THE PLEA OF THE POOR

Address given by
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Mr. President; ~~Your Excellencies;~~ ~~Ladies~~ and Gentlemen.

I am going to speak to you about Poverty, or more specifically, the relations between the Haves and the Have-nots of the World. Your country is the richest in the world. With some 6 per cent of the world's population I am told that you use over 30 per cent of the non-renewable resources available in a year.

My own country, Tanzania, has the doubtful distinction of being included among the United Nations list of the 25 poorest countries of the world. Perhaps it is not surprising, therefore, that I am one of those people who complain bitterly about the present world economic system and loudly demand that it should be changed. I would like to try to explain what, as we see it, the problem IS, and why the poor nations are demanding fundamental changes.

We are all involved.

It is through contact with what are called the Developed Market Economies that we in the Third World have become conscious of the twentieth century world. During the Second World War our soldiers in Burma and North Africa were told they were fighting for Freedom; in the colonial schools we heard of the demand "No taxation without representation". These teachings made the anti-colonial struggle intellectually logical and reinforced our own instinct for self-government. The call for human equality and justice was—and is—incompatible with racism; it therefore backs up our natural opposition to apartheid and the racial discrimination of which we have been victims for so long. Also, the demand for a welfare state, and the abolition of poverty, reverberated from the developed nations to the poor ones. A life of poverty and inequality was being rejected everywhere in the world.

The political demand for freedom leads to a separation of the colonized and the colonizer. But economically the situation is very different; our nations are locked together.

It is not possible, much less desirable, for a newly independent nation to cut all economic links with its metropolitan trading partner or other developed nations. But a re-examination by the new state of the economic relationships which grew up during colonial period is inevitable. Experience, combined with analysis, then quickly teaches the young and poor nations that the present international economic system works automatically and inevitably to their disadvantage. There is an automatic transfer of wealth from the Poor countries, where it is needed to provide the necessities of life, to the Rich countries where it is spent on creating and meeting new wants.

This is not an ideological judgement. Capitalist and socialist Third World countries recognize the same truth. Nor is it a comment, for example, on capitalism within the U.S.A., or socialism within Tanzania; each nation has the right to choose its own social and economic system. It is an assessment of the arrangements under which nations deal with each other on economic matters; that is, about the results of institutions and arrangements which dominate international finance, trade, investment, and so on.

Nations which are rich and poor, socialist and capitalist, have an equal interest in these matters, although the quantity of our involvement in international exchange is so very unequal. International trade across the economic divide is important to America; this country imports over 30 per cent of its oil, as well as many other raw materials, from underdeveloped nations, and about one third of America's exports are sold to poor nations. Tanzania could probably survive at subsistence level without trade with the developed economies; but it could not do much more. Trade and investment relations between rich and poor nations are important to both rich and poor; both should participate in their regulation. At present this is not so.

The complaint of the poor nations against the present system is not only that we are poor both in absolute terms and in comparison with the rich nations. It is also that within the existing structure of economic interaction we must remain poor, and get relatively poorer, whatever we do.

What poverty means for the poor countries is not understood in a country like this. It has been estimated that the poor nations have more than 70 per cent of the world's population and only about 17 per cent of the Gross National Product. More important, this imbalance is getting progressively worse; the average per capita incomes in the poorest nations of all—with 1,200 million people—increased by roughly \$2 per annum (in constant money terms) between 1965 and 1975. The per capita incomes in the rich nations increased by about \$130 per annum in the same period.

Tanzania's per capita national income is now \$140; that of the United States is \$7,100. And although there is no such thing as an "average" Tanzanian or American, figures expressed in these terms do illustrate the wealth which is available for use and distribution. On that basis it would take the average Tanzanian more than 50 years to earn what that average American earns in one year. The Tanzanian's expectation of life at birth is about 45 years!

What really matters, however, is not the statistics; it is what these contrasts mean for people's lives and the services which are available to them. In Tanzania the infant mortality rate is about 152 per 1,000; in America it is about 18 per 1,000. My country, which is bigger in area and population than Texas and Oklahoma together, has a total of 1,400 miles of tarred roads as against 31,000 in those two States; our per capita consumption of sugar is less than a quarter of that in U.S.A.; malnutrition is still widespread; education and health care are, in world terms, an aspiration not a fact, and so on and so forth.

