Overseas
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The Commonwealth and Development

The report of the Conference jointly sponsored by ODI and St.Catharine's—Cumberland Lodge, at Cumberland Lodge, 13 - 15 February 1976

The Conference, held at Cumberland Lodge from 13 to 15 February, 1976, brought together representatives of Commonwealth Governments, the Commonwealth Secretariat, industry and labour, the media, and the academic world, to discuss the role of the Commonwealth in the current international development scene.

In the three decades since the Second World War, the Commonwealth has grown to a point where its nearly 1,000 million people and 35 member states account for one-fourth of the world's people and nations. This rapid growth has brought with it a major change in its character. It is no longer the cherished relic of a colonial era. Instead, it appears to be emerging as a new, forward-looking group of nations, cutting across traditional power blocs, and increasingly preoccupied with the issue of world poverty. How does this new image square with realities? Can the Commonwealth escape falling between global and bilateral stools? Are its interventions in the current debate on the new international economic order not merely adding to the cacophony of voices on the subject? And if there is an independent developmental role for the Commonwealth, can it play this role without an unacceptable change in its institutional character? Can it avoid the danger of appearing to become yet another forum for the expression and promotion of Third World interests?

The Conference explored these and other issues under three main heads:

— the role of the Commonwealth in the context of the new international economic order

— the developing Commonwealth and the European Community

— multinationals in a Commonwealth context.

The Commonwealth and Development contains a report on the proceedings of the Conference and the three background papers, revised in the light of the discussions at Cumberland Lodge.

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Report of the Conference

K. Sarwar Lateef
Research Officer, Overseas Development Institute.

Introduction

In February 1976, a conference was held at Cumberland Lodge, Windsor Great Park, sponsored jointly by the Overseas Development Institute and St. Catharine's—Cumberland Lodge. The conference explored three main themes under the rubric of 'The Commonwealth and Development':

— the role of the Commonwealth in the context of the new international economic order
— the developing Commonwealth and the European Community
— multinational corporations (MNCs) in the Commonwealth.

Papers on these themes were presented by Mr Shridath S. Ramphal, the Secretary-General of the Commonwealth, Mr Maurice Foley, Deputy Director-General of the EEC Directorate-General VIII for Development and Co-operation, and Mr Maurice Zinkin, Head of Special Committee Secretariat, Unilever Ltd. Mr Paul Streeten, Director of the Institute of Commonwealth Studies and Warden of Queen Elizabeth House, Oxford, summed up the proceedings.

This introductory report highlights some of the key issues raised in the three papers, in Mr Streeten's concluding remarks which he aptly described as 'free association', and in the lively and stimulating off-the-record discussions during the plenary sessions as well as in the three discussion group meetings. The papers, revised in the light of the discussion, follow.

A new concept of the Commonwealth

From the outset, and following the lead so clearly given by the Secretary-General in his opening paper, the conference emphasised the new, forward-looking concept of the Commonwealth. To those who still see the Commonwealth as a cherished relic of a colonial era, a gentleman's club surviving for the sole purpose of a biennial gathering of 'old boys', an active and positive involvement in international economic affairs would appear totally out of character. This view ignores two major features of the Commonwealth as it is constituted today. First, as an organisation, it has passed two severe tests. It has not only shown a capacity to survive; but it has also grown to the point where one in every four members of the United Nations is a Commonwealth country, and one quarter of the human race lives in the Commonwealth. The sun may have set on the British empire; but it has certainly not set on the Commonwealth. Second, with this rapid growth has come a major change in its character. It would be difficult to describe this heterogeneous group of 35 nations scattered across the globe, representing almost every conceivable race, religion, and culture, as a gentleman's club. The identity of values and interests that was the hallmark of the smaller and more intimate club of yesteryear has all but disappeared. The Westminster style of parliamentary institutions has survived in only a handful of Commonwealth countries. This enormous diffusion of interests should normally have resulted in a weakening of the Commonwealth link. This has, indeed, happened on the economic side — with intra-Commonwealth trade and the sterling area declining in importance. But the change in composition of membership has increased the importance of developmental issues in Commonwealth deliberations and, in the process, identified new areas for Commonwealth initiative and strengthened and diversified political links among members. The Commonwealth, most notably, took a constructive initiative on a new international economic order (NIEO) at the last meeting of Heads of Government in Jamaica in 1975. The Secretariat, in the follow-up measures arising from Kingston, is increasingly preoccupied with developmental issues.

In discussing these new developments, the conference focused on two important issues. The first related to the *locus standi* of the Commonwealth. Bilateral issues normally tend to be settled at the bilateral level, global issues at the global level. The Commonwealth has in the past fallen rather heavily between those two stools. Are its interventions in the current debate on the NIEO likely to meet the same fate? Will they not merely add to the cacophony of voices on the subject? Is there an independent role for the Commonwealth either in the field of ideas or policies? The second issue is related to the first. What impact will an increasing concern for development have on the character of the Commonwealth as an institution? How far can it afford to travel down that road without becoming just another Third World forum or development institution, and losing in the process its unique character as a bridge between east and west, north and south? The Secretariat has, till now, operated on a shoe-string. A deepening or widening of its developmental activities would require member states to provide resources commensurate with these new responsibilities. Is this feasible at a time when resources are particularly scarce?

Differing perceptions of development

Both the Commonwealth and its Secretariat, in other words, are at the cross-roads. With a new Secretary-General, Marlborough House is in the midst of a major review of policies. A new role for the Commonwealth is in the process of being evolved and the discussion in the plenaries and in the discussion group on the 'role of the Commonwealth Secretariat' focused squarely on what that role might be. Not surprisingly, the starting point for the discussion was the NIEO itself. The debate reflected what Paul Streeten described as 'different perceptions of development'. These differing perceptions were reflected in the positions taken on such issues as the role of the international system, economic growth and income distribution, and the implications arising from increasing interdependence. On the role of the international system, for instance, the traditional view of the development process as one which follows clearly perceived grooves saw the international system providing certain missing components in the development process, helping thereby to speed up the process of growth. Examples of such components would be an expansion of trading opportunities, and an increase in aid. The opposite view was that the international economic system itself created obstacles to development: that it was at best benignly neglectful, at worst malignantly exploitative. Developing countries in this view should, on the one hand, become more discriminating about the external influences to which they wish to be exposed, and, on the other hand, should attempt to redraw the rules of the game so as to make the system fairer. There were, of course, less extreme positions recognising the possibility of a variety of international interactions, some positive, some negative, many mixed.

On growth versus redistribution, some held sharply to the view that there was too much emphasis in the NIEO on redistribution between countries and too little on global income and wealth creation. As one participant put it, 'wealth creation was dragged kicking and screaming' into the NIEO. This view tended to equate a NIEO with the kind of straight transfer of resources brought about by OPEC through an increase in the price of oil. In opposition to this, it was argued that such a linkage was thoroughly misleading, because it obscured the primary purpose of a NIEO, which was the establishment, through consensus, of an international economic system based on a recognition of mutual interests, to replace the present system which appeared to be deliberately rigged against the Third World. There was, however, agreement at the conference that there were clear limits to redistribution and that it would be self-defeating to push it to a point where all growth was jeopardized. The poor were too many; even a straight redistribution would hurt the rich a great deal without significant benefits to the poor. Mr Ramphal's paper, on the other hand, pointed to the findings of the Expert Group set up by the Commonwealth that a setting aside of a mere 5 per cent of the increase in gross national product that was expected to take place in the developed world between 1975 and 1980 would enable developed countries to reach a target for *oda* (official development assistance) of one per cent of GNP by 1980. It was suggested that the choice was one of foregoing 'three-car families' in the developed world so as to ensure 'two-meal families' in the developing world.

The question of global income redistribution was frequently linked to the question of income distribution within developing countries. It was argued, for instance, that the three-car family analogy was misleading. Greater access to the markets of developed countries threatened jobs of ordinary working-class people in these countries and it was much more difficult, if not immoral, to persuade these people to accept the loss of their jobs if the benefits from improved market access accrued to the rich in countries with glaring inequalities in income. The validity of this point was generally accepted, though some suggested that developed countries were partly to blame for the prevailing pattern of income distribution in the developing world. The behaviour of MNCs, for instance, tended to worsen income distribution.

Conflict versus harmony

Scarcity of food, raw materials, and energy, and environmental concerns have brought into sharp focus the extent of global interdependence. The implication drawn from this also reflected differing perceptions of development. One view saw this as an opportunity for global co-operation, the other as increasing the risk that the strong and unscrupulous would grab what they could and let the rest fend for themselves. Although there were no members of the *triage* school[1] at the conference, the theme of conflict versus harmony was a recurrent one. A NIEO might involve argument and tough negotiations, but it could only emerge through consensus. Consensus was not possible without a conversion of minds in the developed world. How was this conversion to be brought about? While it was important not to discount the force of an appeal to the sense of morality in the developed world, was this sufficient? There was also the problem of tactics. Did one attempt to convert governments or people? If it was people one had to convert first, would governments ever be converted? What would be the true value of a NIEO that had been smuggled in through the back door without the approval or understanding of developed country electorates?

Representatives of the developing world felt that it was no longer a question of choice for the developed world. A global redistribution had to come sooner or later. The only question was whether it came smoothly, through consensus, or through a protracted confrontation, with the Third World moving quickly 'from producer associations to associations of producer associations' and willing to accept the high costs entailed in such a strategy. Mr Ramphal, however, proved to be an optimist. He argued that the dialogue was no longer about 'whether' but about 'what' and 'how' and 'when'. There was now a clear recognition in the developed world of the need for change, and this was a major break-through. Many speakers saw the current North-South talks at Paris and UNCTAD IV as crucial tests of whether he was right. In one view, if the Paris talks

1 Derived from the French verb *trier*, 'to sort', *triage* refers to the First World War medical practice of dividing the wounded into survival categories in order to concentrate scarce medical resources. The *triage* school advocates the sorting of poor nations into survival categories in order to concentrate scarce food resources.

were seen in the developing world as merely a 'machinery for bogging down in a sub-committee an embarrassing dialogue that was growing increasingly acrimonious in public forums', then there was no hope for UNCTAD IV or for escape from confrontation. Others saw the possible failure of UNCTAD IV as having adverse consequences on the Paris dialogue. But there was agreement that the coincidence of UNCTAD meetings with American Presidential election years had had a disastrous impact on the activities of that organisation. The pessimism about the outcome of these deliberations was reflected in the concern of some participants about the tendency to deceive the Third World. 'We raise their hopes, and then crush them', said one participant. 'We are all dancing a very polite minuet', said another, 'but unless somebody is prepared to sign some cheques, there will be great disappointment'.

Advancing the ideology of change

The pessimism that underlined much of the discussion on the NIEO contrasted sharply with the cautious optimism that marked the discussion on the role that the Commonwealth might play in bringing it about. The Commonwealth was seen as enjoying certain special advantages which other organisations concerned with development lacked. Its enormous diversity ensured that it contained many of the elements that are involved in the NIEO debate; in some ways it represented, in microcosm, the entire international community. There were few divisive influences at work; there were no big powers or power groupings. Commonwealth governments constituted a ready-made committee with a long tradition of doing business with each other. The kind of delicate psychological relationship that takes months and years to establish in international negotiations was already well established among Commonwealth leaders.

What role can the Commonwealth play? The discussion group on the role of the Commonwealth Secretariat explored in depth the two major areas in which Mr Ramphal had suggested that the Commonwealth might play a role. The first involved a contribution to the NIEO dialogue. The Commonwealth, he suggested, could help sustain an international environment that was propitious to the establishment of a NIEO. It could use the Commonwealth facility to advance the ideology of change. The second, and more challenging contribution, was to 'show how'; to demonstrate a capacity to provide some of the answers; to explore new relationships within the Commonwealth that were compatible with the objectives of a NIEO.

The Commonwealth had already begun moving down these two paths. The Kingston meeting of heads of government was a landmark in its history. In a major, new initiative the Commonwealth addressed itself squarely to a central development issue, and, in the light of subsequent events, can claim to have made a significant contribution to the consensus arrived at in the Seventh Special Session of the UN General Assembly in

New York. An indicator of this success was that representatives of the developing Commonwealth were later willing to talk, without apology, about a 'Commonwealth effort'. Many developing Commonwealth countries had previously suspected that there was something intrinsically neo-colonial about the Commonwealth relationship. Even those that were satisfied on this score had found difficulty in persuading the rest of the world. The adoption of a joint position that took account of First and Third World interests, and was consistent with both, made this change of attitude possible. This role as potential catalyst, it was felt, could evolve further; UNCTAD IV would provide another opportunity.

Showing how

The long tradition of functional relationships between Commonwealth countries in education, health, and various fields of technical co-operation ensured that the task of demonstrating 'a capacity to show some of the answers' would not prove an onerous one. The functional schemes had grown in response to the *ad hoc* needs of member governments rather than to any preconceived plan. The appointment of a new Secretary-General, and the new directions the Commonwealth seemed to be taking, provided an opportunity for a fresh evaluation of existing operations and the establishment of new ones.

A key question raised was whether the Secretariat should attempt to implement at least some parts of a NIEO within the limited Commonwealth sphere? There were obvious limits to such a capacity. The world could not easily be divided into sub-groups, each of which introduced some elements of a NIEO within its own sphere of activities. But, on the other hand, someone had to start somewhere, and there were few organisations in such an advantageous position to do so as the Commonwealth. The discussion group identified two areas where the Secretariat's existing role could be expanded.

The first involved the dissemination of information and know-how. The Commonwealth Fund for Technical Co-operation had already embarked on some impressive pioneering work to increase information among Commonwealth governments about education and training facilities available in developing countries, to improve awareness among member countries of their interests in international trade negotiations, and to increase the legal and other capabilities of developing countries in their negotiations with multinational corporations. Increased technical assistance flows between developing countries could also ensure a more appropriate choice of technology and a sharing of common experiences.

The second involved the translation of the basic philosophy of a NIEO in the trade sphere into specific Commonwealth programmes of action through the introduction of a measure of planning in international trade; the evolution of schemes designed to treat commodities as an integrated package, catering for producers from the point of production, through processing and marketing, to final consumption; trade promotion activities, etc. A more explicit identification of Commonwealth interests, it was felt, would enable a concentration of efforts on commodities where the Commonwealth countries were both major producers and consumers. Negotiations, as for Commonwealth tea, could be pursued in other areas. Commonwealth developing countries had a significant share of world exports in cocoa, tea, groundnuts, palm oil, rubber, jute, sisal, bauxite, and tin. (See Table 3 in Appendix 2).

In summing up, Paul Streeten identified five conditions that he felt had to be met if the Commonwealth were to become a successful NIEO model:

(i) The Commonwealth must be open and outward-looking. The benefits of its efforts in the development field must be shared with other developing countries and not confined to the developing Commonwealth. It must be a forum, a meeting ground, a model; not another exclusive power bloc.

