COMMONWEALTH HEADS OF GOVERNMENT MEETING LUSAKA, 1–7 AUGUST, 1979

RECORD of the Seventh Session held at Mulungushi Hall, Lusaka, on Monday, 6 August, 1979, at 9.30 a.m.

Present:

His Excellency Dr. K. D. Kaunda, President of Zambia (*in the Chair*)

The Right Hon. Malcolm Fraser, M P, Prime Minister of Australia

H E Mr. A. R. S. Doha, High Commissioner to the United Kingdom, Bangladesh

H E Sir Seretse Khama, President of Botswana

The Right Hon. Joe Clark, Prime Minister of Canada

The Hon. M. A. Douglas, Minister for Finance, Trade and Industry, Dominica

H E Sir Dawda Kairaba Jawara, President of The Gambia

The Hon. M. Bishop, Prime Minister of Grenada

The Hon. Shyam Nandan Mishra, Foreign Minister, India

H E Mr. Daniel T. Arap Moi, M P, President of Kenya

The Hon. C. D. Molapo, Minister for Foreign Affairs, Lesotho

The Hon. Tengku Ahmad Rithauddeen bin Tengku Ismail, Minister of Foreign Affairs, Malaysia

Dr. The Right Hon. Sir Seewoosagur Ramgoolam, Prime Minister of Mauritius

H E Major-General H. E. O. Adefope, Commissioner for External Affairs, Nigeria

The Hon. George Odlum, Deputy Prime Minister, St. Lucia

The Hon. Dr. Abdulai Conteh, Minister of Foreign Affairs, Sierra Leone

The Right Hon. Lynden O. Pindling, M P, Prime Minister of The Bahamas

The Right Hon. J. M. G. M. Adams, M P, Prime Minister of Barbados

The Right Hon. Mrs. Margaret Thatcher, M P, Prime Minister of Britain

H E Mr. Spyros Kyprianou, President of Cyprus

The Right Hon. Ratu Sir Kamisese Mara, Prime Minister of Fiji

H E Mrs. Gloria Nikoi, Commissioner for Foreign Affairs, Ghana

The Hon. R. E. Jackson, Minister of Foreign Affairs, Guyana

The Hon. Michael Manley, Prime Minister of Jamaica

H E Mr. I. T. Tabai, President of Kiribati

The Hon. D. T. Matenje, M P, Minister of Education, Malawi

The Hon. Dr. Philip Muscat, M P, Minister of Education, Malta

The Right Hon. R. D. Muldoon, Prime Minister of New Zealand

The Right Hon. Michael T. Somare, C H, M P, Prime Minister of Papua New Guinea

H E Mr. F. A. Rene, President of Seychelles

The Hon. Lee Kuan Yew, Prime Minister of Singapore

The Right Hon. Peter Kenilorea, Prime Minister of Solomon Islands

The Right Hon. R. V. Dlamini, Minister without Portfolio, Swaziland

H R H Prince Tuipelehake, Prime Minister of Tonga

H E Mr. Godfrey Binaisa, President and Chairman of the National Executive Committee, Uganda

The Hon. R. Premadasa, Prime Minister of Sri Lanka

H E Mwalimu Julius Nyerere, President of Tanzania

H E Mr. Eustace Seignoret, High Commissioner to the United Kingdom, Trinidad and Tobago

The Hon. Vaovasamanaia Filipo, Minister for Finance, Western Samoa

H E Mr. Shridath S. Ramphal, *Secretary-General*

Also present:

AUSTRALIA

The Hon. Andrew Peacock
The Hon. R. V. Garland

BANGLADESH

Mr. Farooq Sobhan

BOTSWANA

The Hon. A. M. Mogwe
Mr. L. J. M. J. Legwaila

CANADA

The Hon. Flora MacDonald
Mr. M. Masse

DOMINICA

Mr. Julian N. Johnson

THE GAMBIA

The Hon. L. K. Jabang
Mr. F. A. J. M'Boge

GRENADA

Mr. G. Louison

INDIA

Mr. J. S. Mehta
Mr. A. F. Couto

KENYA

The Hon. Charles Njonjo
The Hon. Dr. M. Waiyaki

THE BAHAMAS

The Hon. Perry Christie
H E Mr. R. F. Anthony Roberts

BARBADOS

The Hon. H. de B. Forde
Mr. S. E. Emtage

BRITAIN

The Right Hon. The Lord Carrington
Sir John Hunt

CYPRUS

H E Mr. Nicos Rolandis
Mr. A. Christofides

FIJI

Mr. J. Kotobalavu
Mr. R. T. Sanders

GHANA

Mr. S. E. Quarm
Mr. K. B. S. Simpson

GUYANA

The Hon. Dr. M. Shahabuddeen
Mr. C. B. Greenidge

JAMAICA

The Hon. Carlyle Dunkley
H E Mr. Don Mills

KIRIBATI

Mr. A. Baiteke
Mr. A. O. Davies

LESOTHO

The Hon. C. C. Mofeli
Mr. T. T. Thahane

MALAYSIA

H E Tan Sri Ishak bin Haji Pateh Akhir
Mr. Mohd. Yusof bin Basir

MAURITIUS

The Hon. R. Ghurburrun
Mr. B. Ghoorah

NIGERIA

H E Ambassador S. U. Yolah

ST. LUCIA

Mr. Earl Huntley

SIERRA LEONE

H E Dr. S. T. Matturi

SOLOMON ISLANDS

Mr. Francis Bugotu
Mr. Frank Saemala

SWAZILAND

The Hon. Prince Nqaba
Mr. V. E. Sikhondze

TONGA

H R H Prince Tupouto'a
Mr. T. Tufui

WESTERN SAMOA

H E Mr. M. I. Toma
Mr. A. L. Hutchison

MALAWI

Mr. J. B. Mkandawire

MALTA

Dr. A. S. Trigona
Mr. E. A. Causon

NEW ZEALAND

Mr. F. H. Corner
Mr. H. C. Holden

PAPUA NEW GUINEA

Mr. Mekere Marauta
Miss Jean Kekedo

SEYCHELLES

Mrs. D. Thomas
Mr. F. Marie

SINGAPORE

The Hon. C. T. Goh
Mr. S. Dhanabalan

SRI LANKA

The Hon. Raril Wickremasinghe
Mr. Bradman Weerakoon

TANZANIA

The Hon. B. W. Mkapa
The Hon. Edwin Mtei

UGANDA

Hon. Otema Allimadi
Mr. B. Dramadri

ZAMBIA

The Hon. W. P. Nyirenda
The Hon. W. M. Chakulya

Secretariat:

Mr. E. C. Anyaoku
Mr. D. A. Anderson
Mr. M. Malhoutra
Mr. H. M. Lynch-Shyllon
Mr. C. W. Sanger
Dr. B. Jalan
Dr. B. Persaud

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Dr. Kaunda said that, while no official record of Restricted Sessions was kept, it was normal for the Chairman to report any decisions taken to the ensuing Executive Session, thus having it incorporated in the record of the Meeting. Accordingly, he wished to report the outcome of the Restricted Session held on Friday, 3 August, during the Sixth Session.