This poverty does not arise exclusively from Tanzanian actions—or lack of them. A hard-working Tanzanian peasant family, if the weather is kind, can by their combined efforts earn from their farm just a little more than is needed for subsistence; it takes them years of saving to buy a bicycle. A school-leaver in this country, who may work in the store-room of a firm distributing the sisal our peasants grow, will receive an income sufficient to run a car.

Such contrasting living standards are connected; they result from the distribution of the wealth produced by the combined efforts of farmer, shipper and distributor. And that distribution is arranged by men, i.e. by the systems of production and international exchange which men have created.

The present International Economic Structure.

The present international economic and legal structure has developed gradually out of the interaction betwwen the different nations of Europe, and then the United States and the British Dominions. Their cultures were basically similar, their knowledge—or their access to it—was never greatly different from one another. Even so, there were great economic conflicts, and even wars, before the evolution of those conventions, institutions, and practices which are now regarded as the normal, and even natural, rules and mechanisms of international exchange.

In this process the countries which are now known as the Third World were not involved. They were either colonies of one or the other major powers, or were so weak or so far away from the main-stream of economic intercourse that they could be—and were—ignored.

The dominant philosophy of international exchange which we met at independence—and which still prevails—is that of a "free market". In theory this means unfettered competition and bargaining between equals, with prices being the result of the combined actions and wishes of sellers and buyers. In practice international exchange does not operate in such a free manner. Yet the theory continues to be taught and advocated, and the young countries are lectured on its virtues, and admonished not to try to interfere with it.

Unfortunately the theory bears little relation to fact. Equality between nations of the modern world is only a leg al equality. It is not an economic reality. Tanzania and America are not equal. A man who needs to sell his labour in order to buy bread and the man who controls b oth his employment and the price of bread are not equal. Their relationship is one of dependence and dominance.

Nor is it true that prices are determined by the operations ~~of a free market, that is, by discussion and compromise~~ between sellers and buyers. The price of manufactured goods is fixed by the producers; if any competition enters into the situation at all, it is between giant firms like Ford, General Motors, and Volkswagon. It is certainly no use the Tanzanian Motor Corporation trying to argue with any one of these firms about their prices; if it is not willing to pay what is asked, the vehicles will wait in stock and Tanzania will continue without transport.

Conversely, the price of primary products is fixed by the purchasers. The producers put on the market whatever they have managed to grow or mine in that year; the goods are often perishable, and in any case the poor nations are desperate for foreign exchange and have no facilities for storage—known facts which further weaken their bargaining position! A small number of purchasers then decide how much they will buy, at what price. Only if natural disaster has made the year's supply unusually low will their competition push the price up.

The primary producing countries which need to import manufactured goods are thus price-takers, not price-makers, both as seller and as buyer. We sell cheap and we buy dear, whether we like it or not. This is the position of most Third World countries—with the recent exception of the oil producers, who do now fix their own prices for the oil they sell. It is perhaps not surprising therefore, that the terms of trade between the developing and developed countries have moved so steadily and consistently against the former; taking 1963 as a base the World Bank gives the Commodity Terms of Trade index as 87 for 1972—it was 122 in 1953! We in the poor countries don't think in such statistical terms—or even understand them. What we know is that we have to sell more and more sisal, cotton, or copper, to get the foreing exchange needed to import identical machines in successive years.

To break out of this foreign exchange trap and at same time to benefit from the multiplier effect of expanded economic activity, the poor countries endeavour to build up their industrial sector—to become price-makers, even in a small way. Naturally we start with the processing of our own primary products. It seems logical to export cloth rather than cotton lint, and twine or rope rather than sisal; and such simple manufacturing processes can provide a little platform for further industrialisation. Having established these factories at enormous expenses, we discover that processed commodities, and simple manufactured goods, are not so easy to export as raw products. They meet tariff barriers, quota regulations, or other devices intended to keep them out of the markets of the rich. The "free market" becomes less free! For these goods are said to be the products of sweated labour, although the employees in such factories have higher incomes than workers who produce the quite acceptable raw commodities. The President of the World Bank has estimated that the undeveloped nations could sell an extra $33 billion worth of goods to the developed world if existing trade barriers were lifted. Even allowing for the inevitable inaccuracy of such figures, it does appear that such actions could enable us to reduce our beggary to some extent!

