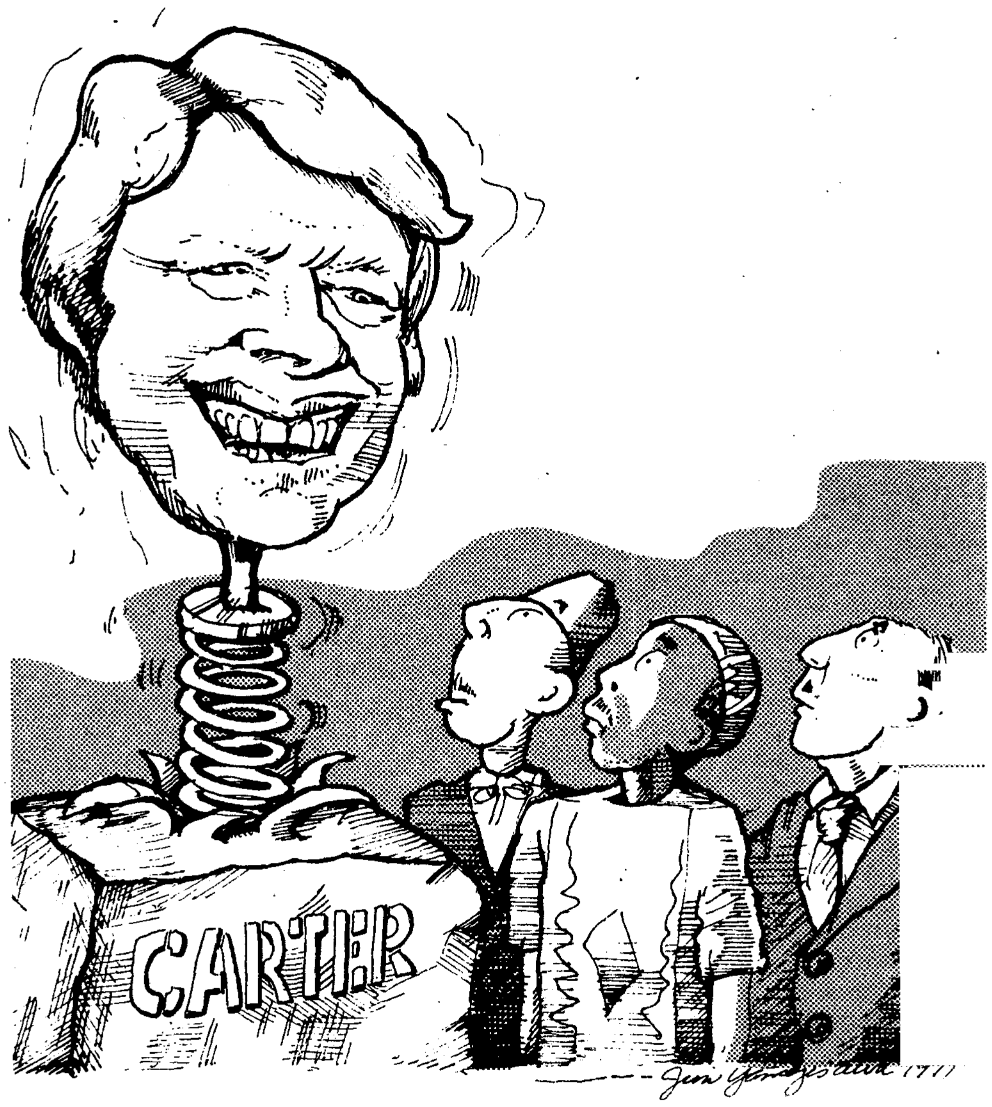
IN THE WORLD

Carter vs. the Third World

THE CARTER ADMINISTRATION HAS SET OUT deliberately to challenge the image of the "Ugly American" that was recently reinforced by Henry Kissinger and by Daniel Moynihan's tirades against the Third World. In his major foreign policy address at Notre Dame in May, Carter emphasized his administration's commitment to "reducing the chasm between the world's rich and poor." But what has been the real record of the administration? Bruce Vandervort, a Geneva-based journalist who closely follows world economic deliberations, examines the Carter administration's record on a key issue: the Third World demand for a new international economic order.



GENEVA—The 1973 oil embargo launched a revolution in international affairs. The industrialized nations (grouped in the OECD or Organization for Economic Cooperation & Development), were rudely awakened to the dependence of their market economies upon imported raw materials, largely from Third World suppliers. The less developed countries saw the rise of OPEC as the emergence of a Third World power bloc with the economic clout to push for a more equitable distribution of the world's wealth.