(ii) The Commonwealth should be increasingly multilateral rather than Anglocentric. The persistently Anglocentric image of the Commonwealth, he felt, does more harm than good.

(iii) The Commonwealth should be based on interests and the future rather than on sentiment and emotional appeals to history. These interests had to be clearly identified and pursued.

(iv) The Commonwealth should increase its decision-making capacity. This would not be easy, since it would involve individual governments accepting additional commitments and constraints. On the other hand, a serious analysis of interests would be a waste of time, unless it identified new ways forward, requiring agreed collective action. Without this latter the Commonwealth would continue to appear somewhat anaemic.

(v) The emphasis on co-operation between Commonwealth governments must be matched by an equal emphasis on co-operation at non-governmental levels (e.g., professional associations of lawyers, accountants, etc.); though the non-governmental Commonwealth does not hit the headlines, it has been effective and has achieved much.

Europe and the developing Commonwealth

In introducing his paper, Mr Foley traced the history of the developing Commonwealth's links with the EEC. The first effort by a Commonwealth country to seek an arrangement with the European Community was made by Nigeria which applied under the EEC's 1963 'declaration of intent'[2]

2 The declaration permitted countries with an 'economic structure and production' comparable to the Associated African States and Madagascar (AASM) to apply for association with the EEC either under the Yaoundé Convention or separately.

for associate status; an 'accord of association' was signed in 1966, but Nigeria never ratified it. After a similarly abortive attempt in 1968, the East African Community signed a rather limited agreement, the 1969 Arusha Convention, which ran concurrently with the second Yaoundé Convention.

The first significant links between the EEC and the developing Commonwealth were not established until Britain's Treaty of Accession to the European Community. These links took three forms. First, 21 developing Commonwealth countries in Africa, the Caribbean, and the Pacific[3] were declared eligible for some kind of association with the Community and joined the AASM countries in the negotiations that led up to Lomé. Second, seven Asian Commonwealth countries[4] were the subject of a Joint Declaration of Intent under which they were invited to negotiate bilateral agreements with the Community. Third, the remaining independent developing Commonwealth countries[5] were covered by the Community's Mediterranean policy.

The discussion in the plenaries and the discussion group focused on three major issues: the value of the Lomé Convention to the Commonwealth ACP countries; the impact of Lomé on the developing Commonwealth as a whole; and the EEC's search for a global policy on development. Mr Foley identified the advantages conferred on the ACP countries as the removal of reciprocity, a scheme for the stabilisation of export earnings (STABEX), industrial co-operation, a 'new atmosphere of partnership' in the operation of Lomé's financial and technical provisions, and improved market access. The discussion group saw trade provisions as particularly important since ACP countries are not subject to tariff quotas on 'sensitive products' under the Community's Generalised Scheme of Preferences, they are permitted duty-free entry for most processed agricultural products, and they receive preferences for Common Agricultural Policy products — advantages not conferred on other developing countries.

The value of Lomé

The discussion group considered David Wall's[6] interesting and highly critical analysis of the Lomé Convention. Wall argues that the value of

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3 Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia in Africa; Bahamas, Barbados, Guyana, Grenada, Jamaica, Trinidad and Tobago in the Caribbean; and Fiji, Tonga, Western Samoa in the Pacific.

4 Bangladesh, Hong Kong, India, Malaysia, Singapore, Sri Lanka, and Pakistan (not now a member of the Commonwealth).

5 Malta and Cyprus.

6 *The European Community's Lomé Convention: STABEX and the Third World's Aspirations*, Trade Policy Research Centre, London, 1976.

the trade concessions granted under Lomé is greatly reduced by the restrictive rules of origin which ignore the pre-industrial nature of the economies of ACP countries and exclude several broad types of process (irrespective of the value added) and a large range of specific processes. Safeguard clauses reinforce this protection. The value of ACP trade preferences is eroded by trade preferences accorded (a) within the Community, (b) to countries in industrialised Europe, (c) under the EEC's Mediterranean policy, and (d) under the Generalised Scheme of Preferences to all developing countries. Further, any tariff liberalisation under the Multilateral Trade Negotiations in Geneva would erode preferential margins *vis-à-vis* non-European developed market economies. The STABEX scheme for stabilisation of export earnings also suffers from many shortcomings. Wall finds it a 'technically cumbersome, bureaucracy ridden and politically sensitive scheme for making transfers, the concessionary element of which is variable, to a selected group of countries without regard to any sensible criteria covering overall need for aid'. The Lomé Convention also does nothing to remove non-tariff barriers, and the element of additionality in the European Development Fund is arguable.

These views found some support in the discussion group. STABEX, it was argued, is rather limited in scope. It could develop into a somewhat bizarre way of allocating concessional finance; while the acceptance, in principle, of the need for compensatory finance was a plus point, there was a danger that STABEX might prejudice the direction of further progress on commodities. One participant felt that economists should pay attention not only to fluctuations in export earnings but also to damaging fluctuations in import requirements arising from crop and production failures and import price changes. These were particularly important for large countries like India.

It was agreed that the aid element in Lomé was quite modest, and that the gains from the industrial co-operation arrangements contained in Lomé would be marginal since the ability of the Commission to induce private firms to invest in developing countries or transfer technology on easier terms was rather limited. It was suggested, however, that there were other, more useful forms of co-operation, including training, agreements on patents and licensing, the development of appropriate technology, etc.

Those who felt that Lomé was a beginning, a 'pointer' to the future, were concerned that its benefits had been overplayed, and that this would result in unnecessary disappointments. It was far from an ideal agreement. If implemented properly, it could provide the basis for a 'fairly dynamic relationship'. But there was already a noticeable lack of interest among ACP countries in follow-up measures, particularly those involving regional participation. The negotiations for an agreement to succeed Lomé, when it expires in 1980, it was suggested, would provide an opportunity for further refinement. There could be greater emphasis on liberalising the rules of origin provision and on the removal of non-tariff barriers. There could be more commodity agreements along the lines of the sugar agreement, and greater emphasis on meaningful industrial co-operation. STABEX, it was felt, could gain in importance if there was a failure to arrive at a global agreement on commodities.

The EEC's motives were also subjected to scrutiny. Its vulnerability in terms of its dependence on developing countries for raw materials was seen as an important factor. The need to secure future supplies was as important as the need to safeguard past investments. But historical factors loomed large. The legacies of the colonial period could not be dismissed easily. These included commercial links and access to ACP markets; the removal of reciprocity would have little impact on these in the short run.

A divisive impact

The conference considered the impact of Lomé on the developing Commonwealth, and the group of '77'. Mr Foley's point that it was 'just as great a mistake to view Commonwealth problems in isolation from the problems of other developing countries as to seek to divide up the developing world as between ACP and non-ACP' was well taken. Nevertheless, it was argued that Lomé had made a divisive impact on the Commonwealth in so far as ACP Commonwealth countries felt they had acquired certain privileges, whatever their real value, and that their interests differed from non-ACP Commonwealth countries. The non-ACP countries constituted, in terms of people, the largest part of the Commonwealth, and, in one view, these countries had to be satisfied with 'ringing declarations' that had yet to be translated into anything significant. The Commercial Co-operation Agreements signed with India and others had yet to show any meaningful results. In fact, it was possible that non-ACP Commonwealth countries might experience some decline in their relative share of aid if UK commitments to European funds for ACP and Mediterranean countries began to rise to the point where budgetary constraints forced cuts in other aid outlays. This had not yet begun to happen, but could not be ruled out.

The divisive influence of Lomé on the Third World as a whole is also considerable. The 46 ACP countries constitute a substantial sub-group whose short-term interests in the trade and aid field could now clash with other non-oil developing countries. However, it was felt that progress in the Multilateral Trade Negotiations, the progressive integration of the economies of the Nine, and the steady improvement in the EEC's Generalised Scheme of Preferences would progressively erode the preference margins enjoyed by ACP countries. Thus, paradoxically, while the ACP countries appear to have the most to conserve in the trade field, they stand a better chance of preserving their gains in the aid field.

In other words, the EEC is much more likely to respond to pressures for trade liberalisation that would reduce the value of preferences enjoyed by ACP countries than it is to redistribute its aid programmes in favour of non-ACP countries.

The balance between the Community's regional and global policies was difficult to define. While some saw Lomé as a divisive influence, others saw it as a further step towards enlarging the EEC view of the world. The EEC, it was suggested, was feeling its way towards a global policy on development. Its Generalised Scheme of Preferences was being continuously improved; there was increasing emphasis on an alignment of policies towards non-ACP developing countries, as could be seen from the joint commitment to the 0.7 per cent target for *oda*, the acceptance of targets on the terms of aid, and co-operation on debt rescheduling. New tools were being developed by the Community in such areas as promotion of exports of developing countries, regional integration, etc. 'Doing reasonably well, could do better', was one pronouncement on the EEC's global policies. There was much more support at the conference for the second half of that pronouncement than for the first.

Multinationals: 'dialogue of the deaf'

Inevitably, the role of multinational corporations (MNCs) generated the greatest amount of heat at the conference, and precious little fight. It was the one issue on which the divergence in perceptions, noted by Paul Streeten, was the sharpest, and it prompted one participant to label the discussion as 'a dialogue of the deaf'. In both the plenary session and the deliberations of the discussion group on MNCs, the main focus was on the general issue of the role of multinationals in development rather than on the specific issue of the Commonwealth; and as might be expected, the debate covered well-trodden ground.

Critics of MNCs concentrated on two broad lines of attack. First, they questioned the desirability of transmitting Western economic and cultural values to developing countries. Concentration on growth targets alone, without consideration of the qualitative and social impact of growth, particularly on income distribution, was regarded as unacceptable. The tendencies of MNCs to export technologies that were inappropriate to the availability and price of factors of production in developing countries were deplored. But, in fairness to MNCs, it was pointed out that tax concessions by developing countries to lure MNCs tended to reduce capital costs *vis-à-vis* labour, and encourage the use of capital-intensive technologies. It was also suggested that developing countries actively sought prestigious, high technology projects. While MNCs might find it worthwhile to invest in projects using intermediate technology — and the potential for this was far from exhausted — Research and Development in this area was probably not profitable because of the scope for imitation and the inadequacy of patent laws in developing countries. The fact that the bulk of R and D conducted by MNCs was located in developed countries did not help matters.

The second, and more fundamental, issue was the precise contribution MNCs made to development. Here the emphasis lay on the alleged failure of MNCs to gear their production structures to meet the needs of developing countries. Instances were cited of the production and marketing of goods which were either unnecessary or even positively harmful. Soft drinks and baby foods figured prominently in the discussion. One participant suggested that while MNCs could claim that they were effectively responding to market needs, this was a static and passive approach and not designed to promote development. There was also some concern expressed at the impact on developing countries of the wide range of financial practices common to MNCs.

In response to these criticisms, those who saw multinationals in a more favourable light emphasised their contribution to economic growth in developing countries and their responsiveness to consumer needs. It was not their function, they argued, to promote wealth and income redistribution, provide social benefits, or, as some ldc governments tried to do, decide for the consumer what was in his best interests. MNCs responded to market forces and pursued the goal of profit maximisation. They were, therefore, only a third party to most NIEO issues which were best settled between governments of developing and developed countries. For example, arguments about transfer prices really boiled down to who should tax MNCs. 'If we pay one lot of taxes', said one MNC representative, 'we shouldn't have to pay the other'. Unilever, it was pointed out, paid an average tax of 50 per cent, and this showed it was not evading taxes. Similarly, on commodities, there was not necessarily any conflict of interest between MNCs and developing countries. While an MNC view on commodities in a NIEO would depend on the precise package that emerges, so long as the package guaranteed assured and expanding supplies, it would not be inconsistent with MNC interests. On transfer of technology, the key issue was an adequate rate of return on costly investments in R and D.

The need to clarify policies

Many participants warned developing countries against the dangers of over-policing multinationals. An excessive emphasis on majority control by local interests could cause profits to be syphoned out in other ways, e.g. through transfer pricing etc. Attempts to ensure an adequate plough-back in the host country's economy of MNC profits could result in increasing dominance of that economy by the MNC. More generally, laws designed to plug all loopholes could frighten away MNCs, and that, in the words of one participant, would be 'throwing the baby out with the bath water'.

Opinion was clearly divided on the indispensability of MNCs. Some argued that the alternative of a large bungling bureaucracy attempting to run a public sector would destroy all chances of growth. Others felt that greater selectivity was needed on the part of developing countries in approaching MNCs, since these institutions were now the only way of bringing together capital and skills.

The one issue on which there was some measure of agreement was the need for developing countries to clarify their attitude to MNCs. The ground rules needed to be laid down and, if MNCs were not to be frightened away, the incentives which developing countries were prepared to provide in exchange for controls ought to be clearly specified. One problem here was the difficulty in defining a fair rate of return, a problem that could not be solved without much greater information on MNC global operations. MNCs, it was argued, could help avert a confrontation by recognising that agreements that were fair to the host country would tend to last longer, and would, therefore, be in the MNCs' interests too.

The role of the Commonwealth Secretariat in creating an atmosphere of co-operation between MNCs and developing countries was examined in the discussion group. The Secretariat, it was noted, was helping in the establishment of a code of conduct for MNCs, in the conduct of negotiations between individual developing countries and MNCs, in arriving at tripartite agreements involving host governments, and through the conduct of regional seminars designed to train officials from Commonwealth countries on negotiations with MNCs. The United Nations Specialised Agencies, it was revealed, frequently found pressure being applied by certain member countries when assisting in negotiations with MNCs. The Commonwealth Secretariat was relatively free of such pressures and could play a crucial role. Since the process of bargaining with MNCs involved nation states attempting to tilt advantages in their favour, it was suggested that Commonwealth developing countries could usefully agree not to compete with each other in offering incentives designed to attract MNCs, and that all Commonwealth countries could agree on rules, laws, and a code of conduct for MNCs.

Conclusion

In sum, although the three separate themes pursued at the conference were fairly self-contained, the one common thread that ran through the discussions in each of the plenary sessions and discussion groups was the positive role seen for the Commonwealth in the development sphere. The conference recognised that a new and unprecedented Commonwealth initiative on development was slowly gathering momentum, and in the process changing dramatically the concept of the Commonwealth itself. But there were differences on whether this initiative could be sustained. The conference found Mr Ramphal's optimism on this point rather infectious, and the emerging theme of a Commonwealth that is not only actively involved in the dialogue on development but demonstrates through practical programmes a capacity to implement in a limited way some aspects of a NIEO attracted much support. This, however, contrasted sharply with the widely shared pessimism about the outcome of current efforts to establish a NIEO. Would the Commonwealth initiative, like other initiatives, founder on the rocks of an intransigent developed world, preoccupied more than ever with its own economic difficulties? Was there enough backing within the Commonwealth for intra-Commonwealth experiments to attract adequate resources from member governments? There were no clear answers to these questions at Cumberland Lodge, only a consensus that these new initiatives deserved encouragement and support.