I. SPECIAL MEMBERSHIP OF THE COMMONWEALTH

The Restricted Session had discussed two subjects. The first related to the concept of special membership of the Commonwealth, which Heads of Government had agreed in 1968 could be made available to meet the particular requirements at that time of Nauru. As a result of the discussions on Friday, there was agreement that the category of special membership should be retained as an option available to all. It was further agreed that, if Nauru wished to apply for full membership, the Secretary-General should inform the President of Nauru on behalf of the Meeting that he should not feel inhibited from doing so.

II. APPOINTMENT OF THE SECRETARY-GENERAL

The second subject discussed, following the withdrawal of the Secretary-General, was the question of his tenure of office. As Chairman, it had fallen on Dr. Kaunda to be the repository of the views of all 39 full members of the Commonwealth on the matter. Out of the 39 all but two were of the view that Mr. Ramphal should be asked to continue in office. Of the remaining two governments, one had expressed the view that, while it was not concerned with individual candidates, appropriate principles and procedures should be evolved and the post of Secretary-General should rotate every five years. The Meeting agreed that that Government should formally communicate its ideas on the subject so that they could be considered by all Commonwealth Governments for the future. Dr. Kaunda had since received a communication from the Indian Foreign Minister which he would be circulating to all Heads of Delegation along with his reply. In view, however, of the virtually unanimous opinion in favour of Mr. Ramphal, it had been agreed that he should be invited to serve for a second term of five years on the completion of his present tenure. He had conveyed that collective wish to Mr. Ramphal, who had accepted.

The Meeting endorsed the announcement by acclamation, and Dr. Kaunda wished Mr. Ramphal well for the future.

III. SOUTHERN AFRICA (resumed)

Dr. Kaunda went on to say that a further matter had been discussed in Restricted Session the previous evening relating to Rhodesia. It had been extremely important to hold the session at that time and he was grateful to all his colleagues for their co-operation in making it possible. The result had been agreement on the text of their conclusions on the future of Zimbabwe, as had been recommended by a number of Heads of Government who had been most closely involved during the weekend discussions. He expressed the Meeting's collective appreciation to those who had worked so hard to make the agreement possible through a spirit of accommodation. It was, he believed, a victory for the highest traditions of the Commonwealth and a chance for peace with justice for Zimbabwe. In view of the agreement reached, he proposed that there be no further debate on Agenda Item 3*c*, Southern Africa, and that any outstanding matters could be raised during consideration of the communiqué. He acknowledged the contribution by Mr. Clark on Namibia during the previous discussions and mentioned that that would be included in the communiqué. Any further matters his colleagues wished to raise, either on Namibia or South Africa proper, would more appropriately be dealt with during discussions on the communiqué. He proposed therefore to bring forward to the afternoon's session, consideration of those items scheduled for the following morning and that thereafter consideration be given to the Report of the Committee of the Whole on the matters remitted to them.

Mrs. Nikoi, Ghana, sought clarification as to whether there was to be any further consideration of the situation in Zimbabwe.

Dr. Kaunda answered in the negative.

Mrs. Nikoi asked for copies of the text of the agreement reached because some representatives had heard of it for the first time on the BBC and on the news media. She felt that certain items in the agreed text needed clarification.

Dr. Kaunda said that the agreement had been reached in closed session but a copy had been given to all Heads of Government, including the Head of the Ghanaian Delegation, the previous night. The Secretariat would also be circulating more copies.

Mrs. Nikoi hoped that her remarks would not detract in any way from the agreement reached. She merely wished to ensure that it would be possible to raise one or two matters pertaining to the subject during further discussions, such as on the communiqué.

NOTE. A written statement relating to Sub-item 3*c*—Southern Africa—was submitted for circulation by the Head of Delegation of India. The statement is reproduced in the subsequent section of this Record.

IV. WORLD ECONOMIC SITUATION AND PROSPECTS (resumed)

Dr. Kaunda suggested the Meeting resume consideration of Agenda Item 3*d* on the world economic situation. The discussion had been opened the previous week by Mr. Fraser, followed by stimulating contributions from others. It was not his intention to summarise the discussion, but a number of points had emerged which he hoped would be developed further. The discussions had confirmed the feeling that a critical juncture in world economic affairs had been reached. In the industrialised countries there was inflation, low growth rates and the economic outlook did not appear promising. For the poor countries the situation was, of course, much worse. The progress made in redressing poverty and disparities between the rich and the poor had been extremely unsatisfactory. There was a sense of hopelessness made worse by the oil crisis and, as the Prime Minister of Britain and the President of Tanzania had pointed out, the poor were the worst hit. Developing countries now had to pay more for their oil and manufactured imports. In that highly critical situation, Mr. Fraser had called for bold initiatives, with which he concurred. As Dr. Nyerere had pointed out, there was really no choice open to many developing countries. They were struggling to provide two meals a day to their people and the problem of growth and development was very different for them than for the rich countries.

In that situation, he regretted that the international discussions to work out a better deal for the poor had not moved things forward at all. Mr. Manley had drawn attention to the lack of progress at the MTN and again at UNCTAD. The poor were questioning the usefulness of such talks. While international institutions

tried to do their best, they did not have enough money and what money they had was subject to all sorts of strings and conditions, because they did not understand developing countries' problems. Mr. Manley had therefore proposed that the Meeting give much greater attention to international economic issues to ensure that future generations did not hold them responsible for the failure of the world to overcome the problems of poverty. In an interdependent world, there was no way in which the rich could progress without justice for the poor. The question to be considered was whether the Commonwealth could play a constructive part. Mr. Fraser had suggested a study of the issues involved, and the Secretariat had since produced a draft proposal in consultation with delegations. He suggested that while they proceed on that basis, they should do even more, and he looked forward to hearing the Meeting's views on what more could be attempted.

Mr. Premadasa, Sri Lanka, said that the conclusion which had emerged from their comprehensive discussions was that the world economy was currently facing a most serious crisis. The analysis of how the situation had arisen had been adequately documented by the previous speakers, particularly by the Prime Ministers of Australia, Jamaica, Britain and New Zealand. He would therefore confine his remarks to two broad areas which reflected his country's most immediate concern.

Sri Lanka was a developing country engaged in the massive task of development. To them development simply meant improving the quality of life of all people. Much of what he had to say was possibly relevant to many of the developing countries of Asia, Africa, the Pacific and the Caribbean. The first matter of concern was the problem of transfer of resources to the developing world. The crisis was immediate. The economic instability which presently characterised the developed world had inevitably affected the developing countries who were currently facing almost intractable problems of inflation, recession and high levels of unemployment. As Mrs. Thatcher had indicated, the crisis demonstrated the extent to which the economies of the industrialised world were vulnerable and the Prime Minister of New Zealand had earlier indicated the extent to which his country could be affected by the expected price increase in oil.

It was not only the developed countries that had suffered by the energy crisis. To take his country as an example, Sri Lanka was also spending more and more on the import of petroleum products: from 3 per cent of her total export earnings in 1970 to an estimated 31 per cent in 1979 to cover minimum requirements. No doubt the position was similar in many of the non-oil producing developing countries. The consequent problems they had to face domestically had been compounded by inflation in the developed world which caused the prices of other imports to go up. Developing countries' terms of trade had deteriorated further and even the possibilities of future aid flows were threatened. As Mr. Muldoon had foreseen, the rich were still getting richer, and the poor poorer.

