slowly moved towards this, while being concerned about future supplies of raw materials and low investment in minerals, which cannot improve without remunerative and more stable prices. The South wants access to the markets of the North for its manufacturing, which raises problems for specific industries in the North — but overall the North can expand employment by a balanced increase in its trade with the South. The South needs to buy from the North, and to repay its debts, but for that it must earn foreign currency in the North by selling its goods there. The South wants a code to provide more harmonious relations with multinational corporations — but both sides can benefit if these corporations can invest confidently in the South, and if the South can have more confidence in the multinationals' behaviour; future [35] mineral investment in the South depends on such arrangements. Above all, we believe that a large-scale transfer of resources to the South can make a major impact on growth in both the South and the North and help to revive the flagging world economy.

After the Second World War: A Historical Note

The current crisis can only be understood in the perspective of the postwar decades, and in the context of the world institutions that grew up at that time. At the end of the Second World War, the United Nations was established with its headquarters in New York. It aimed to achieve universal membership and was built on the principle of one vote for each country — with a veto right for major powers in the Security Council. In 1946 the UN still had only 55 members. After 1947, when India gained independence, a succession of countries achieved nationhood in Africa, Asia, the Caribbean and the Pacific until by 1979 the UN had 152 members, so that the South outnumbered both the West and the East.

When the war ended the United States emerged as the dominant western power, and together with Britain took the lead in shaping the new institutions to provide the framework for world finance and trade. While the western powers were committed to intervention in their home economies, they were determined to avoid the protectionism and 'beggar thy neighbour' policies of the 1930s, by creating a strong free-trade system; it was a combination of Keynes at home, and Adam Smith abroad. In 1944, when they met at Bretton Woods in New Hampshire, they established two central instruments for international financial and monetary cooperation: the International Bank for Reconstruction and Development (IBRD), known as the World Bank, to provide loans to assist the reconstruction of Europe and Japan, and for the developing world; and the International Monetary Fund (IMF) to be the regulator of currencies, promoting stable exchange rates and providing liquidity for the freer flow of trade.

International Institutions

The Bretton Woods system was originally intended to include an International Trade Organization which was negotiated and agreed in Havana in 1948; but the Havana charter was never ratified by the US Congress. Some of its commercial provisions were incorporated in the less ambitious General Agreement on Tariffs and Trade (GATT) of 1948, which was intended as an interim [36] arrangement, but became a mechanism which has served as the principal forum for multinational trade negotiation. The wider aims, including steps towards organizing commodity markets, were never implemented.

The World Bank and the IMF were established in Washington in 1945, where they have remained — working in adjoining buildings (though with separate staffs and different objectives). They were open to all countries, though the major industrial countries controlled them through votes weighted by contributions. The United States, which at first raised most of the Bank's funds, retained a strong influence. India and Latin America were represented at Bretton Woods but most of the Third World were still dependencies in 1944, and the views and the needs of the South were not in the forefront of the negotiations. Both the Soviet Union and China took part in the Bretton Woods conference. The Soviet Union chose not to join the institutions; and after the revolution of 1949, mainland China was not represented.

The West and the East soon established their own economic alliances. In 1947 the United States initiated the Marshall Plan for the economic recovery of Europe. It insisted that the European countries should cooperate in the allocation of US funds, and the Organization for European Economic Cooperation (OEEC) was established for this purpose: in 1960 it became the Organization for Economic Cooperation and Development (OECD), with the United States, Canada and eventually most western industrialized countries as members. In 1949 a conference in Moscow led to the Council for Mutual Economic Assistance, or CMEA — also known as Comecon — comprising Bulgaria, Czechoslovakia, Hungary, Poland, Romania and the USSR, with the German Democratic Republic joining in the following year. They developed a separate international monetary system, and their trade was governed by long-term agreements related to five-year plans. As their economic system took shape, these countries had at first only modest relations with the rest of the world economy. Later on the Mongolian People's Republic, Cuba and Vietnam joined the CMEA as developing country members; while Albania, which had joined later, left it.

The UN Agencies and the Bretton Woods Institutions

The United Nations became the principal forum for the South. The many new nations which emerged from the historic changes in the postwar years saw development issues as critical to their relations [37] with the rest of the world, and their nation-building, which was often turbulent, depended on economic and social development. As the UN and its related agencies expanded, including the World Health Organization (WHO), the International Labour Organization (ILO), the United Nations Development Programme (UNDP), the Food and Agriculture Organization (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), they became instruments of development which brought the issues of international poverty more prominently to the notice of the North. The World Bank and the IMF, though increasingly concerned with the problems of development, tended to follow a more conservative approach. Between the Bretton Woods and the United Nations institutions, each with their own language and assumptions, there remained a difference of orientation, and of power. The South had majority votes in the General Assembly which gave assurance of passing resolutions; but the North's position in the World Bank and IMF gave it control over key areas of money and finance.

In the two and a half decades following the Second World War the world economy was transformed. With a liberalized trading regime and relatively stable currencies, dominated by the American dollar, the industrialized world experienced economic growth and an expansion of trade without parallel in history, which contributed to growth in some parts of the Third World. The World Bank, the IMF and GATT had to adapt themselves to the needs of developing countries. In 1960 the World Bank was augmented by the International Development Association (IDA) which provided a lending facility or 'window' for loans on much easier concessional terms to developing countries; the IMF increased and broadened its financing to assist them; while GATT attracted more members from developing countries and partly exempted them, at least in principle, from its rule of reciprocity, by which a member country seeking concessions must offer equivalent concessions to other members.

Changing Attitudes to Aid

At first the western governments saw development largely in terms of aid. The US initiated its development aid programme in 1949 and the UN began its programme of technical assistance at the beginning of the 1950s. At first aid grew very rapidly: by 1951 western countries were lending 8 billion dollars a year, almost one per cent of their gross national product, though aid loans of the [38] eastern countries were much more restricted. In 1967 the World Bank suggested a grand assize which would 'study the consequences of twenty years of development assistance, assess the results, clarify the errors and propose the policies which will work better in the future'. This led to the formation in 1968 of a Commission chaired by Lester B. Pearson, former Prime Minister of Canada. When in 1969 the Pearson Commission published its findings, aid questions occupied much of its attention, which reflected the prevailing philosophy in development circles, as well as the fact that its recommendations were mainly addressed to the Bretton Woods institutions and to aid-giving governments.

But there was also growing interest in the fundamental problems of development — many of them, such as land reform, of a domestic nature, others related to foreign trade and investment. In the 1950s many studies suggested that developing countries' trade with industrial countries was on unequal terms and that this seriously hindered their development. The Non-Aligned countries, who had been brought together by anti-colonialism and a desire to stand apart from the Cold War, began to press for fairer conditions of trade. And when the first UN Conference on Trade and Development (UNCTAD) was held in 1964, the Group of 77 (which now includes well over 100 members) was formed, by which the developing counties sought to promote their economic interests jointly. This group included a wide range, from semi-industrialized countries in Latin America to extremely poor countries in Africa and Asia, but they were determined to maintain a unified bargaining front in the face of the richer countries of the North, and this profoundly influenced the subsequent course of North-South relations.

New Trends in the 1970s

By the early 1970s the focus of debate had shifted away from aid to the structure of the world economic system. While the developing countries had benefited from the evolution of the international institutions, they wanted it to go much further. They maintained that the rules of the GATT were not sufficiently relevant to their special needs. They