



# NORWAY

# INFORMATION

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## THE NEW INTERNATIONAL ECONOMIC ORDER

Talk given by Prime Minister Odvar Nordli to the Oslo  
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The new international economic order constitutes a new concept in international politics. It is used to signify the objective inherent in the adjustment of the world economy which is essential in order to achieve a more equitable balance between the rich and the poor countries. The concept represents an innovation. It is imprecise and already we can see that people are interpreting it in different ways.

In simple terms, we may say that 25 years have now elapsed since the problem of international development began to be recognized as a major task for the world community. Measured in historical terms this is a very short space of time.

During these 25 years a third of the world's population has achieved political independence. Immediately the new governments in the new states set to work to establish a coordinated policy for their respective countries. In most countries this took place in spite of a lack of financial and human resources which it is difficult for us in the rich, highly developed and well-organized part of the world to imagine.

Before tackling the question of assessing the principal problems involved in arriving at a new international economic order, I should like to emphasize that significant results have in fact been achieved during these 25 years in the less advanced part of the world.

The greatest changes are to be found in the health situation of the world population. All major epidemic diseases have been virtually eradicated. We have succeeded in a surprisingly short time in radically reducing the death rate for such diseases.

However, paradoxically enough, this major step forward in the process of development has been a major contributing factor in exposing the problem which we are today most

concerned with, namely the population explosion. The great, even dramatic, problem now facing us is whether the world's food production will be able to keep pace with the growth in population up to the time when the birth rate will begin to decline in many of the more populous developing countries.

But major results have also been achieved in a number of other fields in this 25-year period. The national administrations have in the course of time succeeded in freeing themselves from dependence on foreign advisors. Most countries have established a genuine national administration which in many places, despite being inexperienced and incomplete, nevertheless forms a valuable basis for further development.

Finally, the developing countries have, in spite of their abject poverty, succeeded in mobilizing considerable economic resources for the benefit of their economic and social development. The developing countries have through their own savings financed approximately three-quarters of all investments in productive assets and capital for common consumption (such as schools, roads, water-works etc). This is a major achievement which we are only too apt to overlook. In fact it is only the last quarter which has been financed by means of foreign grants-in-aid, loans and direct investment.

For the purpose of comparison I would mention that during the Marshall Plan of 1948-51, 87 per cent of total investment in Norway was covered by our own savings, while the Marshall aid contributions amounted to 11 per cent.

Although, during this 25-year period, we have been able to see many encouraging signs of progress in the developing countries, it has at the same time become clear to us that it has not been possible for the greatest and most fundamental problems to be solved successfully in the global interrelationship between the industrial and the developing countries.

In the first place it can be stated that international development assistance provided by the rich countries for the poor countries has been on much too small a scale, so that the developing countries' investments have not measured up to their needs.

Let me add that in the short term there are very restrictive limits as to the speed with which a developing country is able to increase its investments.

Many experts point out that the lack of qualified personnel of all kinds equipped with the necessary technical skills, and with the general fund of human experience so necessary in all professions as an important supplement to purely technical know-how, puts a serious brake on progress in the poor countries. Here we are concerned with human qualities impossible to transfer from other countries or to conjure up in a short space of time. Many people maintain that it will only be the new generation, not raised in an illiterate environment, which will have the human background needed for the building up of a modern society.

Of late it has come to be more generally accepted that the world has not time to wait for the results of the development process in the poor countries at today's rate of progress. Progress is too slow to satisfy the natural human aspirations in respect of the material things of life of which the developing countries are gradually becoming more conscious.

In the course of time, these very natural human aspirations build up into strong political pressures both internally within the developing countries themselves and externally directed against the rich countries. It is quite impossible in our situation today any longer to accept the economic and social imbalances which now prevail between the peoples of the world - and which in the years to come will probably be even more exacerbated.

Both our conscience and feeling of solidarity, as well as cool political calculations, prevent us from accepting this enormous chasm of inequality between human beings. In order to achieve a sound basis for lasting peace between the continents, we must create a new international economic order.

Attention has come to be more and more focussed on international trade which is the most important aspect in the economic relations between the rich and the poor countries.

Very simply stated the main problem is to provide the developing countries with a better return on the goods they

sell to us, seen in relation to the flow of goods in the opposite direction, as well to give them better access to our own markets.

In 1965 a developing country could purchase a European tractor for 5 tons of cotton. Seven years later the same tractor cost it 8 tons of cotton. This demonstrates that the price development has been unfavourable to the poor countries, that the real value of their production measured in terms of the amount of goods they could buy from the rich countries has been almost halved.

A major element of the new international economic order is to correct this imbalance in price relationships.