Further, the poor nations have to ship both their imports and their exports in ships owned and managed in the developed countries. The freight rates are mostly fixed by a shipper's cartel—OPEC did not invent the idea of combining to fix the price of a vital commodity! This cartel has an apparently ineradicable bias against carrying processed goods away from East Africa: for a ton, it costs $41 to ship raw sisal and $73 to ship twine from and to the same port, with similar differentials between cotton lint and textiles, hides and leather, and so on.

Poverty breeds Poverty.

Success breeds success and riches breed riches. Poverty also breeds poverty. It is easier and cheaper to start an industry or expand the saleable output of a crop when electricity and good roads exist; but infrastructure needs money before it can be created. The rich can supply security for loans and are a good credit risk; the poor are less educated,

less experienced—and therefore more likely to fail in new enterprises; also they have little or no wealth to offer as collateral.

Further, it has to be acknowledged that poverty breeds inefficiency, corruption, and social unrest, all of which are inimical to economic development. For example, if a poor country gets desperately short of foreign exchange—no unusual occurrence!—it cannot buy and stock spare parts which may never be needed, and it does not have a spare transport capacity in case a crop is larger than normal. Also such a country will usually be short of technicians to deal with mechanical breakdowns when they occur. Trying to husband scarce resources and allocate them in accordance with human need, means that licences and permits abound—with all the temptations for corruption they bring. Nor are people suffering from endemic diseases famous for their hard work and initiative—or their resistance to spurious promises of quick salvation!

The poor nations of the world remain poor because they are poor, and because they operate as if they were equals in a world dominated by the rich. The tendency is not different within nations; the farming communities and the urban poor remain poor, and become progressively worse off relative to the rich, because they operate within an economic structure dominated by the latter. But within nations—even within capitalist America—counteracting steps are taken by the state. Progressive Income Tax, Welfare payments, Medicaid, Farm Support Programmes, as well as Anti-Trust legislation, etc., may still be politically contentious issues; they may or may not be very efficient in fulfilling their purposes. But hardly anyone denies the need for some organized countervailing power, some method of counteracting the built-in-tendencies for the rich to get richer because they are rich and for the poor to get poorer because they are poor.

There is no organized international mechanism designed to correct—or even ameliorate—the workings of the free market. On the contrary, such institutions and practices as do exist give further impetus to the growth of inequalities between nations— and to the misuse of the world's resources ~~for high living by a few rather than their use for the basic~~ needs of the masses. Let me give just a few examples.

The international financial system is regulated by the I.M.F. and the World Bank, helped or hindered by unilateral actions of major powers like U.S.A., E.E.C., Japan, and a few other developed nations. Given that voting power in the Governing Bodies of the I.M.F. and the World Bank is determined by the proportion of the capital contributed by different nations, the results are perhaps inevitable. The richer you are, and the more you trade in the world, the greater the support you can get in times of crisis, and the greater will be your allocation of international credit when Special Drawing Rights are created. Prof. Triffin has estimated that the Third World, containing over 70% of World's population, received less than 4% of the $126 billion of international liquidity created during the last two decades. And certainly up to the end of 1974, 74.7% of the S.D.R.s created had been allocated to the rich countries, and 25.3% to the poor ones. For the Rich Countries have rejected the demand by the Poor, that the creation and distribution of S.D.R.s should be linked to the need for development.

Yet the low international purchasing power of the poor is a factor in keeping poor nations locked in their poverty. To expand our output we need plant, equipment and machines of many types, as well as the technology and know-how embodied in the production and use of such goods. The developed countries have those goods and services to sell. But we cannot buy them because we are not entitled to more than our poverty-based "Quota" of S.D.R.s! Thus, although there is a very good case for increasing the quantity of S.D.R.s, the greater problem is the distribution of those which are created. Instead of facilitating growth in the world by enabling the poor to buy more— mostly capital goods from the rich— the created international credit has been used to promote trade between the rich themselves.