The Role of the Commonwealth in the context of the New International Economic Order

Shridath S. Ramphal
Commonwealth Secretary-General

Why the Commonwealth must be involved

We must begin with an understanding of what the Commonwealth is today. In the number of its member states, it is a community of 35 nations—one in every four of the members of the United Nations is a Commonwealth country. In population terms, its almost 1,000 million people constitute one quarter of the human race. In geographical spread, its peoples inhabit all of the continents; all of the world's oceans touch Commonwealth shores. It is of north and south, of east and west. It has among its members rich countries with annual *per capita* incomes of over $4,000 and some of the world's poorest.

It includes a few industrialised nations, many countries who are primary producers only, and some island communities who are neither. It includes countries that are, or soon will be, major oil producers, within or outside of OPEC, and many who are net oil importers. Its members rank high among the world's producers of grain, tea, cocoa, sisal, and rubber, as well as of copper, bauxite, and iron ore.

It includes countries with great forest resources and some with pastoral resources that make them major world producers of meat and dairy products. And it includes countries that have almost no other known resource but their peoples. It includes countries that have been in the forefront of developing the most advanced technology, those who have just mastered intermediate technology, and those for whom technological advance is still an aspiration. It includes countries that have harnessed nuclear power to peaceful purposes and that have a potential military nuclear capacity. It includes countries with major direct interests in the resources of the sea and the sea-bed. It includes economies that depend for survival on massive imports of primary and semi-manufactured products, for whom assurance of supply is a critical factor; and others that depend on natural resource and secondary industry development, for whom development capital and access to markets are the key to sustained growth.

It is a Commonwealth whose member states are prominent in most of the world's important economic and political groupings and have influences which reach out beyond those to all other groupings of significance. It is a Commonwealth of all races and of many cultures.

It is a Commonwealth of Hindus, of Moslems, and of Christians, in vast numbers. It is a Commonwealth of a miscellany of political ideologies and forms of government.

It is a Commonwealth that at a much earlier stage of its development took pride in its intimacy—the intimacy of a mono-lingual, rather elitist, club—but which now acknowledges a greater value and potential in its diversity. It is a Commonwealth that in almost every sense is a sample of the world community. It is a Commonwealth, therefore, that cannot but be concerned with all the great problems of mankind—for there is no area of global concern that does not touch some Commonwealth country intimately and directly.

It is thus a Commonwealth that has to be outward looking, perceiving itself in its global environment and acknowledging a responsibility to contribute to the search for solutions to global problems. It is a Commonwealth that must see itself as an enlightened plural community ready to place at the disposal of a wider humanity the special and unique facilities for dialogue, understanding, co-operation, and consensus with which its experience and diversity endow it.

For these general reasons it is a Commonwealth that must necessarily be concerned with the problems of development and, more particularly, with the issue of change in the world's economic arrangements. But there are more particular reasons why the Commonwealth's concern with development and its involvement in the establishment of a new international economic order must be a matter of special priority.

In population terms—and therefore in human terms—Commonwealth countries account for 44 per cent of the developing world. Nearly every other person among the world's poor lives within the Commonwealth. But the Commonwealth's involvement with poverty goes much deeper. Of the world's absolute poor, of the 950 million people of developing countries with annual *per capita* incomes of less than $200, 760 million live, if it can indeed be called living, in a Commonwealth 'LDC'. The Commonwealth provides 80 per cent of the world's 'marginal men'.

And if we take another statistic, measuring those who are 'most seriously affected' by the current international crisis, the Commonwealth accounts for 71 per cent of the world's special 'sufferers'. And some of these people are additional to those excluded from the category of the poorest by the artificialities of the *per capita* income tests. Within the Commonwealth, 89 per cent of its people are from developing countries and of them as many as 78 per cent are from among the least developed.

Mindful of these realities, the Commonwealth would be a mere masquerade of community were it not pre-eminently concerned with the issue of poverty and militant in its preoccupation with the promotion of development. The goal of more just and equitable human relationships—a goal which can only be achieved through development that ultimately eradicates poverty—is not a goal about which the Commonwealth can be ambivalent. It follows that the Commonwealth could not be true to itself were it to eschew an activist role in any movement for new international economic arrangements that promise a more just and equitable human society. In the war against poverty, in the crusade for real development, in the supportive campaign for a new international economic order, the Commonwealth cannot be neutral—nor has it been.

The reality of where we are

I assume it to be unnecessary to document for this audience the reality of international poverty—to present again in old or in new forms the evidence of the world's gross inequalities. No new insights are needed to establish that our human society looked at in global terms presents a pattern of pervasive and constantly enlarging disparities in the human condition: contrasts of wealth and deprivation, of privilege and lack of opportunity, of wasteful consumption and escalating want; of a crisis of leisure and a crisis of survival; of three-car families and meal-less homes; of the pollution of unbridled development and the pollution of poverty.

None of this is new; it is just more familiar because daily more generalised and better articulated. But, basically, these were the disparities that occupied the attention of UNCTAD I in 1964. They were the disparities which launched the first development decade in 1960 and the second in 1970. They were the disparities that led to the prescription of the Pearson Commission that conducted its 'grand assize' on development in the closing years of the 1960s.

Nothing about its reality is new; what is new is the level and intensity of the awareness of its root causes throughout the developing world and the emergence of an enlightened perception in many parts of the developed world not only that these perceptions are right, but also that the interests of human society in general demand that the inequities they reflect must be righted. What is new is an appreciation that the task of creating a just and equitable world community cannot be longer deferred; and that this task cannot be accomplished through superficial changes in human relationships or minor modifications in international behavioural patterns. A new world community will not emerge from minimal shifts in the international economic *status quo.*

And what is also new is the awareness that the change that is needed is a change in the structure of international economic life—change sufficiently fundamental to permit a new international economic order to help us create a new planetary community. This, then, is where we are.

I believe this awareness to be now almost universal. There is no community of thoughtful persons anywhere on our planet that does not now include many who possess this awareness and are ready to articulate it. There is no capital anywhere in which this awareness is altogether blotted out, though there may be many in which its acknowledgement is muted or, for tactical reasons in terms of international negotiations, even its validity publicly and officially discounted. There may be differences of opinion in the specifics of change and there are many on the details of timing. Nice distinctions may be drawn between 'a' NIEO and 'the' NIEO of the resolutions of the Sixth Special Session; but the compelling need for a fundamentally new approach to international economic relations—for a NIEO—is now not truly an issue.

The final draft of the Tinbergen Report now emanating from the Rio Project of the Club of Rome formulates this awareness particularly well:

> Mankind's predicament is rooted in its past, in the economic and social structures that have emerged within and between nations. The present crisis in the world economy and in the relations between nations is a crisis of international structures. What both worlds must come to grips with is basically a sick system which cannot be healed by expeditious economic first aid. Marginal changes will not be sufficient. What is required are fundamental institutional reforms based upon a recognition of common interest and mutual concern in an increasingly interdependent world. What is required is a new international order in which all benefit from change.

Today, when we talk of development and certainly when we talk of a NIEO, it is about responses to this awareness that we are speaking. To ignore this, or to allow it to be blurred, would be to succumb to distraction and to stray from the main pathway along which human endeavour is now obliged to travel. The Third World will not easily succumb to such distractions; there is little danger of their straying in this way. The real danger is that uneasiness about change in the developed world, sensitised by elements clutching vested short-term interests in the *status quo*, may blur the reality of the true long-term interests which their own societies have in a new economic order negotiated through dialogue and installed by consensus. If those counsels prevail over any significant period in significant areas of the developed world, humanity could, indeed, be 'shaken to pieces' through its failure to respond to the question which Fanon saw looming on the horizon twenty years ago—the need for a redistribution of wealth.

Fortunately, there are many leaders of the developed world that perceive these realities and are ready to respond to them. Addressing the Hague Symposium on the NIEO in June 1975, the Premier of the

Netherlands, Mr Joop den Uyl, said:

> the international economic system is not as free as is often said, and . . . our choice is not one between a free system based on free enterprise and a completely planned economy. Our real choice is between our present system which is largely guided and manipulated for the benefit of the rich countries and a system directed towards solving the problems of division of income and property, of scarcity of natural resources, and of the despoiled environment.

Just a month before the Hague Symposium, the British Prime Minister, Mr Harold Wilson, at the Commonwealth Heads of Government Meeting in Kingston, had also underlined the inequity of the present system.

> I want to make it clear . . .that the British Government fully accept that the relationship, the balance, between the rich and poor countries of the world is wrong and must be remedied. . . the wealth of the world must be redistributed in favour of the poverty-stricken and the starving . . . shared more equitably between nations and peoples.

Earlier that year, the Canadian Prime Minister, speaking in London, gave eloquent expression to his perception of the need for global development:

> The human community is a complex organism linked again and again within itself and as well with the biosphere upon which it is totally dependent for life. This inter-dependency demands of us two functions: first, the maintenance of an equilibrium among all of our activities whatever their nature—second, an equitable distribution worldwide of resources and opportunities.
>
> The proper discharge of those functions calls for more than tinkering with the present system. The processes required must be global in scope and universal in application. In their magnitude, if not in their concept, they must be new. Of their need, none can doubt.

Addressing the Seventh Special Session of the General Assembly of September 1975, the Secretary-General of the United Nations spoke for the world community when he said:

> Many new nations, having won political independence, find themselves still bound by economic dependency. For a long time it was thought that the solution to this problem was aid and assistance. It is increasingly clear, however, that a new international economic order is essential if the relations between rich and poor nations are to be transformed into a mutually beneficial partnership. Other-

wise, the existing gap between these groups of nations will increasingly represent a potential threat to international peace and security.

Much earlier than all this, John F. Kennedy, as President of the United States, counselling his people of the need for economic justice and the eradication of poverty, gave expression to these same concepts of interdependence and of the mutual interests of all men in social and economic justice, when he said:

> If a free society cannot save the many who are poor, it cannot save the few who are rich.

The President was speaking, of course, in a national context: but I hope he would have agreed that these perceptions cannot stop at national frontiers.

Today, the United States is in danger of emerging as the nation least committed to a NIEO. I say 'danger' because such a reaction to change, particularly change that has as its objective the enlargement of human equality, is alien to the traditions of this great nation which remains proud of its revolutionary beginnings 200 years ago. And it is not only freedom from colonialism, but also the very structure of American political life and the character of its federal constitution, which derive from a tradition of radical change. One of the great arguments of the Convention of Philadelphia was whether tinkering with the Articles of Confederation could fulfil the demands of the new nation or whether an entirely new instrument of government was required. The Convention was determined to have a new constitutional order—proceeding on the reasoning that Hamilton later put in the *Federalist* essays:

> A full display of the principal defects of the Constitution [would show] that the evils we experience do not proceed from minute or partial imperfections, but from fundamental errors in the structure of the building, which cannot be amended otherwise than by an alteration in the first principles or main pillars of the fabric.

The American constitutional system owes its existence to the fact that these bold but rational arguments prevailed. The case for a NIEO proceeds on essentially similar lines. It demands a similarly enlightened response to that which the Founding Fathers gave at Philadelphia.

How can the Commonwealth help?

If these are the realities, if this is today the essential nature of the issue of development, how can the Commonwealth contribute in a progressive and constructive way? I have already outlined the character of the new Commonwealth. Its capacity to contribute is inherent in its character. Save for the absence of a super-power — and this is no reason for regret—the Commonwealth combines almost every element of a social, political, and economic nature that is relevant to the issue of development and, more particularly, to the issue of a new international economic order. I do not need to repeat that catalogue of diversity; but some aspects deserve elaboration.

In the first place, it is a reality of international life that neither the developed nor the developing world is monolithic. Thus it is wrong to assume, for example, that there is a necessary unity of interest and of position and approach between, for example, the United States and Europe or between Europe and Japan.

More specifically, some developed states have shared with the Third World the experience of both political and economic dominion. These countries have been neither the architects nor the primary beneficiaries—certainly not the primary operators—of the old economic order. They are today among some of the middle states of the world—and thus have a special role to play in man's search for a new economic order. They bring to that search a more ready understanding of the aspirations of the Third World and a lower level of vested interest in resisting fundamental change. For both these reasons they possess a greater capability for advancing consensus on the mechanisms of change that would fulfil the aspirations for a new international economic order. Within the Commonwealth, Australia, Canada, and New Zealand possess these special attributes for contributing to international consensus.

Moreover, the United Kingdom's past experience and present opportunities also enhance the usefulness of the Commonwealth as a consensus-building instrument. Although Britain has benefited from the old economic order, by its constructive approach to the dismantling of an Empire it has helped to lay the foundations for the new order. And Britain has, in its post-colonial relationships, developed special insights into the aspirations of the developing countries. It is these insights that it brings to its new opportunities in Europe as well as to its on-going transatlantic dialogue.

As the dialogue on the new international economic order ascends from the level of 'whether' to that of 'what'—and it is still not clear at what level the North/South dialogue in Paris will proceed—the processes of negotiation will demand greater understanding of the reality of these variables and will benefit from them.

It is here that the Commonwealth's facility for an on-going exchange of views at all relevant levels of decision-making—but, more especially, its special facility for frank consultation at the level of the political leadership—can be a catalyst in the process of consensus formation. The uniqueness of this special facility which Commonwealth Heads of Government meetings provide should never be overlooked or minimised.

It is the world's only opportunity for a frank and intimate exchange of views between political leaders of the world's people, representative of almost every single element in the spectrum of international opinions and positions.

And the value of this Commonwealth facility is further enlarged by the reality that Commonwealth countries occupy places of major significance in nearly all of the world's groupings. Within the Non-Aligned Movement no less than in NATO, or the Rio Treaty, or the ASEAN Group; within the OAU or OECD or the OAS; within the European Economic Community, the East African Community, the Caribbean Community, or the South Pacific Forum; within the Councils of Europe, of Asia, of Africa, of Latin America, and of the Pacific, Commonwealth influences have an opportunity to advance Commonwealth perceptions of and commitments to development objectives. Not only can Commonwealth leaders influence each other in their periodic face-to-face meetings but they can greatly extend their collective influence through the regional groupings and organisations in which they separately play roles of great prominence. The Commonwealth is thus the very antithesis of a bloc; but, in a world of blocs, its role in building those bridges that are necessary to the emergence of a planetary community can be of immense value and significance.