That was happening at a time when developing countries were crying out for more resources to develop basic needs—food, education, jobs and an adequate health service. What was more, they were attempting to do so within the framework of societies in which democracy and human rights were not denied. In the face of current constraints their task had become a Herculean one. If they did not succeed their hard won political stability might be lost. They must not and could not allow their people to lose faith in democracy. It was against that background that they strongly supported the search for new international economic policies, which would address simultaneously the problems of world poverty and recession. There had been talk of a new programme, a Marshall Plan at least in imagination and concept, if not in design, which proposed the transfer of resources to developing countries on a much larger scale in future.

Official development assistance was one such form of transfer. Unfortunately aid flows had fallen far short of the target of 0·7 per cent of GNP set for the Second Development Decade. That had been set before the oil price hike had begun to bite, and the volume of ODA in real terms had stagnated between 1971 and 1977. For the DAC member countries as a group, the level of ODA had in fact declined from 0·34 per cent of GNP in 1971 to 0·3 per cent in 1977. When aid flows on concessionary terms fell short, most developing countries had to resort to market borrowings to meet their balance of payments deficits. Those borrowings increased their debts. The magnitude of the problem could be seen from the figures of total indebtedness of the non-oil producing developing countries which increased from US$179 billion in 1976 to US$300 billion by 1978. In that respect, he expressed his gratitude to Britain and other countries of the Commonwealth, for their decision to wipe out past debts and was appreciative of the fact that Commonwealth aid came largely in the form of grants.

He welcomed the new perception in the developed countries that world prosperity was indivisible and that the economic development and growth of the developing countries was an essential prerequisite for the continued growth and well-being of the international community. He was aware that the UN would be convening a special session in 1980 to consider an international development strategy for the Third Development Decade, which would no doubt focus attention on long-term solutions to some of the fundamental problems of development and co-operation. He felt it opportune that a Commonwealth group of experts be assembled to recommend appropriate measures for the consideration of Heads of Government. Notwithstanding that, what appeared most necessary at present were short-term measures to ease developing countries' immediate problems. He believed an expansion and liberalisation of international trade, to the mutual benefit of both developed and developing countries, would help and that increased capital flows—private, official and multilateral—could play a major role. The Meeting had heard of the need for political will in cutting down public expenditure and holding back inflation: he hoped and made the plea that ODA would not be an area that had to bear the cut.

In pointing out the importance of interdependence, he said that if the economies of the developing countries faltered, they would not be able to buy the goods produced by the developed, which would inevitably pull them down as well. Developing countries were frequently told by the World Bank and others to discipline themselves, but, he said, they had not been averse to taking hard political decisions. Many had shifted resources from consumption to production; for example, in Sri Lanka free rice rations had been halved despite potential political difficulties. Therefore in making their plea for trade and aid concessions from the developed world, it should not be said that the developing countries lacked the political will to discipline themselves.

His second point concerned commodities and what primary producers were doing to assist in the efforts to stabilise prices. Most developing countries were dependent on one or two commodities for their economic well-being. Sri Lanka earned over 50 per cent of its foreign exchange on the export of a single commodity—tea, exporting around 200 million kilograms per year. Its economy was therefore highly vulnerable to small fluctuations in the international price of tea. There were many Commonwealth countries involved in either producing or consuming tea. The question of the stabilisation of tea prices had been considered for many years but was still a long way from agreement, despite the efforts made in UNCTAD. On the demand side, some progress had been made. The Commonwealth tea producers had got together on the matter of promotion and recently established the International Tea Promotion Association, ITPA, which was expected to help in increasing consumption. That was the result

of a Commonwealth initiative for the formation of ITPA had come from a meeting in London which had been supported by the Commonwealth Secretariat.

On the supply side, however, problems had arisen. The World Bank and FAO predicted a long-term over-supply trend and a decline in price. The mechanism by which over-supply was to be met under the commodity agreement was by buffer stock. In the long-term, of course, structural changes would have to be introduced within the industry itself. Buffer stocks, too, would need to be supported by supplementary measures, such as export quotas or cutbacks in production. Problems had inevitably arisen as they had with the question of financing buffer stocks. Most producers hoped that the Common Fund could help, hence the relevance to them of recent decisions on the Fund. Producers were also concerned with the prospects for Second Window financing. Any restructuring of the tea industries in their countries in the long-term would need readily available sources of finance. The early completion of pledges to the Second Window was, therefore, something to be commended.

Given that the majority of tea producers were in the Commonwealth, as was the largest consumer—Britain, he thought that it should not be beyond the Commonwealth's ingenuity to work out the modalities of an agreement to which all countries could subscribe. Prime Minister Manley had referred to the need for caucusing in international negotiations and the need for developing realistic positions that had been carefully prepared. His experience of tea negotiations was that there was little attempt at caucusing by the producers. The consumers, however, seemed to have the benefit of expertise residing within the EEC to help them arrive at common positions. The experience of the rubber agreement, nearing finality, was of relevance. It appeared to bear out the point that a common strategy and continuing dialogue amongst producers assisted in expediting action. The Association of Natural Rubber Producing Countries, with four ASEAN members and a common spokesman, Malaysia, undoubtedly assisted in the quick progress made on rubber. He asked whether it was not possible, within the framework of the Commonwealth, perhaps utilising the Secretariat, to devise a mechanism for consultation and a continued dialogue amongst producers, and also whether that could not happen for other commodities in which Commonwealth countries had a common interest.

Tengku Rithauddeen, Malaysia, said he would be brief in his intervention as he intended to submit more written details, some of which might be incorporated in the Communiqué

He was grateful to Mr. Fraser for his comprehensive and able introduction of the topic particularly with regard to structural adjustments or changes. He suggested that the Commonwealth Meeting could take the initiative in formulating the kind of development strategies needed to make structural adjustments to the world economy. There were a number of Commonwealth developed countries who could take the initiative, together with other developed countries. Two countries represented at the Meeting had attended the Tokyo Summit and belonged to the group of the " Magnificent Seven " who might help to formulate a strategy, possibly in the context of an international development strategy for the 1980s. He suggested it might be expedient to establish an expert group from among Commonwealth members to take the initiative to identify certain special measures for adoption in that strategy. If structural change was not brought about there was every likelihood that the global economic situation would deterioriate and the world economy would drift deeper into recession, with developing countries most affected. Mr. Fraser had described the future world economic situation as gloomy. He himself was not at all optimistic about the future and had proposed the initiative for that reason.

The Prime Minister of Sri Lanka had brought up the issue of commodities, which was of particular interest to Malaysia. Apart from rubber and sugar, little progress had been achieved in negotiating commodity agreements. UNCTAD had achieved a small measure of success with regard to commodities, but with regard to other aspects of trade and economic co-operation much had still to be done especially in relation to achieving a new international economic order. There was one aspect he wished to mention with regard to the Common Fund. Although the capital structure of the Fund had been agreed, there was still much to be discussed and agreed relating to the operation of the Fund. To expedite matters, he hoped by the end of the year a convention could be agreed setting out guidelines for co-operation with regard to the Common Fund, including the funding of its First and the Second Windows, particularly the latter. It was also important to link the establishment of international commodity agreements with evolvement of the Common Fund, because as much as 50 per cent of the capital structure of the Fund could come from them. He therefore emphasised the expeditious establishment both of ICAs and of the Common Fund. Malaysia, being the major producer of rubber, was very much concerned with the delay.