The problem would have been simpler if we only had to deal with a clearly defined set of products produced by the developing countries and an equally clearly defined set of products produced by the industrial countries. Unfortunately this is not the case. Many of the export products from the developing countries are also produced and exported by the rich ones. Processing, stocking and the entire marketing apparatus of many of the developing countries' products are controlled by foreign concerns. It is very difficult for a newcomer in today's situation of hard international competition to achieve a breakthrough by direct sales and through marketing from minor producers in the developing countries.

The same trends which we are able to observe in our own domestic market, showing how difficult it is for a new small producer to market his goods in competition with the large well-established firms, also apply at the international level.

Let us turn to some of the opportunities and objectives which are now taking shape.

At the Fourth Session of the UN Conference on Trade and Development in Nairobi this summer - UNCTAD IV - the international community took a first, but nevertheless an important step in the direction of a new international economic order. The most important theme at the conference was the one which later came to be called the integrated commodity programme. This programme contained a list of 18 commodities of major export interest to the developing countries. In most cases

these were commodities which could not readily be replaced by the production of synthetic substitutes, at least not in the short term view. To give you an indication of the problems handled by the Conference, I propose briefly to enumerate the commodity list:

Bananas, bauxite, cotton, cocoa, coffee, copper, iron ore, hard fibres, jute, manganese, meat, phosphates, rubber, sugar, tea, tropical timber, tin and vegetable oils.

The idea behind the integrated commodity programme is in the first place to establish commodity agreements for each of these products. These commodity agreements are to contain provisions concerning production quantities, the regulation of stocking arrangements and last, but not least, prices. The arrangement prescribes, as an important feature, the financing of commodity stocks in order to regulate the supply of these products on the world market. The programme therefore included a common fund for commodities as its most important regulatory instrument.

During the conference in Nairobi there was no clear and unanimous support for this programme. But more was achieved than on previous occasions, and a new foundation has been provided on which further advances can be made. The developing countries achieved further progress than before in demonstrating their willingness to cooperate on such market regulating measures. Up to now the developing countries have either singly or in groups competed with one another on the same markets. This is not surprising because the individual producer countries are widely separated from one another, both in geographical terms and in other respects, and perhaps particularly so because of the wide discrepancies between the political systems inherent in the various countries. In addition there are clashes of interest between the traditional producers of particular raw materials and newcomers on the market.

However, in Nairobi the producer countries demonstrated a strong political will to enter into binding forms of co-operation on such a commodity programme.

On the opposite side, among the developed countries, the problems were greater, and it was in fact the attitude of this group of countries which made it impossible to achieve

that measure of full support for the programme for which some of us had perhaps hoped.

Let me first deal with the more positive aspects of the attitude of the developed countries. During the Nairobi conference they demonstrated a greater willingness to admit that the present organization of world trade does not provide a satisfactory answer for ensuring the developing countries a reasonable income. The great majority of the industrial countries recognized the need to adopt market regulating measures in respect of the most important raw materials.

Certain major industrial countries, however, reserved themselves in regard to the resolution which was finally adopted. This was particularly the case with the United States and the Federal Republic of Germany. Another group of industrial countries, 16 in all, attempted to compensate for the unfortunate effect of these reservations by emphasizing their political support of the commodity programme. The Norwegian delegation actively participated in the drawing up of this declaration which at the conference was regarded as an important move to save the outcome of the negotiations.

As regards the most important instrument for the commodity programme, namely the common fund, Norway was the only industrial country which pledged its government to contribute towards the fund. Norwegian authorities committed themselves to a contribution of 25 million dollars which, apart from covering the intended Norwegian share, also covered contributions from some of the poorest developing countries which were thereby relieved of the burden of financing such a contribution.

In the UNCTAD resolution it was decided that the countries concerned must have concluded before the end of 1978 the negotiations on the individual commodity agreements in respect of the commodities included in the list I have just mentioned. In other words, it is clear that the aim is to implement a coordinated integrated commodity programme before the next UNCTAD conference scheduled for the spring of 1979.

However, as regards the common fund, the resolution

clearly indicates that full agreement was not reached in Nairobi. Following preliminary discussions a negotiating conference is to be convened with a view to establishing a common fund by March 1977 at the latest.

A comparison between the main principles of the integrated commodity programme and our own domestic distribution system for agricultural and fish products is interesting. It is easy today to see that it would have been difficult for Norwegian farmers or fishermen to achieve an acceptable income development if we had not established monopoly-like associations on the production side. It would also have been difficult, even for such strong associations, to attain the results now achieved here in Norway if they had not at the same time been accorded the various financial arrangements necessary for effectivizing market regulation.

Although Norway was disappointed that other industrial countries did not succeed in making a greater contribution than they did, we must admit that the modest results achieved during the Nairobi conference even so represent a step forward compared with what had been achieved before. It was with some justification therefore that, in his statement to the UN Economic and Social Council on the results of the conference, the Secretary-General of UNCTAD said that he could safely assert, all things considered, that the world had taken a step towards a new international economic order.