In responding, therefore, to the challenge of development and the awareness of the imperative of a new economic order the Commonwealth can contribute in two important ways. The first is to use its special facilities to develop an international environment conducive to meeting the needs of the world's underprivileged and enlarging the prospects for a more equitable human society. The second is to continue to take practical steps to mobilise Commonwealth resources for service in the cause of development.

What has the Commonwealth done?

Given the structure of the Commonwealth it was inevitable that issues of development should be prominent among the Commonwealth's collective concerns. Thus, in Singapore in 1971, Commonwealth Heads of Government, in the Declaration in which they sought to enshrine Commonwealth aims and objectives, highlighted their belief that 'the wide disparities of wealth now existing between different sections of mankind are too great to be tolerated' and their commitment to 'their progressive removal'. Successive Commonwealth Finance Ministers' meetings and the discussions of economic issues at Commonwealth Prime Ministers' meetings have deepened this belief and this commitment. Commonwealth consultations in advance of meetings of the World Bank and the IMF, although not structured to produce group positions, have consistently helped to create at those meetings and elsewhere a climate more propitious to practical action in fulfilment of development objectives. The same is true of Commonwealth consultations convened in the context of international conferences related to development, whether they are meetings of UNCTAD or FAO or the special conferences on the Law of the Sea.

But it was at its most recent summit meeting that the Commonwealth most directly took up the challenge of development and most unequivocally placed its resources at the service of the international community. The discussion of economic issues at Kingston was specially significant; it was devoted to the world economic situation and not confined to issues of relevance mainly to Commonwealth countries. But this, in itself, was not novel; for such has been the character of similar agenda items at previous meetings. What was significant and unique was the nature of the discussion.

For two years before that meeting in Kingston, economic issues had dominated the international agenda. We had lived through an 'energy crisis', had seen new patterns of financial power emerging, had survived the confrontations of the UN Sixth Special Session and witnessed the grudging acquiescence of the developed world in the Declaration and Programme of Action adopted at its conclusion for the establishment of the New International Economic Order. Yet, throughout that time, the political leadership of the developed and developing countries had never met in frank discussion of these current issues. The Non-Aligned countries, the Group of 77, the OECD countries all met in separate caucus. The Sixth Special Session, the Third UNCTAD, and the Second General Conference of UNIDO in Lima provided opportunities for formal argumentation, not for dialogue. At Kingston, for the first time in those two years, such a dialogue took place and took place at the level of Heads of Government. It was the first opportunity that the Prime Ministers of developed countries—certainly of Commonwealth countries—had of hearing directly from colleagues across the development divide their views of the nature and the causes of their economic ills and of the economic system that contributed to their plight, of glimpsing their view of the world economic system, of understanding their aspirations for and commitment to radical change. And, by the same token, it allowed opportunities for the leaders of the rich to explain the nature of their commitments and the character of their constraints.

Out of Kingston came the first joint political commitment by any group of developed and developing countries to a new international economic order, without the kind of reservations that so greatly eroded the conclusions of the Sixth Special Session. Commonwealth Heads of Government recognised 'the need to take immediate steps towards the creation of a rational and equitable new international economic order'.

They agreed that:

a small group of experts should be invited to draw up for consideration by Commonwealth governments, in the context of the current international dialogue, a comprehensive and interrelated programme of practical measures directed at closing the gap between the rich and the poor countries. These measures would be designed to promote development and to increase the transfer of real resources to developing countries *inter alia* in the areas of production, distribution, and exchange of primary and secondary products as well as services.

And they directed the Group, in drawing up its programme of practical measures, to pay particular attention to a number of matters, namely:

i measures to transfer real resources from developed to developing countries through international co-operation in the field of international trade in primary commodities with particular reference to the integrated commodities programme recommended by the Secretary-General of UNCTAD, current proposals for buffer stocks, for indexation, and other relevant proposals, including the proposal for a general agreement on commodities;

ii measures which the international community can introduce for assisting developing countries

(a) to increase food production;
(b) to promote rural development;
(c) to promote economic co-operation among themselves at the sub-regional, intra-regional and inter-regional levels; and
(d) to obtain greater control over, and benefits from, such activities as shipping, insurance, banking and other parts of the infrastructure for international trade and development;

iii programmes for industrial development involving new and expanded forms of industrial co-operation, the enlargement of employment opportunities in developing countries, and more favourable access to the markets of developed countries;

iv a review of existing organisations for industrial co-operation and development;

v mechanisms for increasing the flow of long-term development funds, the transfer of technology and the transfer of real resources to developing countries; and

vi reform and where necessary the restructuring of the international institutions concerned with the management of international trade and finance, and whether means could be found to increase the effective share of the developing countries in the decision-making process of the major international financial institutions.

In all the above matters due regard was to be paid to the special needs of the least developed, the land-locked, the most seriously affected, and the island developing states with limited natural resources.

The first fruit of the Expert Group's work was an Interim Report which was considered on the eve of the Seventh Special Session by Commonwealth Finance and other Ministers. That meeting, which gave general endorsement to the Interim Report and instructed that it be a Commonwealth contribution to the work of the Session, could only have been the product of a consultation among Ministers who had developed the habit of doing business with each other and the confidence and the understanding, even in areas of disagreement, that are the off-shoots of such sustained co-operation.

The Report itself was also specially significant; for it represented the largest measure of agreement hitherto reached between any group from the developed and developing worlds on practical action to inaugurate a new economic order. Its recommendations were in every sense consistent with the aspirations of the developing countries and they provided a way forward towards their fulfilment. The consensus which the Group's Report reflected helped to generate an atmosphere of wider consensus at the Seventh Special Session and its conclusions found almost total incorporation in the consensus documents with which the Session concluded. It was a good example of how the Commonwealth could contribute—and how it did.

The dialogue has just begun. A new international economic order is yet to be installed; the Paris consultations and UNCTAD IV lie ahead, and next week in London the Commonwealth Experts will be meeting in continuation of their work to fulfil the mandate of Commonwealth Heads of Government for 'a comprehensive and interrelated programme of practical measures directed at closing the gap between the rich and poor countries'.

But Commonwealth effort in promotion of development is not limited to such formal patterns. A notable Commonwealth contribution was made over the last three years in the negotiations between the European Community and the countries of Africa, the Caribbean, and the Pacific (ACP) that led to the conclusion of the Lomé Convention. I would not wish to convey the impression that the Convention represents a fulfilment of the aspirations of developing countries for a new regime of economic relations of the kind envisaged under a NIEO programme. But it does begin the journey in this direction and is a clear improvement on its predecessors. It is especially so in its abandonment of the concept of reciprocity and in its inauguration of export earnings stabilisation mechanisms which lend themselves to extension to other countries—indeed into a global system.

The great value of the Convention is that it breaks new ground from which, hopefully, a new edifice of enlightened co-operative economic relations might arise. The point that needs to be made here, however, is that Lomé would not have been possible without the collective contribution of the Commonwealth ACP countries—any more than it would have been possible without that of the Francophone Associates.

The negotiations were a triumph for the sustained unity of the ACP countries and to that unity the experience of the Commonwealth Associables in working together in harmony and confidence made an immense contribution. And the value of Lomé goes beyond relations with Europe. For the total experience of working together has broken down, hopefully for all time, the suspicions and biases which hitherto bedevilled working relations between Commonwealth and Francophone developing countries. I hope it is a token of these realities that extremely close and cordial working relationships are being developed between the Commonwealth Secretariat and the Agence de Coopération Culturelle et Technique. And Britain's participation in the negotiations as a member of the enlarged Community helped in a significant measure to make agreement possible.

But Commonwealth work in relation to Europe cannot end with the Lomé Convention. In the first place, the Lomé Convention did not cater for the needs—the legitimate entitlement to special consideration—of Commonwealth Asian countries. Here Britain's role will clearly be critical. This is not a plea for their accession to the Lomé Convention. It is a reminder that Europe cannot pretend to have discharged its obligations in the particular context of the enlargement of the Community by the arrangements which Lomé promises for only some of those entitled to particular consideration. The work of enlightened contribution to international development which Lomé began must continue and must encompass those Commonwealth developing countries in Asia whose economic condition an outward-looking Community cannot possibly continue to ignore.

And Europe must deal fairly, also, with other Commonwealth interests which were dislocated and disadvantaged by Europe's growth. New Zealand is numbered among the world's developed countries. It has a proud record of progressive social and economic structures. But it is a small country playing a notable part within its relative strength in advancing the development of Commonwealth developing countries within the South Pacific—countries that are themselves potential beneficiaries under the Lomé Convention. The Community's promise of help to these Pacific countries will be empty—and, perhaps, counterproductive—if in relation to New Zealand a European policy of 'benign neglect' contributes to a decline in her economic fortunes and her capacity to help her neighbours. The Commonwealth needs to be as assiduous in its pursuit of just economic arrangements for Commonwealth Asian countries and for New Zealand as it has been for a just deal for the ACP.

The Commonwealth Fund for Technical Co-operation

Now let me say a word about the Commonwealth Fund for Technical Co-operation, which is an area of day-to-day practical action by the Commonwealth Secretariat in the area of development. The Fund was set up by a decision of Heads of Government to provide technical assistance to meet the priority needs of the developing member countries, associated states, dependent territories, and inter-governmental organisations and agencies. It represents a major expression of the technical-assistance role of the Secretariat. The Fund provides assistance and expert advice in specific fields. What distinguishes the CFTC from other aid agencies is that it is essentially a programme of mutual self-help in which recipients are also donors. More than one quarter of the resources used by the Fund are contributed by the developing countries, and Nigeria is the third largest contributor, after Canada and Britain.

But what is more, the Fund mobilises for development the expertise and facilities available in the membership as a whole. Nearly one half of the CFTC experts in the field come from developing nations, and the Fund supplements the opportunities for training under bilateral programmes in the industrialised countries by concentrating its own programme on training people from developing countries in other developing countries. The expertise and training so provided are often more relevant to development needs, and the Commonwealth association is strengthened by shared experience.

Let me illustrate this cross-fertilisation of skills and talents by some random examples of current CFTC-assisted inter-Commonwealth programmes. An Indian expert is advising on the development of tourism in The Gambia, and another is engaged in railway operations in Botswana. Canadian consultants are undertaking a study of hard rock deposits for road construction in Bangladesh, and British and Jamaican experts have advised Ghana on crop diseases. A Singaporean is directing the Fiji Port Authority, and experts from New Zealand are advising Kenya on taxation. An Australian is advising the Dry Dock Corporation in Malta, and Sri Lanka has provided an expert on business planning and research for the Department of Business Development in Papua New Guinea. A Mauritian lawyer has recently been advising the Seychelles in their constitutional talks with Britain. A West Indian is chairing the Review Commission on the East African Community, and a Nigerian and a Tanzanian are consultants to the inter-governmental committee reviewing the University of the West Indies.

The Education and Training Programme of the CFTC finances specialist training required by individual developing countries; but it also tailor-makes courses to fit in with special needs. To illustrate, twenty-four technicians from Tanzania have just completed a specially arranged course in India in preparation for small-industry development in the *Ujamaa* villages that are a central feature of Tanzania's rural development. And to meet the pressing need for trained legislative draftsmen, the first batch of thirty-two students recently completed courses organised for the Commonwealth in India, Jamaica, Kenya, and Ghana.

Through the Technical Assistance Group the Secretariat is gaining valuable experience in the practical problems of initiating directly productive activity in developing member countries. It has worked with Botswana on issues relating to diamond mining, copper-nickel, and brine deposits; with Papua New Guinea on copper mining; with Fiji on the re-organisation of the sugar industry; with Tanzania on a major new regional development programme; with the New Hebrides on geothermal energy; and with Mauritius, Sierra Leone, Cyprus, Papua New Guinea, the Solomon Islands, and the Seychelles on mining legislation and on the requirements for prospecting and exploiting off-shore petroleum resources. It advises the Governments and assists in the selection of consultants and, at their request, actively participates in negotiations which will lead to new economic activity in these countries, creating necessary additional jobs and incomes in the process.

Assistance provided under the Export Market Development programme includes market studies for particular products, help with the development of the infrastructure for exporting, and with promotional activities and advice on how the quality of export products can be improved. An illustration of these components in combination is provided by a project undertaken for the Trade Development Authority of India. This culminated in a 'Buyers-Sellers Meet', or trade fair, at the World Trade Centre in London at which Indian exporters exhibited to British buyers a variety of mainly non-traditional items and obtained a substantial volume of new business. Combining research, product adaptation, display, and direct contact between buyers and sellers, this project demonstrated the value of integrated export-promotion efforts. It was so successful that it has just been repeated on a larger scale and with most satisfying results in New York, again in association with the Trade Development Authority of India. Similar projects are planned in support of other Commonwealth developing countries.

The strengthening of regional co-operation is a specially important element of CFTC's programmes. Support has been provided for the CARICOM Secretariat, the South Pacific Bureau for Economic Co-operation, the University of the South Pacific, and the Regional

Health Secretariats in Lagos and Arusha. These last were established with the Fund's assistance.

The CFTC is a great success story in inter-Commonwealth co-operation. It is a symbol of the potential of the Commonwealth to make major practical contributions to the basic problems of development.

Targets for the future

But there is more still that the Commonwealth needs to do. At Kingston, Heads of Government specifically directed that the Expert Group's programme of measures should 'be designed to . . . increase the transfer of real resources to developing countries *inter alia* in the areas of production, distribution and exchange of primary and secondary products as well as services'.

The magnitude of the effort required of developed market-economy countries to generate a reasonable flow of resources to developing countries was shown dramatically by the Group's Interim Report. It pointed out that if these countries applied only 5 per cent of the increase which they can reasonably expect in their gross national products between 1975 and 1980—in other words, retaining 95 per cent for their own direct consumption—then Official Development Assistance (ODA) would reach a target of one per cent of GNP by 1980; and it is known that the transfer of this 5 per cent would be a material factor in sustaining the long-term growth of income of the developed countries as well.

How to improve and sustain the climate for such transfers, how to ensure the movement towards a realistic transfer of resources from the developed to the developing countries, must be a matter of the highest priority. New initiatives are called for, initiatives which may be associated with the industrialisation of the developing countries or other devices which may be evolved. But the stark fact must be faced that if the Commonwealth, with its special machinery for mutual understanding, does not show a clear appreciation of this problem, and more importantly does nothing positive about it, then the chances of something constructive being done at all in the world community at large is very remote indeed.

An international climate receptive to rationally induced structural change and the transfer of an assured quantum of real resources from the developed to the developing countries are two of the essential ingredients for an international economic order which will enable the peoples of the developing countries to exploit their human potential and add to the world's wealth in which all will share. These ingredients will lead to the establishment of new institutions, the increase in food supply, the relaxation of trade and payments barriers, the better exploitation of the world's storehouse of technology, the harnessing of the creative potential of the transnationals and an improved international division of labour. The Commonwealth can nudge progress along and, by its own example, show what is possible when requisite political will to act exists.