In the area of trade, UNCTAD had made little progress and the multilateral trade negotiations, held in Tokyo, had produced very unsatisfactory results. There was still room for negotiation, though he believed a certain amount would be achieved bilaterally, if it was not possible to achieve it multilaterally in Geneva. On those trade matters which had yet to be settled he thought some advance could be made by negotiating in small groups or bilaterally. He urged developed member countries to accommodate developing members by persuading other developed countries to liberalise access to their markets of manufactures or semi-manufactures of developing countries. Liberalisation of trade was very important. Without it the prevailing trend towards protectionism would adversely affect developing countries and detract from efforts being made to re-structure the world economy. As Mr. Fraser had said, trade liberalisation would be mutually beneficial to both the developing and the developed countries.

Lastly, on the question of safeguard measures, he thought developed countries could assist by declaring their commitment to continue to pursue efforts towards more effective and greater international discipline on the application of such measures.

Mr. Somare, Papua New Guinea, said that as he had already circulated a paper, he would only discuss its main points. The best prospect for advancing the North/South dialogue lay in the identification of concrete problems and practical solutions. The main danger faced in the current period of world economic gloom was that every country would turn inwards, concentrate on its own narrow interests, and forget about its neighbours. That would be a disaster and a complete betrayal of all the ideals for which the Commonwealth stood.

In his paper, he had focused on the state of one aspect of the negotiations of the proposed Lomé II Convention. While that did not concern the Commonwealth as such, because some States were not involved, the matter was important enough to several of them to be worth raising at the Meeting. It also seemed to illustrate some of the unsatisfactory trends at work in the field of development co-operation. Basically, the successor treaty to the present Lomé Convention gave little more than the existing one. That was disappointing, because substantial improvements had been hoped for. However, it was likely to contain one new feature: a scheme which was said to be designed to help ACP mineral exporting countries that were experiencing problems. In principle, a European initiative on such an important subject that concerned many developing countries very deeply, would have been welcomed. However, the value of the initiative depended on the precise form of the proposals, and that was where Papua New Guinea had severe reservations.

The present proposals were designed entirely by Europeans and appeared to be designed to help the rich European countries that imported minerals, rather than the poor countries that exported them and relied on their earnings to pay for

their development programmes. That was because the only aid provided for was project and programme aid to make good losses in production of export capacity for certain minerals, caused by special circumstances. There was no help for countries such as his own which had suffered severely in their export earnings and government revenue through low prices for minerals, but which had been able to maintain the value of total output through prudent management. The result was that countries like Papua New Guinea would actually lose because the scheme would encourage mineral production and tend to lower prices, while doing nothing to soften the economic effects of low prices. He believed that the present proposals must be broadened to include assistance for countries that had suffered losses of earnings and revenue through low prices. He had written to the President of the European Council of Ministers arguing his case.

He had circulated his paper to draw attention to the subject which was important and relevant and which had not received much attention in the present forum. Sometimes developing countries in the Commonwealth did not co-ordinate their position as well as they might. The ACP ministers' meeting in Monrovia at the end of the month provided an opportunity to take a unified stand. Co-operation for development between nations should rest on attitudes of enlightened, mutual appreciation of each other's needs, interests and problems. It should not rest on narrow, national self-interest supplemented by a little grudging charity. On the first basis all could gain: on the second, the poor countries might lose out most quickly, but in the end all would lose out.

Mr. Moi, Kenya, said that the increasingly interdependent world economic system depended for its healthy functioning on the efficient deployment of global resources and affording all countries an equitable opportunity to participate. That would require acceptance by all of structural change and the adoption of policies to effect such change and to improve prospects for economic growth. Higher rates of growth were particularly urgent for the developing countries. The period since 1973 had witnessed slower growth in international economic activity and in international trade by comparison with the previous quarter century.

He had mentioned 1973 because it saw the beginning of the rise in oil prices which seriously affected developing countries. It was also necessary to remember another very important factor which had affected developing countries, namely the price of commodities such as coffee and tea. Substantial income might be derived from tea and coffee but circumstances might make it necessary to spend that income on the purchase of armaments. The rate of economic growth could not improve if money had to be spent on armaments that were needed to defend the country because of causes which no one envisaged. That was why so little progress had been made since the Kingston Meeting. By comparison with Europe, the US and the Soviet Union, the developing countries were still beggars. They endeavoured to increase their mineral production and to stimulate improved farming, but if, through circumstances beyond their control, they had to spend their increased wealth on the purchase of arms, they would remain beggars. They would like the developed countries to slow down their rate of growth in order that the developing countries might catch up a little, but they recognised that there were severe political pressures on the leaders in the developed countries.

A continuation of slow growth in the global economy would further damage the prospects for reducing poverty and raising living standards in developing countries. Such a continuation would also be contrary to the economic interest of developed countries and could have adverse effects on the economic, social and political structures of all countries. Those circumstances called for bolder endeavours, a new approach to the formulation of policies and to improving the understanding of the public of the need for change. They would require a better informed and more responsive decision-making process at the highest level.

Against that background Heads of Government requested the Secretary-General to commission an in-depth report by a group of 8–10 experts from Commonwealth countries chosen from appropriate disciplines. Their task would be to investigate and report on the factors inhibiting structural change and sustained improvement in economic growth in both developed and developing countries, in particular the acceleration of growth in developing countries. The report, which should have a focus, should assess the importance of and the relationship between possible constraints, such as protection and adjustment policies, inflation, subsidies both on production and exports, fluctuations in commodity prices, availability and cost of energy resources, including oil, and factors inhibiting international flows of official and private capital. The report should identify specific measures by which developing and developed countries, Commonwealth and non-Commonwealth, might act to reduce or eliminate such constraints as a matter of urgency. It was recognised that that would require attention at the highest political level rather than leaving it to officials to make decisions. It was hoped that the group, assembled by the Secretary-General after consultation, would report in time to assist Commonwealth Governments in their preparation for the Special Session of the UN General Assembly in 1980. He would like to support the Australian suggestions and also the Jamaican Prime Minister's comments on the issue. The decisions made during the Kingston Meeting had not led to a substantial change in the international economic order. He considered that an in-depth analysis of the root causes of the failure to achieve a satisfactory rate of economic growth would be valuable.

Mr. Rene, Seychelles, said that he had been very interested to hear the Prime Minister of Sri Lanka talk about fluctuations in the price of tea. The price of the tea imported into the Seychelles never fluctuated; it always went up.