It is very difficult for Third World countries to obtain ~~by more orthodox means the foreign exchange we need for~~ development. International Aid is certainly not the answer, especially as it is offered by most countries as if it were charify for which we should be "deserving poor" in the best traditions of feudalism, and also very grateful!

All the poor countries—including my own—welcome capital and technical aid when it is given without political strings. But Aid is unreliable and insufficient in quantity; it is frequently counter-balanced by the adverse effects of movements in the terms of trade between our imports and exports. In the 1960s most developeh countries committed themselves to using 0·7 per cent of their National Income for Official Development Assistance to the Third World. Up to now only three have done this—the Netherlands, Sweden and Norway. The United States (which has not even accepted the target) comes 13th on the list of 17 O.E.C.D. countries in order of their percentage contribution, with a flow of 0·26 per cent! And in any case the whole idea of aid is wrong because it is both ineffective in dealing with the problem of poverty, and humiliating to the receiver. Within Nations we no longer think it proper to deal with the problem of poverty through the personal charity of the rich. Yet voluntary charity by the rich nations is what is being advocated as the method for dealing with the Poverty of Nations!

Like the workers of the Industrialized countries, what we poor nations need is the right to work, and a fair return for our labour. We want equity not charity. For we want to depend upon our own efforts and to plan on the basis of those efforts. At present we cannot do so. Thus, world commodity prices fluctuate violently; sensible development decisions are almost impossible for countries dependent for their export earnings on one or two products. All we know for certain is that the prices of what we sell will keep falling in relation to those we buy. Between January, 1974 and now, the price of copper has danced about within a price range of £600 and £1,300 a ton, but mostly at the lower end of the scale. The current absurdly high prices of coffee arise partly because the average coffee price before the boom discouraged new tree planting—and it takes 4 years for a tree to come into production. Coffee consumers need not worry very much. Coffee prices are bound to fall and the price of tractors is bound to rise!

The Responsibility of the Poor.

None of these things—indeed nothing at all—changes the responsibility of the poor to overcome their own poverty. The demand for a New International Economic Order is a way of saying that the poor nations must be enabled to develop themselves according to their own interest, and to benefit from the efforts which they make. The poor should not find themselves trying to run up the down-escalator while the rich sail upwards on their up-escalator, as now. They should at least be moving in the same direction—it is to be hoped with the poor moving faster!

The traditional remedies for poverty will certainly not, on their own, bring progress. Hard work by the poor is necessary. No-one denies it. But an undernourished person cannot work hard for very long; with only a hoe as his tool the peasant cannot cultivate a very large area; nor does it help very much if he sweats to produce more cotton and there is then no truck to carry it to the railhead, or no passable road between his village and the factory.

The poor nations are told to reduce their high birth-rate. But it is development which brings down the birth rate, not the other way round. The best contraceptives are a standard of living high enough for confidence that your children will not die before maturity, a resonable level of education—and electricity! I was reminded last month that nine months to the day after New York had its first major power-failure, the number of children born took a phenomenal jump!

We are told to remove the beam in our own eye before we complain about inequalities between nations. For it is true that within the nations of the Third World the contrasts between wealth and poverty are frequently disgusting.

Tanzania is one of the poor countries—and there are an increasing number—which endorses this demand for internal economic justice, and tries to implement it. We carry out land reform, or we end the exploitation of our workers and our nation by nationalising the mines or major industries and financial institutions; we impose heavy taxes on the rich, and concentrate our public spending on services needed by the poor, and so on.

But such actions do not always receive the applause of the developed world. For the individuals adversely affected by these measures are the educated citizens, the ones with international contacts, the ones whom American business-men know to be pleasant, intelligent and hard-working people—or else they are foreigners who owned our land or our businesses according to past law and against whom no legal offence can be proved. The result of our reforming action, when it is not the kind of intervention we saw in Chile, is a hostile world environment for the poor nation. Sometimes World Bank loans, or Western aid, are refused on the grounds that we have nationalised without adequate and prompt compensation—a long history of exploitation is regarded as irrelevant.