But the battlefield of development lies only in part in the conference halls of the world. It lies mainly in the farms and villages, in the rural areas and in the urban slums of the developing countries. Robert McNamara in his 1973 annual address to the Board of Governors of the World Bank gave the statistics that mark the magnitude of the task to be accomplished in eradicating poverty, the first stage being to assist the absolute poor. It is easy for the absolute poor—the vast majority of whom exist within the Commonwealth—to lose hope. For this reason, and parallel with the negotiation of agreements whose content must reflect a benign Commonwealth influence, the Commonwealth itself must take concrete steps to support the heroic efforts for self-reliant development being made within the developing countries themselves. The solutions to the problems of development must be found by these peoples themselves—they know and accept this. What they need, and what the developed countries in their own interests must provide, is an appropriate set of tools for them to work with and a propitious climate for their work to prosper.

This, then, is the second of the two main streams of influence that the Commonwealth can and does bring to a developmental flow—to take concrete action in specific areas, both to maintain a momentum of development and to provide an example to the rest of the world. Indeed, the Commonwealth could well be a useful testing-ground for some of the innovative ideas and concepts being discussed but not yet tried in the field.

A number of urgent topics are occupying the world's attention in the transformation process; in each of these the Commonwealth is either doing or must be expected to do something positive. Let me, by way of reminder, list a few of these areas, in all of which the Commonwealth Secretariat is operationally engaged and must continue to render active assistance.

First, *Food Production and Rural Development* generally. The basic prerequisites must be laid to increase food production, to eliminate both the scourge and the threat of famine that afflict so many. The starving millions of Africa and Asia do not permit clear consciences amid the opulence and waste that characterise much of the developed world.

Second, *Youth Development*. The young people of the world must be equipped technically as well as emotionally to meet the challenges that will be the inheritance which we hand down to them. Their understandable disillusionment and despair can be converted into positive hope and determination only if we do something about it now. The problem exists in some developed countries, but it is several times worse in the developing countries.

Third, *Unemployment*. The double-digit unemployment levels that are an unchanging feature of the urban and rural areas in the developing world—often as high as 30-40 per cent of the volatile young adults—cannot augur well for stability and progress anywhere, whether in the developing world or in the developed. Jobs must be created, jobs which give the youthful unemployed challenge and a meaningful opportunity to exercise their minds.

Fourth, *Industrialisation*. The imperative to industrialise the developing world and so create new jobs and incomes is being increasingly recognised; the international community also realises that the full and active co-operation of all countries is necessary to achieve this goal. The Plan of Action considered at the Second Conference of UNIDO proposed as a target that the developing countries should be equipped to produce 25 per cent of world industrial output by the year 2000; they now produce about 7 per cent. Special steps are required to convert the target into a goal achieved.

Fifth, *the Exploitation of the Sea Bed*. The untapped resources under the sea are certain to play an important role in sustaining life on this planet. The manner in which these resources are to be exploited and shared is of the utmost importance for future generations in both the now developed as well as in the developing countries. The mistakes of the past must be avoided and mere prior possession of technological capability must not be allowed to confer a monopoly right to the major share of the benefits. The early internationalisation of the benefits of such exploitation may be an important means of avoiding future global friction.

There are other areas of developmental interest occupying world attention—energy, the reform of the international monetary system, trade liberalisation, tourism development, the growth of the invisible sector, education, health, housing, water supplies, to name a few. These are all being examined in different fora, including, in particular, the Commissions established in Paris and the Expert Group set up by the Kingston summit. In all of them the Commonwealth, through its member countries and its several agencies and instrumentalities, is playing, or can play, a role. It is a role that will continue to be conditioned by the Commonwealth's commitment to the effective establishment of a just and equitable new international economic order.

The Developing Commonwealth and the European Community

Maurice Foley
Deputy Director-General, EEC Directorate-General VIII for Development and Co-operation

Introduction

Over the last year there has been a considerable amount of public attention, serious discussion, and sometimes straightforward hooha about the contents, implications, and repercussions of the Convention that was signed at Lomé in February 1975 between the countries of Africa, the Caribbean, and Pacific (ACP) and the European Community. The purpose of this paper is not to seek to analyse, gaze into crystal balls, or otherwise rehearse in detail once again the provisions of the Lomé Convention and their significance. There has already been enough of this. We shall not really know about the success or otherwise of Lomé until it has had time to operate and, possibly, not for many years.

The purpose of this paper is rather to stand back from the hubbub of the past Lomé period and to trace a broader picture of the relationship between the enlarged Community of Nine and the developing countries generally, and of the Commonwealth in particular. This immediately implies invoking the traditional and sometimes bitter discussion over the relative merits of what used to be called the 'association policy' of the Community on the one hand; and on the other, the need for the Community to widen its development interests and activities beyond the traditional 'chosen few'. I am aware, in doing so, of the role the Overseas Development Institute has played in keeping this issue out in the open and acting, in a sense, as the general keeper of the conscience for those both directly and indirectly concerned with development questions within the framework of the European Communities.

In another sense, although grateful for the stimulating work the ODI has done in this field, I am reluctant to reopen discussion of this question in its traditional terms, although it will be necessary to retrace some of the historical background to the Community's activities in the field of development, the motives behind the evolution of these activities, and to attempt some assessment of their future.

How it all came about

The Commonwealth is a new-comer to the Community scene. The evolution of the Community's relations with its former colonies is well known. The somewhat unexpected independence of the French African colonies in the early 1960s brought about changes of the trading and aiding relationships which, in all frankness, were marginal. The provisions and benefits accruing to the Independent Yaoundé States were in no radical way different from the arrangements under Part IV of the Rome Treaty, as applied to the colonies. It is possible to demonstrate that these arrangements, even then, were of considerable developmental significance to the Associated African States and Madagascar (AASM). It is also equally possible to demonstrate that the benefits were minimal. It depends on the figures you take. I do not believe that it is the purpose either of this paper or of this conference to rake over the smouldering coals of rival statistical claims. What I consider to be of significance to us now is to try to grasp what political and other motives were behind the Yaoundé system of relationships and, elusive as this understanding may be, to seek to compare them with the parallel motives now.

My personal view is that the evolution of the Yaoundé system, and perhaps the association system as a whole, was the result of pragmatic modifications and adjustments in response to external stimuli, not necessarily always welcome. I emphasise that this is a personal view seen with the hindsight of one who has come to the Community in a completely fresh set of circumstances. Nevertheless, it is important to understand that the early association arrangements grew almost in spite of themselves, and developed not as a result of a coherent Community policy or indeed of a coherent AASM policy. They just grew and changed, and, frankly, there was no master plan, no guiding hand at the wheel. The course was dictated by the winds which, fortuitously, were fairly constant in force and direction, rather than by dint of navigation.

My purpose in saying this is not in any sense to criticise. The Part IV and Yaoundé arrangements were prototypes of a definite developmental experiment, and like all prototypes were not without their problems both in design and structure. My real purpose is to try to show that the advent of the Commonwealth interest in this particular aspect of a Community policy has changed the situation to the extent that not only is there a new quality of content, a new sense of achievement in terms of the Lomé arrangements, but there is, by the same token, a new sense of awareness, a new sense of the past's inadequacy and the continuing inadequacy of the Yaoundé/Lomé system on its own. This new feeling reaches out beyond Lomé and beyond the Commonwealth. (It is incidentally just as great a mistake to view Commonwealth problems in isolation from the problems of the other developing countries as to seek to divide up the developing world as between ACP and non-ACP.)

The new vision

If, as I maintain, there is this new sense of purpose within the Community about development questions, I must first demonstrate it and then attempt to explain it. Inevitably, the demonstration falls into two parts. First, as regards the Lomé arrangements, and then the other development interests and tools of the Community. At the risk of breaking my own rules about still more analysis of the Lomé Convention, I must briefly recall some of the aspects of this Convention to make my point.

Lomé. First, trade. Criticism of the principle of trade reciprocity under the Yaoundé Conventions was considerable. This criticism was particularly vociferous amongst the Commonwealth 'Associables'. The Lomé Convention, in contradistinction to the Yaoundé Conventions, does not include the requirement for reciprocal treatment of Community exports to ACP markets. I am aware that this drum has been beaten so many times that its skin is now worn very thin. I bang it one more time not for the sake of reciprocity itself but as a touchstone of the new sense of awareness and purpose to which I refer. I quote also as examples the introduction of provisions under the Lomé Convention for the stabilisation of export earnings, the provisions setting up a unique framework for co-operation on industrial questions between Europeans and the ACP. I quote the new atmosphere of partnership in the running of Lomé's financial and technical provisions within the institutions of the Convention. I quote the relinquishing by the Community of any special rights or privileges in the field of establishments and payments. Finally, I quote the remarkable extension of access to the Community's markets, coupled with stimulus in terms of finance and know-how to encourage the exports of our partners to those markets. In all this the contractual nature of the operation has to be emphasised. And here we should not forget the long-term sugar arrangements. The details of these are now well known and the system has been working satisfactorily for a year. But its innovatory feature is the way in which the Community's guaranteed price for Commonwealth Sugar Agreement sugar is very closely related to the internal production costs of beet sugar, the direct competitor of the cane growers.

The examples of a developed country or group of developed countries contracting themselves by international treaty to maintain full free tariff privileges for trading partners and the expenditure of well-defined financial resources (including special provisions for the most favourable kind of treatment to the poorest) for development purposes is rare indeed.

So much for Lomé. What about the rest of the developing countries?

Global policy. My introduction refers to the debate about whether it is better for the Commission and the Community to concentrate European co-operation efforts on a certain number of countries with which we have the closest traditional relations and the greatest depth of experience or, on the other hand, to seek to make an impact on the Third World as a whole. The arguments run that the latter course of action would make it easier for the Community to apply more rationally fundamental principles, such as the need to give priority to the very poorest countries. The counter arguments are that this dilutes the Community aid effort, makes it less efficient, and creates enormous political problems within the Community itself.

And in all honesty, it is no minor consideration that a real and worthwhile development policy cannot be agreed upon easily by political authorities unless they see it as having a political interest. So it is better strategy to apply the art of the possible, take advantage of the positive political factors in the first place and then progressively widen the base. Of course, this principle cannot be overdone. For political reasons also, the Community Member States would not want to be considered as excessively discriminatory either in favour or to the disadvantage of particular developing countries.

This is the concept that Commission staff have used in tackling the problem. Lomé, as I have described above, has allowed us to use the most varied selection of instruments and to push the political authorities of the Community to their furthest limits for the moment. But in parallel to this the Commission itself is increasingly working towards augmented development activities in favour of the other developing countries, either through particular types of development tools or by trying to extend progressively the advantages hitherto reserved for what used to be called the associated countries.

This has given rise to a global Community policy which finds its modern and most concrete historical roots in the Paris Summit Conference of 1972, which entrusted the institutions of the Community with the task of making recommendations about a global co-operation and development policy. This was a breakthrough. For too long development policies have been considered by the Member States of the Community as a precinct of foreign policy not to be surrendered to the Community. The Paris result had been made possible by a great deal of stimulation and prodding from the Commission itself. As a result of the framework laid down by that Conference a great deal of work was done to ensure a balance between the regional and global approaches, leading to the important Council Resolution of July 1974. Very broadly, the effect of these was to do three things. First, to improve and extend the existing Community tools of action in the Third World. In this context, specific reference was made to the importance of the generalised preferences scheme, and some important guidelines were laid down with regard to the establishment of commodity agreements.

Second, to attempt to draw together, in a more coherent way, the co-operation policies of the Member States outside the framework of the regional agreements. This has led to increased exchange of information, consultation, and co-operation within the bilateral aid programmes. The result also called for a minimum target of 0.7 per cent of GNP to be reached as soon as possible. At the same time, the Member States in the Community declared their readiness to grant aid to the least developed countries mainly in the form of grants or loans on specially favourable terms. They also agreed to adopt a co-ordinated approach to deal with the debt-servicing problem of the developing countries, and to untie aid.

Third, and perhaps the most significant result of the Summit and the subsequent Resolutions by the Council, were the very clear, albeit faltering and tentative, attempts to seek additional development tools specifically designed for use outside the framework of the ACP system. The most important of these were the principle of granting aid to 'non-partner' States, support of regional integration between developing countries, and the promotion of exports from developing countries.

The present situation

The Community has an increasing number of commercial agreements with the Asian and Latin American countries. A programme has been working for the last two years on trade promotion, not just for the ACP countries but for all developing countries. Also, progress in regional integration among the developing countries has been supported significantly by the Community. Increasingly, in Community circles, discussions and courses of action are taking shape in an effort to discover along with the developing countries the particular ways in which the Community can help.

Aid to 'non-partner' states. Moreover, one of the increasingly important questions is how to extend the benefits of financial co-operation to other countries outside the Lomé Convention or the Mediterranean area. The decisions of principle were taken in 1974. They have only recently (at the end of 1975) given birth to some specific action. The Commission has just obtained from the Council, in no small measure due to the decisive support of the European Parliament, a first share of money, as yet very modest, of 20 m. units of account for 1976, for financial assistance to the Asian and Latin American countries. The detailed means of using this fund have not yet been drawn up. But the main principles are these:

concentration on the poorest countries;

the use of the fund to meet the most urgent needs of the poorest sections of the population (this means in fact concentrating on the development of agriculture for the production of foodstuffs, which in turn will probably imply using experienced international organisations such as the Regional Development Banks, so as to avoid wasting time and resources in heavy administrative machinery at this early stage).

Food aid. Here again, at the risk of criticism from the ODI economists and statisticians, I do not want to go into figures. The table annexed to this paper gives some broad indications of EEC operations in this field. It is significant that this form of assistance is in majority directed towards areas other than the ACP countries.

Generalised system of preferences. It would not be profitable to re-open the arguments as to whether the Community's trade arrangements with the developing countries are liberal or not. These arguments, essentially subjective, are supported on either side by the usual plethora of statistics, each side demonstrating beyond doubt the infallibility of its case. But it is important to recall one or two facts. The Community was the first to implement the general scheme of preferences in 1971, before enlargement. And, as described above, it has been progressively improved. The situation today is as follows. The 1976 scheme covers potential imports estimated at over 4,000 m. units of account, the improvements in the 1976 scheme taking particular account of the needs of the least favoured countries.

On agricultural products, 1976 has seen a ten per cent across-the-board cut in 1975 duties, and the gsp now relates to 231 products. The value of agricultural imports covered from non-ACP countries is estimated to be 850 m. units of account (it was about 600 m. units in 1975).

As regards industrial products, 1975 saw a 15 per cent increase in most tariff quotas with ceilings. Thirteen products only remain subject to quotas. The 1976 gsp covers potential imports of industrial goods other than textiles of 2,650 m. units of account (2,300 m. in 1975). On textiles the gsp covers potential imports of an estimated 75,000 tons.