He did not propose to analyse the world economic situation, which was serious, or to suggest solutions. He wished to express a few very frank thoughts on how the situation was developing. In his view, unless there was a complete change of mind by the developed nations, the position would become progressively worse. The developed countries could not continue to think in terms of the haves and have-nots, or the givers and the takers, of them and us. As long as that attitude prevailed, he could not foresee any solution. It had been said that there was need for growth in the developing countries in order to generate a surplus. That sounded very much as if the developing world was waiting for crumbs from the rich man's table. That type of policy would never work. The developed industrialised nations must think again. They got rich on the raw materials of the developing world. As a result, their standard of living rose far above that in the developing nations. They must stop thinking of growth in their own countries and think instead of growth in the world and, in particular, of those parts of the world where there had been no growth—in the developing countries. The developed nations must in one way or another accept a reduction in their standard of living. There was no other way out; as long as the developed nations continued to expect to grow, the developing nations would continue to lose and would not move forward. In most developed nations the political systems could not allow that to happen for if the political leaders told their people, who were used to a very high standard of living, that funds were to be diverted towards developing nations in order to bring about a more equal standard of living, the government would not stay in power for long. Yet he could not see any other solution. Unless a radical change of mind was effected, the developed world's economy would also collapse. The developing world, trying to fight for survival would become more and more interdependent and would gradually want to depend less and less on the industrialised nations. That was bound to happen: what had happened with oil would begin to happen with other raw materials and then there would be quite separate worlds, each one striving for growth.

For generations the industrialised countries had lived in a world of their own, comfortable and easy-going, but, in his view, those good old days were over. The developed and developing worlds must either work together sincerely, or each would go its own way. In the latter event, more and more chaotic situations would arise. He hoped and prayed that some solution would be found, and that the developed nations would accept the fact that the world was a stage to be used not only by the industrialised world but also by the developing world.

Mr. Kenilorea, Solomon Islands, said that it was his first visit to Zambia and, indeed, to Africa. He was finding it a very stimulating experience to see the situation in Africa at first hand. He found the generosity and the friendliness of the Zambian people very encouraging.

He expressed his gratitude to all the members of the Commonwealth for accepting the Solomon Islands as a member, and for the warm welcome and the friendship that had been extended by representatives of Commonwealth countries.

As a very small nation lost in the Pacific Ocean, far away from places of real activities, the Solomon Islands wished to add its voice, a human voice, to the very important discussion. He shared the view of the Prime Minister of the Seychelles, another small island nation, that the world economic situation was gloomy. Others like the British Government, encouraged the view that it was not gloomy, but the more developed members of the Commonwealth needed to be very sincere and to speak—not only speak, but act positively—in order to help those members who were still developing.

The sincerity must be practical. He would like to refer back to points raised by the Prime Ministers of New Zealand and Australia with regard to markets. As a small developing country in the world, and as a member of the Commonwealth, the Solomon Islands regarded the recent non-reciprocal trade agreement as a genuine and positive step to try to help developing countries. It manifested an attitude on their part of non-protectionism. It was a practical way of extending their assistance to the small islands. It was not so much financial aid that was important to a developing country, but access to markets for what they produced. That provided an incentive for self-reliance and not one for perpetuating dependency. If the Commonwealth could try to establish a system whereby developing members were able to have access to useful markets for what they produced, that would show that the Commonwealth was truly useful, practical, sincere and considerate.

Of course, the difficulties of the developing countries, were quite different from those of the developed world, but they were inter-related. Solomon Islands imported all its oil. What affected the world outside would certainly have its repercussions in his country which in that way shared the difficulties of the world outside.

Small countries, and especially the island states could go on happily in their old ways but world development was such that they had been pulled into it, and had to be part of it. They became involved in the difficulties that the world outside experienced, and yet they were not part of the great rush towards development. Unless the developed countries of the Commonwealth could take positive steps in trying to help the developing members they were going to continue to face the same problems. He wished to stress especially, access to useful, valuable markets on terms which were conducive and encouraging to developing countries. If the developed countries could be persuaded to provide such markets, it would be of enormous value to everyone who lived in developing parts of the world.

Ratu Sir Kamisese Mara, Fiji, said that he had been rather amused to overhear a Minister of Guyana and Michael Manley quoting Shakespeare. They were saying: "The quality of aid is not strained, it falleth as a gentle rain from heavily developed countries. It is twice blessed. It blesses those who give and also those who receive." He had added his own lines: "Aid will, however, not by itself bring about development. Development is an internal process in nature, and so it is in the world of today."

He found it very difficult to comprehend the whole world economic situation and preferred to focus on the Pacific region. He remembered well the formation of the South Pacific Forum in 1971 in Wellington. The theme of the small islands had been that they had always provided plantations so that raw materials could be sent to factories in Britain, New Zealand and Australia and that during the life span of the Forum they would try to change that. The South Pacific Forum was one of the few organisations that started as a joint forum of developed and developing countries, the two developed members being Australia and New Zealand. He could not complain about the amount of aid given by those two countries and expressed his gratitude to both of them. The problem had been to try to digest the aid. It was quite difficult. Fiji had succeeded in becoming self-sufficient in pork and poultry and hoped to be self-sufficient in beef. Australia and New Zealand had again been of great assistance to Fiji in its efforts to attain self-sufficiency. Fiji's policy was to ask less of the world, rather than to believe that it owed her a living. She was developing her fishing industries, and had made considerable progress in establishing forestry. The aim was to cease asking for foreign aid.

He wished to refer again to the negotiations on the Law of the Sea because he believed that the establishment of 200 mile EEZs provided an excellent opportunity for some island states to become independent of foreign aid. Great hopes had been aroused at the Kingston Meeting when ten wise men were appointed to examine ways and means of creating a new international economic order. The wise men had provided a programme but not much had been achieved so far. He found it extremely difficult to interpret the change in international economics into home economics. Those who earned were the ones who decided what they were going to give and what the rest, who were dependent on them, were going to contribute. That was why he felt that the way to help the world was to help themselves first. If the aid donors were kind enough to help them in that objective, the sooner it happened the sooner they could get out of the impasse.

He had referred to the Law of the Sea because as the limited land-based materials became exhausted—and they soon would—the world would turn more and more to the sea, not only because it covered 70 per cent of the earth's surface but also because it could answer some of the problems of development growth and transfer of wealth. That could be achieved by an orderly and rational development of the resources of the sea and the seabed. But the development of the ocean resources, of course, required vast capital and sophisticated technology which the developing countries did not possess. Multi-national organisations showed the ugly face of capitalism in certain aspects of their operations, but they had the capital and technological knowhow. If only the developing countries could have some form of control over the multinationals they would give them the opportunity to develop the sea's resources. He believed that would probably be the best way of helping themselves. He would like to see in the communiqué a reflection of their desire to see negotiations on the Law of the Sea completed as soon as possible.

Dr. Kaunda said that he was intrigued by the account of Fiji's development towards self-sufficiency. Fiji might soon reach the point when it did not need any more aid from outside, and be in a position to give aid to others.

Ratu Sir Kamisese Mara replied that Fiji had been giving aid to the UK in terms of sugar for a long time!

V. DECLARATION ON RACISM

Dr. Kaunda asked the indulgence of the Meeting in order to clear one very important matter that was not related to the subject under discussion. He invited the President of Tanzania to introduce it.