There are also other important elements in the new international economic order. One of them is to make it easier for the developing countries to market their finished products on the world market. This is first and foremost a question of eliminating all obstacles to trade. But at the same time it is clearly to a large extent a question of finding organizational and institutional structures to facilitate their integration in the fiercely competitive markets of the industrial world.

A third point concerns the developing countries' debt situation. Owing to the fact that the flow of foreign capital to the developing countries largely takes the form of loans rather than grants-in-aid, many of the developing countries find their economies considerably burdened by having to meet interest and repayment instalments on such

loans. The developing countries had therefore hoped that the UNCTAD conference in Nairobi would reach agreement on a large-scale debt conference to enable substantial general reductions in outstanding debts to be agreed.

The industrial countries were not willing to subscribe to this idea, but accepted a programme for easing the burden of debt. This programme however was to be implemented on a country to country basis, rather than applying generally to all countries alike. Norwegian official aid to the developing countries has been practically speaking 100 per cent in the form of grants-in-aid and not as loans, and Norway therefore is not directly affected by this problem.

Almost all the discussion on the new international economic order in actual fact took place between on the one hand the industrial countries as a single group of countries containing many individual variations and on the other hand the corresponding group of developing countries. The East bloc countries remained on the sidelines of the main conference. It is a curious fact that these countries continue to stay aloof from these problems and contribute so little to furthering the developing countries' interests. Their main argument is that the poverty in the developing countries is the result of Western imperialism. They hold that it was the colonial system which created this poverty and that it is therefore the responsibility of the former colonial rulers to remedy the situation. It was certainly the general feeling at the UNCTAD conference that this attitude failed to gain the same understanding among all the developing countries.

What are the implications of a new international economic order for Norway? First of all it will mean that we must expect our foreign aid to continue to increase in the longer term. This aid now amounts to less than one per cent of our total annual national income. In the longer term it would be difficult for us to claim that it would represent any unreasonable burden if this very modest figure were to be enlarged.

But in the longer term we must also expect to have to pay more for the developing countries' products. In other words we must reckon on having to allocate a larger



proportion of our real income to buying a certain quantity of goods from the developing countries. These could be goods for direct consumption, such as tea, coffee and bananas for example. They could also be raw materials for industry, such as bauxite and tropical timber. In all probability this would likewise apply to vegetable-based feed concentrate for our livestock production.

There is still no basis on which to calculate the cost of an integrated commodity programme for Norway.

It is difficult to believe that it would cost us more than a few extra per cent in higher import costs compared to the current price levels between imports from industrial countries and from developing countries. In 1974 the sum of imports from the developing countries (excluding oil and ships) amounted to 5.5 per cent of our total imports. If - just for the sake of calculation - we take it that the price of the developing countries' imports were increased by 50 per cent, this would mean an increase of less than 3 per cent of the value of all imports taken together.

However, some products may come to rise much more if the producers are to receive a fair price. This might well be true of a popular product such as coffee. Our attitude to the new international economic order will be put to a realistic test if we find ourselves having to pay double the price for coffee. If we react to this with our usual complaints when faced with price increases, this will show that we have not yet learned the inevitable consequences inherent in our desire to help to create proper human living conditions for the world's underprivileged masses, that is to say the people of the rural communities in the developing countries.

But a third area in which we are certain to notice the effects of a new international economic order refers to the international division of labour. As the developing countries gradually manage to process some of their raw materials themselves, we will also have to allow them access to our own markets. We have already begun to notice the first signs of this in the textile and clothing industry.

We will also come to feel its effect in other fields

where the developing countries will be able to produce certain goods better and more cheaply than we ourselves can. It is hard to forecast which sectors will be affected, but it seems likely that they will primarily be sectors in which either lower wages or a warmer climate will be the decisive production factor.

As this problem comes more and more to the fore, we will have to make the necessary adjustments to our own economy. In the Government's view, it is a prerequisite that these inevitable adjustments must be effected in such a way that those who are engaged in the industries involved shall not be alone in shouldering the burden.

This means that if certain sections of agriculture, or a specific branch of industry, suffer because the competition from the developing countries proves so strong that they cannot manage to maintain a viable level of production, then the authorities must contribute to the necessary restructurization. This may in some cases be a question of specialization in products outside the actual sphere of competition, or switching to quite different forms of production.

I have here touched on some of the aspects of the new international economic order which was the predominant theme during UNCTAD IV in Nairobi this summer. We still do not know to what extent we will manage to get things moving in the process of restructurization which the world is now faced with. Nor have we any adequate overview covering all the different problems and possibilities which may arise.