The United States has recently followed the Community's example and introduced a form of generalised preference scheme. Its list of beneficiaries, however, is smaller and is established on the basis of political considerations. Countries voting against the US position at the United Nations can be excluded from the scheme at any time.

Mediterranean policy. The principles governing the EEC's approach to Mediterranean countries are to seek arrangements which include free trade for industrial products; special consideration for the problems of the developing countries in the area; an important liberalisation (80 per cent of all agricultural imports) of the European Community market to be implemented at a progressive rate; a significant degree of liberalisation in respect of the rules of the Community's Common Agricultural Policy; and co-operation agreements covering economic, financial, and labour problems. There is a distinction between those countries which could eventually become Member States of the Community (Greece, Turkey, Malta and possibly Cyprus, Spain, and Portugal) and the other countries of the area (the Arab countries and Israel). A trade and co-operation agreement was completed with Israel in 1975, and just recently negotiations were concluded with Morocco and Tunisia; and the Algerian negotiations are expected to end soon. Negotiations with the MACHRAK countries (Egypt, Jordan, Syria, and Lebanon) are expected to begin during the month of February 1976. The Mediterranean approach is one aspect of the Community's global considerations in respect of developing countries, in the same way that the Lomé Convention is another aspect. Indeed, the establishment of global policy and regional policy go hand-in-hand in a certain political sense, because certain Member States have made it clear that regional approaches along the lines of the Mediterranean policy must be balanced by a parallel effort on a global basis.

International efforts

On top of this, it is important to remember the considerable effort undertaken by the Commission and the Community as a whole in participating in and contributing towards international efforts in the field of development, particularly in those working towards the establishment of a new world economic order. This applies whether it be in the framework of UNCTAD, UNIDO, FAO, or that of the North-South dialogue.

The importance of the North-South dialogue cannot be over-stressed. The UN Meetings and Assemblies, because of the inflated number of participants, have become arenas for confrontation or tools for manufacturing resolutions which are often sterile and unworkable. This is what prompted Europe, through President Giscard d'Estaing, to take the initiative for a conference with limited participation, involving industrialised countries, oil producers, and other developing countries whch can be represented meaningfully.

The existence of the European Community, and its capacity to speak with a single voice, is important for the success of the dialogue. The agenda includes a whole range of related questions (energy, commodities, development, finance) in one and the same conference; the piecemeal approach (IMF for finance, UNCTAD for commodities, FAO for agriculture, etc.) is abandoned. The dialogue is meant to establish new rules of the game, as at Bretton Woods. Specialised UN organisations will then be entrusted with working out the details.

The Commission is at present studying far-reaching proposals on a global approach on commodities, along the lines of what was suggested at the last Commonwealth Conference in Kingston.

I am convinced that these discussions will be of great importance over the longer term for the establishment of better and more balanced relationships between the two halves of the world. Even in the short term, I think they should bring about certain significant improvements in the mechanism of aid, in financial and commercial operations, and in the management of the commodity markets.

Conclusion

All these are perhaps faltering but nevertheless outward and visible signs of this new Community consciousness which I would hesitate to refer to as an internal grace. They do not take us nearly far enough down the road. The political will must be found in Europe to increase the pace. I believe we are going to be able to do this. Why? Because a significant proportion of Commonwealth Governments are now actively involved in influencing the thought process of the Community. The obvious example lies in the context of the Lomé Convention, where the added strength of the Commonwealth countries was a decisive influence in stimulating the Community, often unwillingly, into recognition of a new balance of power. The unity and force of the ACP group has implications far beyond the clauses of the Lomé Convention. This confluence of hitherto unco-ordinated forces within Africa, supported (and in many ways sustained) by the additional presence of the Caribbean and Pacific partners, coincided with the great upheavals of the last two years or so in the world economic situation. This too has been of the deepest significance in bringing about an adjustment of attitude. The aggression of inflation, the uncertainty of commodity markets, and the excruciating awareness within the Community of the degree of interdependence with the developing countries have swept away the complacency of the colonial era and focused in blinding relief the need for co-operation for co-survival. At least, they should have done so.

My own view is that a European landmark has been passed in terms of development; all are now aware of the problems of the developing world at large and, what is more important, of the repercussions that those problems can have on their own daily lives. I applaud this. Let us make use of it.

What next? This is an uncertain age. Values are changing and economies are erratic. The Community has, however, set a course. It will seek to enlarge its development beyond the Yaoundé/Lomé system. There is now a hand on the wheel, and although the tides and winds may be less predictable, we will at least not run aground for want of a chart or a sextant.

ANNEX

Food Aid

Location of 1975 programmes

	Cereals	Milkpowder	Butteroil
(a) Percentages			
Europe	1	0	1
Africa	14	24	5
Near East	4	3	8
South Asia	55	17	26
America	2	1	3
UN agencies	11	45	47
Reserve	13	10	10
	100%	100%	100%
(b) Tonnages and main recipients (thousand tonnes)			
India	163	5	0
Bangladesh	150	3	7
Pakistan	20	0	3
Somalia	25	2	1
Tanzania	20	2	1
UNICEF	10	3	2
WFP	40	20	16
Others	215	20	15
Total	643	55	45

EEC share of global 1975 cereals aid

	%	000 t.
EEC	15	1287
USA	63	5430
Canada	6	516
Australia	4	320
Japan	3	225
OPEC	4	384
Others	5	64
	100%	8626

Evaluation (World prices) *

	1975	1976
Cereals	91	98
Milkpowder	43	36
Butteroil	64	69
Sugar	2	2
	200	205

*(approx. world prices in million u.a., from EEC budget)
(quantities identical for both years)

Multinational companies in the Commonwealth: Unilever as a case study

Maurice Zinkin
Head of Special Committee Secretariat, Unilever Ltd.

Introduction

Businesses are much more limited creatures than Governments. Multinational businesses are no exception.

Governments become big by spreading themselves over more and more of the national life. They cover a wide range of subjects and the people who make the decisions, the top politicians and civil servants, are experts in none of them. Businesses, by contrast, become big mainly by doing the same few things over and over again in a large number of countries. The biggest businesses are the oil companies, and they are rarely in more than two or three product groups.

My own company—Unilever—is more diversified than most, but even we are not in more than a score of industries of which not more than half a dozen are of major importance. Two-thirds of our business is in branded consumer goods and most of that is in detergents, margarine, ice cream, and frozen food.

Such power as businesses have is of quite a different nature from the power of Governments. It is open to Governments to make decisions which they can then enforce with all the power of the law. How much that power is varies a good deal. A great deal more can be enforced by a Hitler than by a Harold Wilson, and the Government of Italy at this moment can enforce less still. A great deal depends upon the interplay of the will of the Government and the will of those who wish to resist amongst its people. The subject is a consumer of legislation with some of the consumer's willingness to reject what is offered to him or her.

A business is never in a position to enforce its will, unless it is a nationalised industry with a statutory monopoly. It can take the horse to water: it cannot make it drink. In other words, it can spread out its washing powders on the supermarket shelves: it cannot make the housewife buy. It can put its ice cream in every beach kiosk: the children may still prefer sweets. Obviously, the consumer's capacity to choose may vary in degree. I have seen Indian village shops where the villager bought a White Lux toilet soap or he did not buy toilet soap at all, whereas in an English self-service shop you will probably have the choice of half a dozen brands and at least five colours. In my youth the choice from a Wall's ice-cream 'Stop me and buy one' was vanilla or vanilla with chocolate coating. Today, in an ordinary sweet shop's cabinet you would get a choice of at least a dozen varieties. Nevertheless, choice there always is. In the Indian village one could always buy 'Lifebuoy' or 'Sunlight' hard soap instead of the toilet soap; and they wash not badly. At a pinch, one could use hot water; and that, too, is not altogether ineffective. Equally, even in my youth, if one did not like vanilla ice cream, one could always buy chocolate or bulls' eyes or potato crisps, all of which for the ice-cream manufacturer are very clear alternatives to his product.

From the Unilever point of view, these are self-evident truths, only marginally affected by whether the industry is an oligopoly or in totally free competition or by whether it is suitable for television advertising or not. To advertise a product effectively on television it has, on the whole, to be one which will appeal to a very large number of people and to have qualities which are easily emphasised.

The radical, I suppose, would emphasise the limitations imposed on most consumers' choices by the system—by tradition, income, the nature of education, and susceptibility to persuasion by marketing gimmicks. Some of these limitations are real. If one succeeds with a food product in the United Kingdom or the United States it is no guarantee that one can succeed with the same product in France or Germany. The French and Germans attach greater importance to traditional definitions of quality in relation to price than the English or Americans. What one can say in an advertisement is limited by the education and the interests of the people to whom one says it. The willingness to pay for subtle differences of quality is constrained by the customer's income. The Indian consumer cannot afford to pay for many of the toiletries which are successful in the mass market in the US or Western Europe, even were she to prefer these products.

Advantages of a multinational company

The advantage Unilever obtains from being multinational is, therefore, limited. If it develops a product which is of interest to consumers in many countries, it can spread the development costs—research, test marketing, and so on—over a much larger turnover than if it operated only in one country. In addition, it can use its experience around the world in order to make a guess at what stage in the growth of national income, urbanisation, secondary education, Westernisation, and so on, a particular product may succeed in a particular country.

From the country's point of view, the advantage of the entry of Unilever into a particular field is equally twofold.

First, it gets the advantage of Unilever experience, especially its experience of the snags and problems. This experience may be knowledge of how the formulation of a detergent has to be modified to meet a particular temperature of washing, an emphasis on particular materials in the clothing habits of the country, or even the way in which the clothes are dried—a tumbler drier does not provide the bleaching effect of sunlight. It may be the knowledge of the risks to which fresh food is subject in hot climates unless it can be adequately refrigerated, and what needs to be done to create an effective refrigerated distribution system. It may be the knowledge that, if one wishes to sell a cheap, generally acceptable toilet soap, one must go for the most widely acceptable perfume rather than the perfume which is most liked by one segment of the market, while if one is going for an expensive toilet soap it is the other way round.

Secondly, Unilever has the merits of many large companies. Its management is professional, it pays its direct taxes and it is easy to levy indirect taxes at its factory gate. Its staff departments, from accounts to computers, make a contribution to the wider community on modern business methods. It is always willing to discuss problems with Governments. It is constantly trying to improve its products, its distribution systems, its computer programmes, and so on, and these improvements have a spin-off for the rest of the community. In India, the vanaspati and soap industries are now mainly Indian-owned; but the Indian owners have built their businesses largely by direct imitation of our Indian subsidiaries. These attitudes of mind of Unilever are of particular advantage to a Government which believes in planning and in intervention. Such Governments are inclined to think primarily in macro-economic terms. Their officials and economists talk about personal disposable income, balance of payments, rate of growth of GNP, the rate of savings, and such like abstractions. They virtually never consider what the public actually wants to buy, except when they are thinking about import substitution. They do not know what constitutes quality for any particular product; they have no experience of the complications of distribution, or of balancing what the public would ideally like against what it can afford, or of how to segment the market. They have no knowledge of the points the public minds about. Officials who never do the household buying often have an odd incapacity to appreciate the importance of colour, of perfume, of convenience, of packaging which does not slip on a wet sink or destroy the look of a dressing table. Even if occasionally they do apply their macro-minds to such very micro-problems they do not do so for long enough to produce any answers.

The advantage of firms like Unilever is that they recruit men of ability not so unequal to that of the officials that they cannot talk to them in the officials' own terms, yet who at the same time spend their lives on quite a limited range of products. In our business, a man may easily spend fifteen to twenty years in detergents, or in margarine, or on toiletries, with his mind centred for all that time on consumer requirements, relations with wholesalers, the value analysis of the packaging, and so on in this quite limited field. The result is a totally different level of knowledge of what is needed in detergents or whatever it may be from what is possible for a Ministry of Industry official for whom detergents or margarine are lucky if they rank eight or ten hours of his time in a year—toiletries he probably merely despises.

Three main strands of Unilever

Unilever is an amalgamation of two companies—Ltd., an English company, and NV, a Dutch company—but from the Commonwealth angle it is probably better to think of it as having three main strands.

First, there is margarine, on which the original Dutch partners built their business, as is shown by the very name—Margarine Union—of their company when they brought it into Unilever. This side of the business has contributed relatively little to Unilever's Commonwealth expansion until recently. Tropical countries are in general oil eating and not hard-fat eating; the market for margarine is therefore small. Unilever has only exceptionally gone in for edible oil on a large scale, largely because in the main oil-eating countries of the Commonwealth there is not much research can do to improve oil from the local consumer's point of view at an acceptable price; and unless Unilever can make a better product that the local merchant, it cannot compete with his price. In the temperate countries, Australia and New Zealand, there was until recently considerable discrimination against margarine to protect the butter industry, and this again limited the market. What the margarine side did develop was vanaspati—a vegetable fat alternative to clarified butter. This over the last half century has had increasing success in the Indian sub-continent, though more recently not to any great profit of Unilever. The Indian Government instituted in 1962 a price control which for years made it impossible for any manufacturer not prepared to go into the black market to make a profit.

The second strand of the business derives from Lever Bros., the English component of Unilever. Lever Bros. was essentially a soap business and from that has derived the detergent business which accounts for most of our sales and most of our profits in most Commonwealth countries. The U.K., Nigeria, and Ghana are the chief exceptions. The main reason for this dominance of detergents is that detergents are singularly suitable for a worldwide business. Everywhere in the world people demand that their clothes should be washed whitest, that their toilet soap should smell attractively and be nice to their skins. The differences in taste between countries are so small that the first Lord Leverhulme was able to sell his soap all over the world, although he resisted all suggestions that the name or the guarantee on the pack should be in the local language. Our soap is to be found in many places which our advertising has never reached. My wife has even been told by an Everest expedition that Sunlight soap was the first product to meet them on their descent from Everest into the villages of Nepal; and at that date not merely had we never spent a penny on advertising in Nepal, I doubt whether we had even sent a salesman anywhere outside the capital.

The third strand of the business derives from the African trading companies which were amalgamated into the United Africa Company. What originally took the first Lord Leverhulme into West African trading was his fear that otherwise he might be squeezed by the West African merchants on the price of his raw materials. This fear was unwarranted. At no time has Unilever bought more than a minuscule proportion of its oil requirements from its own plantations, nor has its own produce trading ever been a major source of supply. The only importance of Lord Leverhulme's belief was that it led him to pay far too much for the companies he bought—to an extent which nearly bankrupted the company and led to the banks depriving him of his control of it.