Dr. Nyerere, Tanzania, recalled that a very serious matter had been raised by Australia. That concerned the possibility of the Meeting issuing a statement or a declaration on racism. In his view, that would be very appropriate. If it was agreed that the topic was important, something should be done about it. Either the question could be referred to the Committee of the Whole or, since they must assume that the Committee of the Whole was up to its neck in work, a small group of ministers might be asked to handle it. He understood that Australia had done very valuable work on it already. If a few ministers met, they might produce a statement or declaration that the Meeting could approve.

Mr. Fraser, Australia, supported Dr. Nyerere's suggestion. Australia had done some work; obviously there had been consultation with the Secretariat, but countries had their own views and they would be glad, therefore, if the matter could be referred to a group of ministers.

Dr. Kaunda said that if there was no contrary view he would like to suggest that the matter be considered by ministers. After hearing the views of his colleagues on the composition of the group, he announced that it would include Nigeria, Canada, Malaysia, Tanzania, Guyana, India, Australia, New Zealand, Lesotho and Cyprus. He asked the ministers to begin their work at once. Australia would convene the meeting.

VI. WORLD ECONOMIC SITUATION AND PROSPECTS (resumed)

Mr. Adams, Barbados, said that the debate on the world economic scene was really a debate about the capacity of developing countries, and particularly the developing countries of the Commonwealth, to finance their development. It was not necessary to go too deeply into the economic problems of the developed countries except in so far as their problems affected their willingness or ability to give aid to developing countries as a whole. It was significant that a good deal of discussion had taken place on oil prices. He wanted to comment on the effect that oil had had on the capacity of developing countries to maintain their programmes.

The Secretariat paper had given a fair indication of the structural deficits arising out of oil and the extent to which serious thought had to be given to the continuing situation of oil-occasioned deficits throughout the non-oil developing countries of the world. The figure given in the Secretariat paper was $40 billion in deficit for 1979, not even taking account of increased prices. The corresponding figure for the industrialised countries had managed to shrink to $2 billion despite their much greater consumption of imported petroleum. They had to ask themselves how that deficit could be financed without imposing intolerable curbs on the development of the undeveloped countries.

He thought that it was important to appreciate that in the final analysis the way in which the non-oil developing countries' current account deficits were going to be financed was to a large extent the prerogative, not necessary of the developed countries, but of the oil-exporting countries. That was because the policies of the oil-exporting countries affected the ability of the developed countries to give overseas development assistance and, more directly, donors' policies towards the non-oil developing countries very materially affected the management of development. The first days of the oil increase in 1973/74 were very alarming but it was the decision of the oil exporters to deposit a large proportion of their accumulated surpluses in 1973/74 with commercial banks in the industrial countries that enabled the latter to weather the first effects of the crisis. Eventually that decision was of great assistance to the middle-income non-oil developing countries because they were enabled to borrow from the commercial banks the conventional Euro-dollar loans with which many had become familiar. Those who had influence on the oil exporters should endeavour to persuade them that the recycling of the oil surpluses to the non-oil developing countries, rather than to the developed countries, was a really major factor in maintaining the world economic balance.

It was apparent that, since 1974, the approach of the oil-exporting countries with regard to investment of their surplus had changed but not in a direction that was particularly favourable to developing countries. Although commercial recycling was the greatest single means of protecting the economies of the countries which had to pay for petroleum imports, there had been less direct investment in the non-oil developing countries than in the industrial countries. By way of example he referred to the fact that some $6 billion annually was lent out by the offshore financial sector in the Bahamas of which very little found its way into government and private investment sectors in the rest of the Caribbean. It was loaned to people whose needs were considerably less than those of the poorer Caribbean islands, or poorer countries in other parts of the Commonwealth and the developing world. Whatever was said about the international financial institutions they did provide funds for the poorest of the poor so what was important was to get some of the surplus funds at present commercially recycled into the hands of the financial institutions themselves. That would have to be done on an intermediary basis; the economies of the developed countries, propped up by the recycling of oil funds, could better afford the replenishments of the main financial institutions and the regional institutions.

The International Monetary Fund, he thought, loaned too little, too late. Its conditionality was such that it was impossible for small countries to contemplate going to the IMF for balance of payments support at as early a stage as the IMF constantly said that they should. Unless the volume of funds was increased to the stage where conditionality could be supported by generosity and liberality, it was impossible to regard the IMF in the way that it sought to be regarded. However, he agreed with what the Secretariat paper had said about the new IMF conditions. They were very welcome, but it remained to be seen whether the special circumstances of a developing country would now be taken into account. He felt that conditions for the Compensatory Financing Facility should also be improved and that those with influence in the counsels of the IMF should support the idea. He also thought that those with influence should try to convince OPEC of the need for more assistance to countries of greatest need and a wider geographical coverage of that assistance. Ideally, that should be related to the needs of those countries most seriously affected by petroleum import difficulties in the light of the actual increase in price and any increase in petroleum imports caused by revised development plans. He added however that the developed countries, the traditional donors, should not regard increased flows of aid from the oil exporters as justification for a reduction in their own flows of official assistance.

Mr. Adams indicated that he was a strong supporter of regional and sub-regional institutions, despite the fact that Caribbean countries suffered from the strict conditionality of assistance from the Inter-American Development Bank or, at the sub-regional level, from the Caribbean Development Bank. It was usually the donor countries which set such conditions, though Commonwealth donor countries were less guilty in that respect than the US which was the main source of funds for the Inter-American Development Bank. The American political decisions governing the provision of funds for the Inter-American

Development Bank were sometimes highly capricious and dependent on non-economic factors. Clearly, the more the regional institutions were left to determine the terms on which assistance could be given, the better.

He hoped that concessional funding would be maintained for the middle-income developing countries such as his own which were under enormous pressure as a result of present criteria. He referred to the undesirability of per capita income and other traditional criteria as determinants of the needs of countries. Development was a continuing process. Even when, as in the case of some of the middle-income developing countries, his own included, a stage was reached where infrastructure was reasonably complete, where most people were enjoying a reasonable standard of living, there remained a need for at least some concessional assistance, as such countries could not be expected to satisfy their development needs by commercial borrowing at high rates of interest and with short maturities. The examples of some larger, non-Commonwealth middle-income developing countries, whose commercial debt burden was enormous, bore this out. That was something that donors often failed to understand. It did not imply that the poorest nations should not have first claim on concessional assistance but, rather, that all developing countries needed some help on concessional terms. The developing countries' external debt service rate was of the order of 12½ per cent of the value of exports, which, he observed, was high compared with the rate for Barbados of around 2 per cent. But if concessional funding was restricted the situation could quickly change. The country would develop a heavy debt service requirement far beyond what could possibly be considered reasonable.

Turning to the Caribbean Development Bank, Mr. Adams said that it was a very small institution designed to meet the needs of small islands whose loan requirements were below the minimum levels of international lending agencies. He recalled that during the debate on small islands one or two speakers had made the point that it was virtually impossible to raise a few thousand dollars for a very small project. That was the kind of need that the Caribbean Development Bank was supposed to respond to. There were of course drawbacks but they were mainly imposed by the donors. The CDB gave advances to fund projects and up to 90 per cent financing for those most in need. He wished to take the opportunity of drawing to the attention of oil producing countries the example of the Caribbean's own local oil producer, Trinidad and Tobago, which had agreed to make up in the case of least developed countries any shortfall which the donor agency's conditions imposed. In that way they could secure 100 per cent financing for a quite broad range of development priorities.