Nor is that all; change of organization or ownership—however beneficial in the long run—always has short-term costs. For example, if a country like mine reorganizes its medical services and sends Doctors to the rural areas, some may emigrate; when we hold down the top salaries so as to reduce appalling wage differentials, some experienced managers and professional people will be tempted by the much higher incomes they can get in developed countries. The "Brain Drain" is another transfer of needed resources from the Haves to the Have-nots!

Again, the poor nations are told to invest more—to sacrifice present consumption for the sake of future development. Speaking for my own country, we try to do that. By deliberate Government action, including strict foreign exchange control and high taxation on non-essential goods, we discourage unnecessary consumption so as to extract from current output the maximum for investment.

The result is that 20% of our Gross Domestic Product is devoted to Gross Fixed Capital formation. The United States spends 18% of its G.D.P. on Fixed Capital Formation. But whereas our 20% yields about $418 million, your 18% produces something like $244,000 million a year. Put differently; from his average annual income of $140 a Tanzanian sets aside $30 for development. An American sets aside $1,200 out of $7,100. Yet that $30 means a very much greater sacrifice for the Tanzanian than $1,200 means to the American.

And finally, the poor countries are advised to encourage private investment as a means of promoting economic growth. For a poor country like Tanzania that means foreign investment—we never had any indigenous capitalists. Yet it is not only young and weak countries like Tanzania that find worrying the prospect of external control of their economies. I understand that in 1975 a Committee on Foreign Investment in the United States was established by the President of this country to "guard against the potential problem of foreign investments"!

Quite apart from nationalist considerations, however, private capitalists are not generally very interested in development investment in poor countries which do not have oil. For poor countries do not have the economic and social infrastructure private investors require—and which is necessary for maximum efficiency and high company profitability. To attract foreign investors we would therefore have to spend money, offer tax and personnel privileges, and promise that even if our people starve because of a drought the investors will still be able to export their profits!

In any case, contrary to theory, foreign investors are not major exporters of capital to the developing nations if they can avoid it—which they can if left untrammelled. In Latin America between 1965 and 1968, about 78% of the manufacturing operations of U.S.-based transnational corporations were financed out of locally-raised capital—but 52% of the profits made from these activities were exported! And finally, private investors are rarely

interested in projects designed to meet the needs of the poorest people or the rural areas, for these do not generate much profit to the firm.

Thus; there are two aspects to the fight against poverty in the Third World. The first is the responsibility of the undeveloped countries to work and organize for their own development and to build up self-reliant economies. The second is the world responsibility to re-structure the international economic order so that it facilitates rather than hinders the efforts made by the poor. Both these tasks need to be carried on at the same time. The iniquities of the international economic arrangements do not excuse economic and social injustices within poor nations; and continuing exploitation of the poor within Third World states is no justification for the automatic depredations suffered by the poor countries through the present mechanisms of international exchange.

The need for international action.

Very many economic experts and expert Commissions have analysed the international situation I have been talking about today, and there is widespread intellectual agreement in principle—as well as agreement among the poor—about what needs doing.

First, and in some ways the most fundamental, is that the poor nations should have a greater voice in the world's economic decision making. The economic policy of the United States, (including the creation of credit and matters relating to trade, transport patterns and costs, the powers of private firms, the environment, and so on) is dominated by the Federal Government of this country, in which all citizens and all states are represented. There is no comparable government of the world. But it is imperative that institutions like the I.M.F. and the World Bank should cease to be under the almost exclusive control of the rich and powerful states. It is absurd, if not immoral, that the representation of the poor on the Government Bodies of these institutions should continue to be in proportion to their poverty!

Changes in the representation on major international economic institutions are not wanted for prestige purposes! The establishment of a link between development and the creation and distribution of international credit, and other actions to counteract the economic power of the wealthy, could be expected to follow. For the purpose of this demand for change is that the requirements of the war against poverty in the world, as well as the interests of all sovereign nations, should be considered in international councils as of right, and not simply out of charity or compassion.