It is an example of the continuity of business that to a large extent we are still in the same lines in West Africa as companies we bought more than half a century ago. These companies were pioneers in wax prints, motor car agencies, building materials distribution, supply of specialised machinery to Public Works Departments, office equipment, and toiletries. These still account for a very large part of the United Africa's sales and profits. Indeed, of our two major diversifications since the Second World War in United Africa, one has been using the knowledge gained in Africa in fields like motors, electrical wholesaling, office equipment, and the supply of specialised machinery, to go into business in the UK, and to some extent in France. The flow of knowledge and ideas is not always from the developed country to the developing country in a business like ours. It can perfectly well be the other way round. The other diversification was into industrial production in West Africa, notably in brewing, but also in, for instance, packaging, plywood, and motor-vehicle assembly. This was in recognition of the fact that the place of the foreign company is in the more sophisticated parts of the economy, and it was accompanied by a withdrawal from the produce trading and small retail stores which had once been the staple of West Africa trading. While this changeover was being made, profits, of course, descended to very low levels.

There are other sides to Unilever than detergents, edible oils and fats, and the United Africa Company. We are very large in food in Europe over a range running from meat to ice cream and from canned salmon to ready meals. We are big in animal feeds, notably in the UK. We have considerable interests in speciality chemicals, packaging, and distribution.

But, on the whole, these are not important in the Commonwealth outside the UK and Australia—a few ice-cream businesses, some meat businesses and speciality chemicals business in Canada, packaging in Nigeria, animal feeds in India and Pakistan.

The exception is tea. Our purchase of Lipton tea from Allied Suppliers a few years ago made us the second biggest tea business in India and Pakistan, and one of the major companies in Australia and South Africa. But here again we are building upon a skill which goes back a very long way—half a century at least. In other words, Unilever is, on the whole, a cautious investor. We like to broaden out from precedent to precedent, to make our innovations in fields about which we already know a great deal. We will go from washing powders into rinse conditioners; from toothpaste into fluoride toothpaste; from cardboard cartons into packaging based on polyurethane, then into packaging based on polypropylene; from distributing simple office equipment into distributing more complicated office equipment; from building materials in Nigeria into building materials in Bournemouth.

When we go into a line which is substantially new or into a new country, we may begin with an acquisition. The reason is that one of the main problems with all new ventures is getting the management team working satisfactorily together and discovering the snags; acquiring a company, preferably a not very big one, gives a nucleus of a team and people who have experience of what can go wrong. Otherwise, one can make some very elementary mistakes. We put up a milk factory in India after extensive testing of whether the milk would come in. The results of the testing were favourable. Then, when the factory was up, the milk did not come in. Our testing stations had drawn their milk from a much wider area than we had realised, and in the year we began the monsoon was bad.

Criteria for investment

The Unilever criteria for investment are the same for Commonwealth and non-Commonwealth, developed and developing, countries. The discounted cash-flow yield must be adequate to provide a reasonable return on the capital employed after allowing for all the risks and uncertainties. By making the calculations on a discounted cash-flow basis, one automatically allows for tax and investment grants and any special rules there may be about depreciation. At present we do our calculations in constant money, but we are inclined to think one ought also to look at the return in current money, especially where tax makes no allowance for inflation, for example by insisting on a first-in, first-out method of dealing with stocks and taxing stock appreciation, or by only allowing depreciation on historical cost.

What is difficult is to decide what constitutes a reasonable return, and what the risks and uncertainties really are. Theoretically, a reasonable return is a return which provides a margin on the cost of capital after allowing for risk and uncertainty. The cost of capital is a very uncertain figure. What is the cost of a debenture when a change in the rate of inflation may alter its after-tax cost to the company in real terms from several per cent negative to several per cent positive or vice versa in a few years? What is the cost of retained profits when the tax on distributed as against undistributed profits may change a couple of times over the period during which the investment out of retained profits will take place, and when the main method of raising equity is by rights issue?

The risks and uncertainties are more difficult still. One used to consider modernisation as virtually riskless; but if it involves any compulsory redundancies, it may now be dangerous as well as expensive. The return on expansion of capacity is heavily dependent upon timing and a correct judgment of one's own position in the market. There is a strong tendency, when sales are going well and one's market share is increasing, to think they will go on doing well and one's market share will go on increasing. In practice, what quite often happens is that exactly at that moment of euphoria sales begin to plateau out—competitors react or the consumer becomes saturated. Similarly, if one gets good results in the laboratory on a new product followed up by a successful test market one may feel constrained to provide capacity for national sales on the same basis. One may even have to begin to do this when the test market is only half finished if one is to have any chance of going national in reasonable time. Bitter experience may then teach one that the laboratory tests were not typical of what happens in the kitchen and that the test-market results were too favourable, perhaps because of the concentration of talent that test-market schemes command.

If I may hazard a view from the cases which I myself have seen, I would say that the investments least likely to provide the yield promised in the original capital proposal are investments for an increase in capacity, and that this is true even when the original capital proposal is thoroughly researched and based on the test economist's view of the future of the economy and industry concerned. Consumers are kittle cattle. Governments have a genius for changing tax rates and inducing recessions at the most unexpected moments. But perhaps this is a point which needs no rubbing in in 1976, when so many of the investments sanctioned in 1972 and 1973 are not earning their keep.

The role of Governments

Governments are probably unaware of the extent to which their behaviour has now become businesses' major uncertainty. There was a time not much more than ten years ago when one did not go much beyond a subjective judgment that a country was risky or not risky in considering what political factors to build into a proposal. If one goes back before the War, there is not much sign that companies even went that far. The first Lord Leverhulme made his enormous investment in West Africa without apparently ever considering that there were any political risks there greater than in the UK, and, of course, in those days profit calculations were made before and not after tax.

Now Governments are crucial to every calculation. This is true not only for such obvious considerations as tax tariffs, depreciation rates, and for the general management of the economy. It is also true for equal pay, if one has a lot of women employees; for the law about redundancy, if the enterprise is a chancy one; for possible changes in the law on patents or trade marks and the rules about service fees and royalties, if one's business is dependent upon research and goodwill; even for the elementary question of whether the Government will keep any agreement into which it enters or not. There are now very few Governments who regard themselves as morally bound not to change their agreements retrospectively. Tax concessions are cancelled, royalties painfully argued for are disallowed, pressure for local participation is suddenly increased.

It is traditional to say that the position is worse in the developing countries than it is in the developed, and to some extent this is true. For example, we are allowed no royalties or service fees in India. We were pushed into selling our detergents business to the Zambian Government at a low price. The Ghanaian foreign-exchange position means that one very seldom gets the dividends and service fees which are due; we have many millions of pounds tied up in Ghana losing value through inflation and unremittable. In Nigeria, we were forced to put 40 per cent of the equity of our two companies there on the market at a p/e ratio of under two, where a fair price for companies of their growth potential would have been several times that. But, on the whole, these are differences of degree rather than of kind. In Australia and Canada there are tight restrictions on the take-overs a foreign company may make. Canada has a considerable withholding tax unrelieved by a double-taxation agreement. New Zealand is difficult about service fees. The UK changes its tax rates and investment grant systems more frequently than any developing country, and is trying to give trade unions more say in investment decisions than they have anywhere else. Anyone accepting a UK voluntary planning agreement would be putting himself more in the hands of the Government and of the trade unions for his major decisions than is at present the case in any developing country. Even in India, where the controls are tight and one needs Government permission for every expansion, one does not have to discuss one's investment decisions with one's union.

The dilemma of nationalism

There is a major division between the attitude of host countries and the attitude of the home country. In the home country one is a leading local citizen, for whom one's fellow citizens have reasonable respect and whose successes are something from which they derive a measure of satisfaction. They may ask whether one is not investing too much abroad, but in practice, provided one invests fairly steadily in the UK, as we do, this is not a problem. Exchange control does deprive the business of some reasonable opportunities, and our double-taxation arrangements are less favourable than those in the Netherlands, but these are, on the whole, marginal considerations.

Outside the home country, Governments, trade unions, and public opinion are always ambivalent; and, unfortunately, the more useful one is to the society the more they are ambivalent. In Germany or the US the ambivalence is at a low level. There are many local companies quite as efficient as we are, and nobody doubts the capacity of the German or the US Goverment to control us or anybody else in all substantial matters, if it so desires. Indeed, the US Government intermittently tries to interfere even with operations of foreign companies in other countries.

In the developing countries, and to some extent in Australia and Canada, Governments and their electorates face a dilemma. On the one hand, the foreign companies are very often amongst the best run companies in the country. I do not think the Indian Government would consider there was any company better managed than Hindustan Lever; the Nigerian Government, in times of shortage, has always shown great confidence in the fairness with which the United Africa Company distributes its supplies. Developing countries listen rather more than the UK Government to the points we may wish to make to them. None of them have quite the intellectual arrogance of the British Treasury or the Labour Party's policy-making committees. Developing countries' trade unions are at least as happy dealing with our subsidiaries as they are dealing with other local capitalist Governments or with local nationalised industries. They normally get a somewhat better deal. We have no difficulty in recruiting bright graduates as managers. I remember, when coming back from India to the UK, being struck by the fact that the standard of the Indian management was as high as that of any country in Europe and higher than most (though it is, of course, possible that after years of being in India I was biased).

On the other hand, neither the Government nor public opinion in host countries ever quite forget that we are foreign. The same Government of India, which has in succession appointed one ex-Chairman of Hindustan Lever to be Chairman of the State Trading Corporation, Chairman of the biggest of the nationalised banks, and Chairman of the National Institute of Social and Economic Research, and made the next ex-Chairman of Hindustan Lever Adviser to the Planning Commission with considerable influence over the nationalised industries, also limits severely the extent to which Hindustan Lever can expand in detergents and has steadily pressed us to put more of our equity on the Indian market. The Indian Government's intention is that eventually only companies with a large export or high technological content in their business should be allowed to be more than 40 per cent foreign. One should perhaps add here, since it is revelant to many countries' thinking, that the severe restrictions on expansion in India are not only due to a suspicion of foreigners; they are also due to a suspicion of bigness. The big Indian companies are limited in their expansion too, and modern industry in general tends to find that there is an excise against its products in order to protect the village artisan from competition.

With managers, the problem is often more subtle. They value the fact that they are working for a company which by local standards pays well and where promotion is by merit, whereas in most countries, developed as well as developing, being a member of the family may be vital in industry, just as influence is often useful in Government service. It is, I suppose, easy for us to be virtuous. Nobody holds enough of our shares to be able to demand that we take some member of his family; and it is in the interest, both of the higher management and of the shareholders, that our young managers should be recruited on their capacity to make a profit rather than on their relationship to party bosses or key civil servants. Nevertheless, the opportunity this gives to the young man with talent but no ancestors is widely appreciated.

On the other hand, some of our managers have a feeling that in these exciting times, when the economy of their country is being built up from almost nothing, they can only play a full part if they join the Government or a nationalised industry. This feeling is at its strongest in India but it exists in Africa, too. Government offers power and a more spectacular sense of duty done than the slow building up of detergent wholesalers or the improvement of the safety of its ice cream.

We have tried to respond to this nationalism. For example, when I went out to our Indian company in 1949 we had, I think, sixty British managers to fifty-nine Indian managers. Today there are well over four hundred managers of whom only half a dozen are British. In the 1920s in West Africa even storekeepers and clerks were white. Then in the depression of the 1930s virtually all non-management jobs were Africanised. Since 1945, there has been a steady Africanisation of the management; Lord Cole once told me that the crucial decision was taken at the end of the 1940s. It will take a few years before management in Africa is as almost totally local as it is in India but we should be well on the way by 1980. Already the Chairmen of our Nigerian companies are Nigerian, the Chairman of Lever Bros. Ghana is a

Ghanaian, and the Chairman of the company in Kenya (where we are in partnership with the Kenya Government) is a Kenyan, and our Chairmen are not part time for the letter head. They are the working Managing Directors.

We have also accepted that we will have more and more to take local equity. I have already mentioned the 40 per cent in Nigeria. We are partners with the Ghana Government in timber (by decree) and textiles and detergents (voluntarily). 14 per cent of the equity in India is in local hands, and this is likely to be increased. There are other examples.

What we are reluctant to do is to surrender management control if the company is one which is going to use our trade marks. If the company, in other words, looks to the world like a Unilever company, we like to make sure that it runs to Unilever standards. We would in many cases rather sell it altogether than compromise on this. Where a company is not using Unilever trade marks, management control is not essential to us. We have minority shares, for instance, in breweries in West Africa; the rest of the money comes from a European brewery (Guinness or Heineken) and from local sources.

We would even contemplate, although only in very special conditions, like a plantation, a management contract for a business in which we had virtually no equity. Here the difficulty is that the major asset of any business is its management team. Management contracts rarely recognise adequately how scarce a resource the management team they are using may be.

One of the difficulties in taking in local capital is that the owners often have different standards of return from ours. Like most big companies, we take the long view. We make our calculations as if we were going to be in business forever. The local shareholder may take a sharply different view. He may be thinking of next year's requirements for his son's college fees or his daughter's wedding. If the shareholder is a Government, it may place an emphasis on social considerations, the balance of payments, for instance, or housing, which for a commercial company is uneconomic. Moreover, if one needs more capital, it may be difficult for all the local shareholders to subcribe to a rights issue and there may not be a stock exchange well enough organised for them easily to sell their rights. Finally, local equity raises in the sharpest possible form the reluctance of many developing countries' Governments and some developed countries' Governments to permit the full royalties and service fees which are required if head office and central research are to be kept going. Yet in considerable degree it is the services of head office and central research which make a multinational like ours worthwhile to the local community in the first place.

Conclusion

Unilever does a quite limited number of things well. Thus, in margarine we believe we have more knowledge than any other company in the world. In detergents we are one of the top three or four, similarly with toothpaste or hair spray. We are efficient manufacturers of animal feeds, of building materials, we are good designers of wax prints for the African market. Indeed, many of the designs which swept Europe recently were invented by a Unilever designer in the Ivory Coast. We are always looking for opportunities to try out old ideas in new countries, or new ideas in any country which seems ready for them.

The test we apply in deciding what is suitable for us to do is the same everywhere. Given the risks and uncertainties, will it be sufficiently profitable? In deciding what is sufficient, we will consider such issues as the price at which the money for working capital can be borrowed locally and whether it can be borrowed locally at all; the chances that the Government will change taxation, labour-relations, labelling, or whatever it may be, laws against us, especially within the period during which the project has to pay off the money invested in it; the capacity of the public to pay for the product we will be offering them and the chances that they will like it enough to pay the price we ask for it against the competition direct and indirect that there will be against us.

We recognise that many countries look on us as foreigners and would like to see us make ourselves more native in attitude, staff, and ownership. Within limits, we try to satisfy these feelings. Our management will soon everywhere be overwhelmingly local, although we would always wish to keep some expatriates, as we do in all the major European countries including the UK itself. We are more difficult about managerial control. We believe that a Unilever business selling Unilever products has to be conducted according to Unilever traditions if its standards are to be kept up and its managers are to deal easily with one another.