In his opinion official development assistance needed to be more programme or sector orientated rather than on a project basis which had caused so much frustration in the past. What was needed was an examination of a small country's development plan to see whether funds could be injected on a much more general pattern.

Turning to the subject of energy, Mr. Adams thanked the Prime Minister of Fiji for the useful paper which he had circulated about energy development. It was obvious that among the commodity problems of developing countries, oil was more important than all the rest put together. He supported the Prime Minister of Fiji in his plea for greater loan financing and for improved co-operation in energy development generally. Barbados had also considered most of the options which had been raised in his paper—wind energy, wave energy and ocean thermal gradients in tropical waters. Barbados was in the process of erecting the first two solar cooled commercial buildings in the developing world. Solar cooling was regarded as of key importance in Barbados where 25 per cent of all petroleum imports were consumed in the generation of electricity for air conditioning and Barbados was itself meeting some of the development costs rather than waiting for other people to do so. Such burdens were heavy ones for a small country to carry. Small countries needed loans for energy development and an exchange of useful information on sources of alternative energy. He noted in that context that he had learned of a most imaginative pilot scheme for generating hydro-electricity from wave power in Mauritius by reading a Crown Agents bulletin. The Barbados National Scientific and Technological Council had gone to much trouble to get details of the plans for the project and to assess its feasibility for the east coast of Barbados where wave action was very high. He thought that the Commonwealth Secretariat and perhaps the new Industrial Development Unit should organise some programmes for the exchange of information on alternative energy sources.

On the question of lending from international agencies for energy development there had been some signs that the American and multi-national oil companies were hesitant to encourage international agencies to enter the business of lending capital to non-oil developing nations for the purpose of developing alternative sources of energy. It was impossible for many non-oil developing countries to achieve viable exploration programmes and investigation of non-traditional energy sources if they could not secure funds for that purpose from international agencies. Although Barbados had achieved self sufficiency in natural gas and had discovered enough petroleum to replace about one-third of its imports, it needed to conduct seismological surveys to see if it could become an oil producer. At the moment the necessary risk capital could simply not be procured. Barbados was too small for that. It even had difficulty in obtaining sufficient funds from international agencies to extend the distribution of natural gas in the country. As a result the surplus gas had to be flared off for lack of distribution facilities. Given the present world energy situation, any restriction of the capacity of international agencies to lend money to developing countries for either petroleum exploration or the development of non-traditional energy uses was a mistaken one.

In concluding, Mr. Adams welcomed the Secretariat paper on industrial co-operation, acknowledging that the subject would come up again later. He hoped that the Meeting would support the paper and endorse the Commonwealth action programme. Although, for administrative purposes, the programme would be part of a total CFTC effort, its implications were much wider than traditional technical co-operation. He drew attention to the gradual widening of the range of manufactured exports from the Caribbean. Industrialisation was very important. Manufactured exports, for instance, accounted for more than one-quarter of Barbados's foreign exchange earnings. The paper on industrial co-operation was full of hope for the future of those small Commonwealth countries which were trying to industrialise and he not only hoped but expected that the Meeting would in due course endorse it.

Sir Seewoosagur Ramgoolam, Mauritius, said that like many other developing countries Mauritius was faced with pressures to increase the living standards of the people. Development had to take account of that requirement. All countries were faced with unemployment, steeply rising prices, inflation and slow economic growth. To that had been added the recession and the oil price rises which had been mentioned earlier. The poorer countries had made some improvements in their standards of living but, compared with richer countries, they had not been able to close the gap as much as they should have done. Although the rich countries recognised that the developing countries of the Commonwealth needed to develop their economies and reduce their dependence on aid and despite efforts made through the North/South dialogue, at the Manila Conference and the various summit meetings to devise ways of improving the situation, there had been little real progress.

In the first place, although no country could live without investment, interest rates were too high and projects were no longer as viable as they used to be. He suggested, therefore that ways and means be found to ensure that interest

rates were lowered. He recalled that, in 1961, when he attended the Prime Ministers' Conference in London as an observer, Archbishop Makarious had made the point that interest rates were too high. The situation was still the same. He acknowledged the assistance provided by the IMF and through the ACP which was very helpful.

Turning to the question of commodity prices he recalled that at the Kingston Meeting the British Prime Minister had proposed the establishment of prices for all the commodities produced in the Commonwealth, prices which would enable countries to develop instead of remaining dependent on aid from others. Little had come of it. The North/South Dialogue had not been able to produce very much, although the EEC countries had provided some commodities protection for the ACP countries. He felt that an effort should be made to regulate prices in order to provide better prospects for the primary produce of developing countries. Sugar and tea had been mentioned earlier. Although sugar guaranteed by the EEC fetched a fairly reasonable price, the world sugar market was very depressed and he called for an improvement in the price to ensure that the whole sugar industry did not lapse into depression. Although EEC sugar increased by 1·5 per cent the price had actually fallen by 4·5 per cent over the past year because of freight charges and the increase in value of the green pound. Industry would continue to remain caught in a vicious circle. Freights on all commodities had increased often for no economic reason and he felt that freight rates should be regularised at a reasonable level in order to hold the cost of imports into developing countries and arrest inflation.

Mauritius too had an energy problem. It bought all its oil on the spot market, which was much more expensive than for other countries. It was therefore necessary to find an alternative source of energy and he was grateful to the Prime Minister of Barbados for mentioning the wave energy project in Mauritius. Unfortunately the British Overseas Development Administration considered the project to be too expensive and it had been suspended for the time being but Mauritius was hoping to revive it. They were also experimenting with sugar in order to produce petrol but for the time being it was expensive. Generally speaking he thought that the developing countries were in a situation which was not promising because most of them were democratically based and had, therefore, to satisfy their people. They needed to deliver the goods in order that democracy could remain viable. That would be jeopardised unless richer countries including those in the Commonwealth supported them.

Mr. Molapo, Lesotho, said that his remarks would be limited to the world economic situation and its impact on the small and disadvantaged countries. The world economy was suffering from increasing inflation, coupled with rising unemployment and the near certainty of recession in the developed countries. It was characterised by uncertainty and confusion in foreign exchange markets and by stagnant growth and widening balance of payments deficits among the developing countries, particularly the small, least developed and disadvantaged countries. It was also characterised by the increasing cost of oil and the lack of satisfactory progress in increasing food production in most of the developing countries. Despite consultations and summits on those problems, any agreement on appropriate action appeared elusive. Concern with the domestic issue of unemployment in developed countries continued to induce protectionism. Progress in the North/South dialogue had been marginal and discouraging for those countries facing mounting economic difficulties. The flow of official development assistance in real terms was not increasing; if anything, the outlook pointed to a decrease.

Concrete measures to further economic interdependence were hard to find. That was why the vigorous call by Prime Minister Fraser at UNCTAD V to give real meaning to interdependence was most timely. He hoped a similar call could emanate from the present Meeting. While the recently concluded multilateral trade negotiations had resulted in a treaty that offered reductions in tariffs and in non-tariff barriers, few of the developing countries that exported tropical and primary produce would actually benefit to any large extent. It was hard to forget the devastating effect of the fall of copper prices on the economy of the host country. He called for renewed efforts in the negotiation of individual commodity agreements and ratification of the International Sugar Agreement.