It has not taken long to find out that the problems here extend far beyond the distribution of a given production output as per today. It only serves to deflect us from the fundamental issue if we concentrate our discussions on how reduced consumption in Norway might benefit the poorer countries. In the shorter term there is no direct connection between reducing Norwegian consumption in this way and stimulating the basic process of development in the poor countries. Even in the longer term there is nothing to imply that economic stagnation here at home or in any of the other industrialized countries would provide

a direct solution to these problems.

It is not the fact that there is a limit to natural resources which is the cause of poverty in the world, nor is it the lack of food production facilities on the global scale which is the reason why close on 500 million people are suffering from serious undernourishment and malnutrition and that a far greater number are living under conditions of inhuman poverty. The natural resources base affords possibilities for a considerably larger world population to live at a satisfactory level of material well-being. The fact that poverty and want still exist on such a scale as they do is due to the political, social and economic set-up in the individual countries and in the world community.

A new world economic order will also require readjustments beyond those I have already mentioned. It is impossible to imagine a world that continues to devote 30 times as much every year to military ends as to development aid purposes. These figures make sad reading. Even if we Norwegians may have cause to rejoice that the relative figures in our Fiscal Budget are 1 to 3, as against 1 to 30 on a world scale, this is but meagre comfort.

Nevertheless, we can surmise what resources the peoples of the world can release if they are able to take more appropriate politico-economic decisions as regards the allocation of material goods.

Food production will represent a key sector of production in the decades ahead, particularly because the world population will continue to expand. There are only two regions in the world today with a food surplus - North America and Australia/New Zealand. All the other countries are to a greater or lesser degree importers of food.

But fortunately the possibilities of increasing food production and becoming self-sufficient are promising. This applies above all to a very large number of the developing countries. Here, it is capital and technology which in the long run will be able to solve the problem of food supplies.

In the last 10 years Norwegians have become

seriously aware of the need for an active policy of environment protection. Nature's ability to get rid of and to transform the waste matter deriving from our complicated production system is bound by absolute limits. This is not a national problem. It has already become an international problem and will bear more and more signs of this as time goes on. It is a problem that already affects the industrial countries today, while the developing countries have not yet come to feel that it concerns them too. In their opinion it is the industrial countries which have created the whole problem and it is up to them therefore to bear the cost of solving it. But the world has already today learnt to its cost that intense economic activity creates pollution problems which must be brought under control before they destroy too much of man's vital environment.

In the very long-term view - if we look forward into the next century - energy can scarcely be considered to represent any limiting factor in the economic life of man. But in the shorter term, up to the end of this century, we will probably experience a situation with energy becoming scarcer and dearer. This necessitates more careful management of this particular resource. It is for this period that man must solve his energy problem on the basis of the energy input source and technology known to us.

There may be a dramatic race in this field too unless future generations solve the technical problems connected with new sources of energy input before it is too late.

There is hardly a single area in which the gap between the rich and the poor world is greater than in the field of scientific research and technology.

Technological developments and scientific research have enjoyed an explosive growth since World War II, and are still expanding. Of all the scientists and researchers who have lived on the earth since the earliest days, 90 per cent are actually alive today. Over 90 per cent of those active today are associated with the developed countries. This illustrates the enormous technical advantage possessed by the rich countries today, in

comparison with the poor countries. This state of affairs illustrates at a glance the depth, gravity and almost incomprehensible dimensions of the problem of creating a more balanced course of development between the different parts of the world.

Some years ago President Nyerere of Tanzania wrote a special article as a challenge to West European socialists. He compared the tasks facing the poor countries today with the tasks the working class in Western Europe had faced at the beginning of the industrial era. I should like to conclude by quoting part of this article:

"The poor nations are now in the position of a worker in 19th century Europe. In order to live he had to sell his labour at whatever price he could obtain for it. With his wages he bought goods at prices fixed by members of the employing class in their own interests.

The only difference between the two situations is that the beneficiaries in the international situation now are the national economies of the rich nations, which includes the working class of those nations."

"Charity, however well meaning, is no way out of the present appalling poverty in the world. The poverty of the underdeveloped world is as much a function of the world economic organisation as it is of anything else; and that cannot be changed by a developing country's commitment to socialism.

Such a country will remain a victim of international capitalist economics.....Their society may become an egalitarian one, but it will be an equality of poverty both absolutely and relatively to the rest of the world.

European socialists might note that in such a case, the poverty of that socialist country will be used as an argument against socialism itself. Socialists in the developed countries have to face up to the implications of the exploitative international economic system.

At present, they are the beneficiaries of it because their nations benefit, and because a great deal of the wealth about whose distribution they quarrel with their own capitalists is derived from a system which exploits the Third World. They have two choices open to them.

They can support the continued exploitation of the world's poor by their national economics, or they can act as socialists, and co-operate in the necessary re-organization of the structure of world trade, at the same time they give interim, but genuine, assistance to the poor nations on the basis of national equality."