In the final analysis we believe that the justification for our activities is a simple one. People want the products we provide. Our products are of consistent quality, universally available, carefully directed towards the market's wants, and reasonably priced. For the higher ideologists, it does not sound much. Indeed, we ourselves usually take our social usefulness for granted, and are only reminded that we perform a valuable function when for some reason our products become in short supply. Then we discover how vital to the public's well-being (and the Government's popularity) our products are.

This is perhaps the best answer to the fashionable question of the last few years: development, what and for whom?

Everybody will have his own subjective view on what products are helpful to development. My own view is that the purpose of development is to improve the standard of life of the great majority of the population.

The products Unilever makes—soap, washing powders, cooking fat, toothpaste, and so on—are all products which most people would like to have. It is a great deal less work to wash clothes in a detergent than to beat them on a rock: it is pleasanter when sweaty to wash with a good soap than with plain cold water: if it were not for vanaspati, the people of the hard-fat areas of Turkey, or India, or Kenya would find cooking fat very expensive indeed.

For whom is a question much more difficult for any individual company to answer. Individual companies do not control the distribution of income. Their activities will benefit different income levels in different proportions in different countries according to the make-up of those countries. All that one can say is that Unilever pays a good going rate for the country to every one of its employees, and that its products go deep into the countryside and right down the social scale. I always remember being astonished when I was doing market research in India by the extent to which our soap was to be found even in the huts of untouchable landless labourers. It was not unusual to find it in one hut in four or five, and that would be a high level of penetration for a product of any company in a developed country.

Our tea (Lipton's) too, though less successful than Brooke Bond's, is to be found in every Indian village. If development is to be judged exclusively by whether one's products are bought by those who have no money to buy anything, then, of course, Unilever would fail the test; but so would everybody else, Government or private, except a charity or a social security department.

The most direct contribution which Unilever makes to development for all the population, however, is probably its distribution and manufacturing activities in West Africa. If one makes sure that the bulldozer which is making the local road is adequately serviced and kept in operation; if one sees that even in remote areas people can get their wax prints or salt without difficulty and at a reasonable price; if one supplies cement and particle boards for houses and schools, then the benefit of one's activities to everybody is undeniable.

Appendix 1: List of participants

Chairman:

Alan R. Booth, *Member of Council, Overseas Development Institute.*

Speakers:

Maurice Foley, *Deputy Director-General, EEC Directorate-General VIII for Development and Co-operation.*

Shridath S. Ramphal, *Commonwealth Secretary-General.*

Paul Streeten, *Director, Institute of Commonwealth Studies, Oxford University, and Member of Council, Overseas Development Institute.*

Maurice Zinkin, *Head of Special Committee Secretariat, Unilever Ltd.*

Participants:

W. L. Bell, *Council for Technical Education and Training for Overseas Countries.*

Elizabeth Boys, *Overseas Development Institute.*

J. R. Bunting, *British Council.*

Robert H. Cassen, *School of Hygiene and Tropical Medicine, London University.*

E. A. Chaudhury, *Bangladesh High Commission.*

Andrew Conteh, *Sierra Leone High Commission.*

Rebecca Cook, *International Planned Parenthood Federation.*

Margaret Cornell, *Overseas Development Institute.*

Robert Cuthbert, *Christian Action for Development in the Caribbean.*

Gordon K. Goundrey, *Commonwealth Fund for Technical Co-operation.*

Derek Ingram, *Gemini News Services.*

Walter James, *St. Catharine's—Cumberland Lodge*

I. Michael Jefferson, *Shell International Petrol Co. Ltd.*

Richard Jolly, *Institute of Development Studies at the University of Sussex, and Member of Council, Overseas Development Institute.*

David Jones, *Overseas Development Institute.*

A. S. H. Kemp, *Royal Commonwealth Society.*

Colin Kirkpatrick, *Department of Economics, Manchester University.*

Sarwar Lateef, *Overseas Development Institute.*

Vernon H. K. Littlewood, *Christian Aid.*

G. Michaelides, *Commonwealth Secretariat.*

Richard Miles, *Ministry of Overseas Development.*

James Morgan, *BBC External Services.*

G. Mudavadi, *Commonwealth Secretariat.*

John J. Noble, *Canadian High Commission.*

Dennis F. Pearl, *Commonwealth Development Finance Co. Ltd.*

R. M. Peet, *Standard Chartered Bank Ltd.*

R. S. Porter, *Ministry of Overseas Development.*

D. L. Roberts, *Guinness Overseas Ltd.*

J. R. Shaw, *Tropical Products Institute.*

Harry Shutt, *National Union of General and Municipal Workers.*

Nigel Spearing M.P., *House of Commons.*

Christopher Stevens, *Overseas Development Institute.*

Antony Tasker, *Commonwealth Fund for Technical Co-operation, and Member of Council, Overseas Development Institute.*

O. J. J. Tebape, *Botswana High Commission.*

H. Terrell, *Confederation of British Industry.*

Uvedale Tristram, *Voluntary Committee for Overseas Aid and Development.*

Anthony S. Tugman, *Selection Trust Ltd.*

Emmanuel B. K. Tumusiime-Mutebile, *Uganda, and Balliol College, Oxford.*

A. R. Turay, *Barclays Bank International Ltd.*

Andrew Walker, *BBC External Services.*

Brian Walker, *Oxfam, and Member of Council, Overseas Development Institute.*

Catherine Wiseman, *National Farmers' Union.*

Robert Wood, *Overseas Development Institute.*

Taya Zinkin, *Author.*

Appendix 2

Table 1 : Developing Commonwealth : growth rates of per caput GNP and population

	Population mid 1973 *(million)*	*Per caput* GNP 1973 *(US $)*	Growth rates (per cent per annum) Population 1960-73	1965-73	GNP *per caput* 1960-73	1965-73
Africa						
Nigeria	71.3	210	2.5	2.5	3.6	8.3
Tanzania	14.0	130	2.9	2.8	2.8	2.6
Kenya	12.5	170	3.2	3.3	3.1	3.3
Uganda	10.8	150	2.8	3.0	2.1	1.2
Ghana	9.3	300	2.6	2.6	0.0	0.8
Malawi	4.8	110	2.6	2.6	3.5	3.7
Zambia	4.6	430	2.9	2.9	1.7	−0.2
Sierra Leone	2.8	160	2.2	2.2	1.6	1.5
Lesotho	1.2	100	2.2	2.2	3.8	2.6
Mauritius	0.86	410	2.1	1.5	0.4	1.4
Botswana	0.64	230	1.9	1.9	4.7	6.4
Gambia	0.5	130	2.2	2.2	3.7	2.2
Swaziland	0.46	330	3.0	3.1	6.9	6.3
Asia						
India	581.9	120	2.3	2.3	1.3	1.5
Bangladesh	74.0	80	2.6	2.4	−0.2	−1.6
Sri Lanka	13.2	120	2.3	2.1	2.0	2.0
Malaysia	11.3	570	2.6	2.5	3.9	3.7
Hong Kong	4.2	1,430	2.3	1.9	7.0	5.8
Singapore	2.2	1,830	2.1	1.8	7.1	9.4
Caribbean						
Jamaica	2.0	990	1.6	1.4	3.6	4.8
Trinidad & Tobago	1.1	1,310	1.7	0.9	2.1	2.2
Guyana	0.77	410	2.4	2.4	1.5	1.1
Barbados	0.24	1,000	0.2	0.3	5.5	5.8
Bahamas	0.19	2,320	4.0	3.6	2.2	−1.1
Grenada	0.11	330	1.2	0.6	3.1	3.7
Europe						
Cyprus	0.63	1,460	0.9	0.8	6.1	6.8
Malta	0.32	1,060	−0.1	0.2	5.9	7.0
Oceania						
Papua New Guinea	2.6	410	2.4	2.5	4.6	5.0
Fiji	0.55	650	2.6	2.2	2.9	5.3
Western Samoa	0.15	250	2.5	2.4	0.8	1.1
Tonga	0.09	210	3.3	3.0	−0.7	−0.9

Source : World Bank Atlas 1975

Table 2: EEC trade with selected developing Commonwealth countries

US $ m.	EEC imports c.i.f.			EEC exports f.o.b.		
	1973	1974	Jan-Sept 1975[a]	1973	1974	Jan-Sept 1975[a]
Africa						
Ghana	262	307	229	181	332	177
Nigeria	1,715	4,549	2,527	949	1,374	2,155
Kenya	196	258	164	275	389	255
Zambia	532	691	387	212	329	287
Caribbean						
Jamaica	115	120	167	157	176	151
Br. Territories n.e.s.	155	164	170	266	316	234
Trinidad & Tobago	61	101	114	114	122	117
Asia						
India	816	1,022	839	851	1,009	1,097
Sri Lanka	108	149	101	98	122	118
Malaysia	787	1,033	625	434	680	454
Singapore	444	464	343	629	911	632
Hong Kong	1.321	1,537	1,289	853	898	629
A Total of selected countries	6,512	10,395	6,955	5,019	6,658	6,306
A[1] Total (excluding Nigeria)	4,797	5,846	4,428	4,070	5,284	4,151
B Trade with developing countries	39,913	73,903	50,673	30,504	45,384	44,067
C Trade with non-Middle East developing countries	27,360	40,811	27,237	24,456	35,592	32,448
A as % of B	16.3	14.1	13.7	16.4	14.7	14.3
A[1] as % of B	12.0	7.9	8.7	13.3	11.6	9.4
A as % of C	23.8	25.5	25.5	20.5	18.7	19.4

a) estimated on January-August monthly averages
Source: OECD

Table 3: Commodity export earnings of developing Commonwealth 1970-72

Annual average US $m. f.o.b.

Commodity	Commonwealth LDCs	Total LDCs	Gross world exports	(1) as % of (3)	(2) as % of (3)
	(1)	(2)	(3)	(4)	(5)
Beef	6.3	660.9	2,240.4	0.28	29.50
Wheat	4.3	117.9	3,493.0	0.12	3.38
Rice	18.0	430.7	1,110.4	1.62	38.79
Maize	4.2	458.5	2,003.3	0.21	22.89
Bananas	26.7	518.5	562.7	4.74	92.13
Sugar	284.9	2,054.8	2,884.5	9.88	71.24
Coffee	329.6	2,854.6	2,950.0	11.17	96.77
Cocoa beans	450.4	759.2	759.2	59.33	100.00
Tea	514.2	589.5	709.8	72.44	83.05
Tobacco	108.2	362.8	1,378.9	7.85	26.31
Hides & skins	28.7	185.2	789.9	3.63	23.45
Groundnuts	66.4	153.4	214.3	30.98	71.58
Groundnut oil	29.0	120.3	155.9	18.60	77.16
Palm oil	119.5	198.7	216.0	55.32	91.99
Copra	30.2	173.1	173.4	17.42	99.83
Coconut oil	45.3	148.8	179.5	25.24	82.90
Rubber	586.4	983.1	1,006.0	58.29	97.72
Timber	364.9	1,198.6	4,798.0	7.61	24.99
Cotton	125.5	1,502.4	2,656.8	4.72	56.55
Jute	139.2	170.5	179.1	77.72	95.20
Sisal	26.6	68.6	70.4	37.78	97.44
Wool	7.2	164.4	1,331.4	0.54	12.35
Phosphate rock	23.0	229.1	427.1	0.54	53.64
Iron Ore	198.3	997.9	2,648.8	7.49	37.67
Copper	785.0	2,430.6	4,495.0	17.46	54.07
Bauxite	124.8	201.8	277.9	44.91	72.62
Lead	7.0	104.1	493.7	1.42	21.09
Zinc	13.0	170.0	772.9	1.68	22.00
Tin	356.0	638.1	747.4	47.63	85.38
Manganese	28.1	108.8	194.0	14.48	56.08
Petroleum	2,071.2	19,906.0	27,375.6	7.57	72.71
All Commodities	6,899.6	38,707.4	67,365.3	10.24	57.46
Total Exports	10,448.5	57,262.2	314,951.0	3.32	18.18

Source: Commonwealth Secretariat.

Table 4: Net oda receipts of developing Commonwealth from developed Commonwealth

Disbursements US $m.

Developing Commonwealth by region	Britain 1973	Britain 1974	Canada 1973	Canada 1974	Australia 1973	Australia 1974	New Zealand 1973	New Zealand 1974	Total 1973	Total 1974
Africa	104.78	108.41	52.10	76.49	1.92	3.30	0.07	0.22	158.87	188.42
of which:										
Ghana	4.06	1.22	6.71	11.78	0.20	0.23	0.01	0.2	10.98	13.25
Kenya	21.14	23.65	4.44	4.61	0.17	0.13	0.01	—	25.76	28.39
Malawi	14.80	16.64	0.91	1.83	0.10	0.09	0.01	—	15.82	18.56
Nigeria	11.96	3.61	10.34	10.64	0.26	0.21	0.01	0.02	22.57	14.48
Tanzania	2.06	2.02	11.08	31.62	0.15	0.79	—	0.03	13.29	34.46
Zambia	13.33	18.80	2.59	3.91	0.22	0.54	0.01	0.09	16.15	23.34
Asia	126.78	172.74	117.36	170.14	14.01	48.48	2.43	2.91	260.58	394.27
of which:										
Bangladesh	6.54	15.06	54.90	48.55	4.06	31.92	0.76	0.75	66.26	96.28
India	88.94	141.72	54.77	112.56	1.96	7.13	0.22	0.20	145.89	261.61
Sri Lanka	3.95	2.09	4.76	7.06	2.25	4.46	0.04	0.05	11.00	13.66
Malaysia	8.72	7.40	1.65	1.58	4.54	4.05	1.00	1.59	15.91	14.62
Caribbean	42.50	42.55	14.70	18.32	0.06	0.05	0.02	0.03	57.28	60.95
Europe	17.78	15.13	0.01	—	—	0.08	0.01	—	17.80	15.21
Oceania	33.3	30.43	0.05	0.04	196.36	261.03	9.63	14.08	239.37	305.58
of which:										
Papua New Guinea	0.02	0.03	—	—	192.64	254.15	—	0.28	192.66	254.46
Unspecified	23.37	43.38	—	—	—	—	0.54	0.95	23.56	44.33
Total	348.54	412.64	184.22	264.70	212.00	312.84	12.7	18.19	575.46	1,008.37
To all developing countries	602.9	730.9	514.9	713.4	285.9	430.3	29.1	39.2	1,432.8	1,913.8
% of disbursements to Commonwealth countries	57.8	56.4	35.8	37.1	74.1	72.7	43.6	46.4	52.9	52.7

Source: OECD; Commonwealth Secretariat

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