He commended the Commonwealth contribution through its group of experts in moving the negotiations on the Common Fund forward. It was a fact that the massive balance of payments deficits of many developing member states had external origins and were long-term and structural in nature. Assistance from the International Monetary Fund was, however, constrained by limited quotas. Increases in the resources of the IMF and further liberalisation of its conditionalities were still needed and he recommended that the establishment of a link between SDRs and development finance should be considered. He noted the recent agreement by the Executive Board of the World Bank to double its capital base and hoped that that would enable the Bank to increase its assistance. He expressed concern, however, over the delay in the replenishment of IDA resources which were critical for many Commonwealth countries; IDA resources needed to be increased in real terms.

He welcomed the programme of the World Bank to increase oil exploration and exploitation in developing countries. That was very important, especially to the smaller countries and although he had not intervened earlier he wished to support the action programme proposed by the Secretariat. The economies of small countries suffered immeasurable damage from the effects of recession, inflation, high energy costs and currency fluctuations elsewhere. Because of their fragile economies, which depended on one or two products, adjustment was much more difficult than for developed countries as was demonstrated after the 1973 oil price increases. The recent increase in the price of oil would compound the problems of small countries and worsen their balance of payments. Lesotho had also been affected by the cut-off of oil supplies from Iran to South Africa, from which they received their own requirements. That had meant a 30 per cent reduction in oil consumption since 1977 and a 40 per cent rise in price. Unless something was done to solve their energy problems, the industrial and agricultural development of poor countries would grind to a halt. He drew attention to the fact that, as international pressure and sanctions on South Africa increased, Botswana, Lesotho and Swaziland would continue to pay a high price because of their location. Consideration should be given to ways and means of helping them overcome the effects of any such sanctions.

He fully agreed with the need to develop alternative sources of energy, especially solar energy and endorsed Prime Minister Manley's proposal for an international energy institute. He also supported the proposal for a small group to study the constraints to growth and explore practical areas where the Commonwealth could take a lead; a report submitted prior to the Special Session of the UN would be very helpful.

Mr. Mutenje, Malawi, paid tribute to those developed countries of the Commonwealth—Canada and Britain—who had assisted Malawi in the difficult task of promoting economic development. He noted that the oil crisis had brought disaster to both developed and developing countries but it was heartening that attention had been concentrated on the effects it had on the developing countries. As the President of Tanzania had said, a slowdown in growth was occurring everywhere but that had different meanings in developed and developing countries. Taking Malawi as an example—the objective underlying growth was to improve the living standards of the rural population and Malawi had focused its attention on the provision of the basic requirements of life: food, shelter, clothing. But, as the prices of tractors had doubled and the price of fuel to run

the tractors had tripled or quadrupled, the Government was experiencing more and more difficulty in raising taxes from the larger farmer in order to help the small farmer. The inevitable result was stagnation which reduced prospects for later growth when more favourable conditions occurred. Hopes of improving the lives of the rural people would therefore be dashed. Large sums of money were also required by the developing countries in order to satisfy their educational needs. But if the hopes of governments to generate revenue were shattered it meant that many children would simply go without education.

He felt that analysis of the world economy must be translated by the Commonwealth into an identification of the problems which affected individual countries. He therefore supported the proposal by Australia for a special group of experts to study the problems of the world economy but he urged that their findings be translated into practical proposals which would help the Commonwealth. At both the 1975 and 1977 Meetings Malawi had expressed enthusiastic support for the new international economic order. In Kingston a very progressive pamphlet had been produced but those proposals had been overtaken by the recent oil price increases. He recommended that the study have both short and longer term dimensions, as for example in assessing the future cost of alternative energy sources.

He also asked developed countries to be more sensitive to the industries already established in developing countries in guiding investment policies. He cited the case of nylon twine production in the industrialised world which had effectively destroyed the sisal industry in Tanzania. It was better, he felt, to encourage the establishment of the new industry in the developing country instead. In that way, Commonwealth countries could genuinely help each other.

Mr. Mishra, India, indicated that he would circulate his detailed comments separately but wished to highlight several points. Economic freedom was an essential buttress for political freedom and both political and economic self-reliance were essential to the maintenance of freedom. During the Meeting equal emphasis had been laid on the attainment of economic and political self-reliance. India had achieved some success in those pursuits over the past 30 years. The new government had recognised that the focus must be on solving the problems of poverty and rural development and was now seeking mass participation which alone could bring about an upsurge of effort and enthusiasm. That applied particularly to the process of industrialisation which needed to be mass-orientated rather than elite-orientated. The latter only resulted in isolated islands of affluence and development. India's success resulted from planning. Even the private sector received a great deal of direction and guidance from the central planning process. He personally had been closely associated with that process for some time. New emphasis had been placed on planning designed to apply the advances of science to the realisation of rural needs.

India was proud of the extent of its co-operation with other developing countries. It shared its experience with them and never hid its shortcomings and deficiencies. India had at the moment some 12,000 experts working in other developing countries including about 4,000 in Zambia, and in addition nearly 20,000 students from various countries. He emphasised that Indian experts were made available in order to help developing countries reduce their dependence on foreign assistance. There were no ideological considerations and the assistance provided was in accordance with the national objectives and policies of the countries concerned.

India largely endorsed the proposals of the Australian Prime Minister for a group to study constraints to growth and the transfer of resources to developing countries. In the context of international trade negotiations he wished to join the appeal to the developed Commonwealth countries to show restraint on protectionism and the imposition of statutory safeguards.

The Commonwealth also needed to show greater sensitivity to the problems of countries with very small populations and meagre natural and other resources. Little systematic planning was being done in that area. He considered that the best way of helping them would be to assist in preparing development plans which could be made available to other countries and development agencies in a position to help. Only through forward planning could such countries achieve their development objectives.

Turning to the question of the energy crisis which naturally loomed large before the Meeting, he drew attention to the fact that the welfare of large masses of people did not depend only on the development of modern sources of energy and stressed that attention should also be concentrated on developing those sources of energy most suited to mass development. In India and perhaps in other countries similarly affected, current concerns over energy could be largely removed if priority were given to developing alternative sources. India was keen to co-operate with Australia in such research and had offered to share the results with other Commonwealth countries in the region and elsewhere.

He called for greater co-operation in preparing for the next development decade. With accumulated Commonwealth experience and better planning and implementation techniques, the Commonwealth was poised to achieve enhanced growth with greater social justice. He noted with some sadness that the Meeting had not been able to pay any attention to the child, despite the fact that 1979 was the Year of the Child. He emphasised that planning depended on the welfare and development of children and called for the creation of an environment in which children could achieve fulfilment. Equality at birth was an important element in that and he felt that it was possible through international co-operation and assistance, for all countries to provide for it.

Dr. Kaunda adjourned the meeting at 1.10 p.m.

NOTE. Written statements relating to Sub-item 3(*d*)—World Economic Situation and Prospects—were submitted for circulation by the President of Kenya, the Prime Minister of Papua New Guinea and the Head of Delegation of Malaysia. These statements are reproduced in the subsequent section of this record.