redefined. I have a feeling that the present pattern and form of foreign assistance is in for a radical change. This pattern developed in the 1950s and has not adjusted too well to the changing realities in the Third World in the last two decades. What is needed today is that foreign assistance should indeed be available on concessionary terms. It should link up with the goal of a direct attack on poverty and it should identify itself with the objectives of the recipient country.

Probably there is not much assistance that would become available along these lines but, if that is true, the room for confrontation on this issue is enormous. In particular, we must seriously think of the major debt burden that has arisen as a result of the past so-called foreign assistance. There must be a review and orderly settlement of the \$75,000 million of debt burden that the Third World has acquired so far. Unless this is done soon, new assistance in many of the poor countries is merely paying for the old debts and not leading to any significant net transfer of resources. Instead of continuing with such a charade, it would be more honest to convene a conference of the major creditors and debtors to arrange a satisfactory debt settlement so that the Third World may pursue its future policies without being burdened by the past.

My own feeling is that the future development of the Third World has to be based more on the expectations of expanding trade rather than on increasing levels of foreign assistance. It will create a more satisfactory pattern of international co-operation and partnership if the developing countries are enabled to earn their own keep by reducing the protectionism in international trade and by the geographic redistribution of world industry that I have already mentioned. It is wrong to assume that the Third World needs trade concessions from the developed countries in order to survive. In fact, it is the developed countries today which cannot face free competition since *laissez-faire* would also simply free movement of labour and capital without restrictions on immigration or capital transfers. If such free competition were to prevail, real incomes all over the world would tend towards equality as the labour from the developing countries would move to the rich nations in search of economic opportunities and the capital of the

developed countries would pour into poor lands. Such free competition is likely to threaten the life styles of the rich nations and, as such, is unlikely to prevail. The most that can be expected is that there is more attention paid to shifting comparative advantage and that the international world does not turn increasingly protectionist.

If the Third World has to fashion its own development strategy in a framework of independence, its countries will have to move increasingly closer together. It is in a position today to arrange its own foreign assistance, since financial resources are moving to the oil-producing countries which are a part of this world and which should regard themselves as such. It is also in a position to arrange its own trading patterns based on pots and pans and bicycle economies rather than on the traditional trading patterns between the developing and the developed world.

If the Third World has to carry on its development within a framework of independence, what it needs most is an intellectual liberation. I feel that our countries went on from political dependence twenty years ago to economic dependence in the last two decades, and even though some of the economic dependence is disappearing, we are slow to recognize it in the Third World where an intellectual dependence still persists. Many of us—who are products of Western education and liberalism—went back to our countries hoping to deliver economic development, trying to change our systems in a hurry without even understanding them fully, and we managed instead to deliver only tensions and anxieties. There is a great need today that the Third World should debate its choices frankly and honestly in the forums of the Third World itself. It is remarkable that while we have many forums where economists and social scientists from the Third World and developed countries meet together, there are

hardly any intellectual forums of the Third World itself where these issues can be debated. As a result, the intellectual effort of the Third World is always judged by Western standards. How else can we explain the fact that the Nobel Prize, which is given for excellence of intellectual work anywhere in the world, has been conferred on so few in the developing countries, containing 70 per cent of the world population? Is it because the Third World, besides being poor politically and economically, is also poor in intellectual thought? Or is it because the thinking of the Third World is often judged by Western standards or by standards alien to the Third World? It was in response to some of these misgivings that some of us met in Santiago in 1973 to establish a Third World forum, not in a mood of bitterness and anguish, but in order to address ourselves honestly and frankly to our own problems in our own forums. This intellectual liberation is vital, but I do hope that this does not constitute a parting of the ways. I sometimes wonder whether ours is the last generation that can still communicate meaningfully with the West. I recently went home to Pakistan and the mood of frustration and disillusionment that is emerging there in response to the indifference of the developed world simply frightened me. In fact, many of us are seen by our own countries as products of Western liberalism and irrelevant to their present needs. I believe that in considering the future relationships between the developed and the developing countries, you should take this seriously into account.

Let me say, in conclusion, that I personally believe in a meaningful partnership between the developed and the developing world and in policies of liberalism and I do believe that there is an even greater need today than before for the kind of liberalism that Dag Hammarskjöld symbolized. It is only in that spirit that I have attempted to offer some of my own frank and candid views on this subject.

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