It must be frankly admitted that this will require a deliberate transfer of resources from the rich countries to the poor on reasonable terms. But this need not be the only method. The Conference on the Law of the Sea provides an opportunity for the world to direct the use of new wealth towards meeting the basic needs of the poor. For we are talking about who should own and benefit from untapped world resources which exist outside anyone's national jurisdiction. If we were really serious about the war on world poverty, therefore, the sea-bed and its resources would become world property. However the extraction of resources is organized, they will be used to benefit the 2,000 million people in the world who are living in conditions of great poverty. The continued failure to reach agreement on this simple principle is not very encouraging.

On international trade there is need for measures to stabilise prices of primary commodities, in the short term by buffer stocks and in the longer term by assisting the poor to make long-term adjustments to changes in demand or supply. There is also need to make compensatory payments to poor nations which are affected by sudden changes in world demand or by natural disasters which decimate their export capability. The Common Commodity Fund is the most effective way of financing such stabilisation efforts; compensatory payments such as those operated under the Lome Agreement (and to a restricted extent by I.M.F.) must be extended and improved.

It is important, however, that these measures should be linked with some advance along the road to the indexation of primary commodity prices in relation to the prices of manufactured goods. I do not believe that this admittedly difficult technical exercise is beyond the wit of man. Nor do I understand the argument that indexation would be inflationary. It does not have to have such an effect, for it is a measure to prevent the redistribution of the world's wealth in favour of the rich nations when inflation does exist. Its purpose is to stabilise the purchasing power of primary commodities in real terms. Inflation starts in the developed countries; the poor nations should not be asked to bear the brunt of it, as now happens.

It is also necessary for the community of nations to agree on deliberate actions to hasten industrialisation in the developing nations. The objective, that the share of Third World countries should be raised from its present 7 per cent to 25 per cent of world industrial production, will not happen through what are called the natural forces of the market! Bilaterally, by Region, and multilaterally, the nations of the world have to sit together to work out the steps forward, and the adjustments which have to be made. The poor nations cannot overcome their poverty without industrialization and without trade in manufactured goods—some of them cannot survive without it.

The rich also have an interest in the poor having a greater share of the production and trade in manufactured goods, even although this will require lifting the barriers against the industrial exports of the Third World. For poor nations cannot for ever buy goods without being able to sell their own products. On matters of industrial production and trade, co-operation and co-ordinated action between the two sides of the poverty divide is needed if unnecessary conflict and suffering is to be avoided in rich states as well as poor ones.

Nor is it only trade between the rich and the poor nations which has to be stepped up. Greater co-operation, both in trade and in production, is vital between the under-developed nations themselves. They can help each other to develop. Let me add that to what extent this co-operation among the poor becomes a Trade Union of the poor, acting in combination against the rich, depends to a great extent on the actions of the rich world. Confrontation is not a desired strategy of the weak; but if reason, justice, and dialogue all fail to bring international changes needed to win the war against world poverty, then economic conflict is bound to follow. The roots of OPEC were nourished by decades of gross exploitation and price-fixing by the major Oil Companies; its fruit jolted the whole world!

Conclusion.

Friends: economics is only a part of life. Political freedom, social equality and respect, freedom of worship, freedom to live in peace and harmony with your fellows—all these things are very important to man. People have been willing to kill for them. But economics is about the means of life; it is basic. In poor countries, if there is a clash between individual freedom and economic development it is generally not possible to give priority to the former. For people are dying unnecessarily because they do not have clean water, enough good food, or basic medical care—which is what economic development means to us. The most basic human right of all is right to life itself, and a life which is not made miserable by hunger, ignorance, or preventable disease.

For life is a whole: economic growth and economic exchange have a purpose. That purpose ought to be the service of man—all men—with priority for the basic needs of food, shelter, health, and education. The present economic order governing international production, development, and exchange does not in practice ensure progress towards meeting those basic needs for all people, all over the world.

The plea of the poor is a New International Economic Order "which embraces for its objective the happiness of mankind".