In 1974, a coalition of developing and socialist nations rammed a resolution through the United Nations General Assembly committing the UN and its several agencies to laying the bases for what they called a "new international economic order." Since then a priority item on the Third World agenda has been a UN-sponsored Common Fund to stabilize the prices of some 10 to 18 key exports of developing countries. Price regulation would help flatten out the boom-bust cycle that characterizes commodity trading and would greatly reduce the ability of consumer nations to pit one Third World exporter against another to force prices down.

While the U.S. and its OECD allies have agreed that intelligent self-interest dictates greater equity in relations with their less developed trading "partners," they have been unwilling to accept the structural changes demanded by the Third World bloc.

This spring President Carter and Sec. of State Cyrus Vance seemed to signal a softening of past opposition to the Common Fund. Before leaving Washington to attend the London Economic Summit on May 7, Carter told reporters that his administration was committed to a "proper and fair use of raw materials . . . from less developed countries and to [sharing] with those less fortunate nations the bounties that God has given the world." Three weeks later, Sec. of State Vance informed delegates to the "North-South Dialogue" in Paris that the U.S. stood for a "new international economic system" built upon "equity, growth, and, above all, justice."

But closer examination reveals that the change in Carter's policies has been largely rhetorical.

Common fund controversy.

The Program for a Common Fund, as set forth at a tumultuous session of the UN Conference on Trade and Development (UNCTAD) in Nairobi in May 1976, would bind the current welter of individual commodity agreements (e.g., Sugar Agreement, Tin Agreement) into one comprehensive unit, internationally-administered and empowered to "manage" world trade in key commodities.

Through a fund capitalized by fixed contributions from governments involved and by loans obtained on the international money market, the Program would buy up and stockpile certain surplus commodities, to be sold off in times of scarcity. This kind of arrangement, UNCTAD estimates, would keep commodity price swings within the 20 percent range and prevent wild surges in coffee prices or things like last year's near collapse of the copper market. The cost: some $6 billion to stock 10 commodities over the 1979-84 period, according to UNCTAD figures.

The program would also provide funding for improved production methods, market promotion and the diversification of national product mixes. This "second window" of the Common Fund has been endorsed by the least developed nations, who find drawing from UN sources more congenial than accepting the strings attached to loans from the IMF or World Bank, whose boards of directors are notoriously sensitive to OECD interests. Their reservations about taking money from these international lending agencies were underscored in early August, when the IMF warned that it might not help Peru meet external debt commitments because its military junta had put curbs on imports, presumably of finished goods from the industrialized bloc.

Carter promises change.

The Nixon/Ford Administration went thumbs down on the Common Fund/IPC at Nairobi on the grounds that its aim was to wreck the "free market" system of international trade. It took particular exception to the Fund "second window," because its financing would be regulated by a board weighted toward Third World representation, and thus not overly amenable to OECD wishes.

There were political considerations as well. The U.S. has always used its aid programs from the Marshall Plan to the Alliance for Progress and its control over international lending bodies as clubs to keep order. The "second window" would reduce Third World dependence on OECD country aid and investments or loans. Besides, why risk angering the multinational corporations by helping developing countries to process and market their own raw materials?

On March 10, the American Head of Delegation, Stephen Bosworth, Deputy Assistant Secretary of State for International Resources, told the first UNCTAD Common Fund Conference in Geneva that the Carter Administration held a "positive attitude" toward an "integrated approach" to commodity trade reform. A week later, Carter himself informed the UN General Assembly that the "United States is willing to consider . . . a common funding arrangement for financing buffer stocks where they are part of individual, negotiated agreements."

But action and rhetoric failed to coincide. Bosworth proceeded to stonewall in Geneva, and the Common Fund Conference was forced to adjourn without agreement on a single item on its agenda.

Keep away from UN.

Bosworth's stalling was a ploy to gain Washington sufficient time to put the final touches on its own program. The American position, now pretty much out in the open, goes back to the thesis that the survival of the world's market economies is closely linked to their maintenance of favorable terms of trade. To outrun the socio-political consequences of persistent "stagflation" and unemployment, these economies must continue to grow (remember Vance's formula for a "new" international economic system), and growth is difficult over the long haul without steady access to cheap supplies of raw materials and expanding markets for finished products.

The crux of American concern was spelled out with the utmost clarity in an address to the Council of the Americas by Fred Bergsten, Assistant Secretary of the Treasury for International Affairs. "The U.S.'s primary purpose in pursuing international commodity agreements," Bergsten said, "is to reduce the risk of inflationary pressure at home."

The emerging American plan is a typical Carter/Vance meld of old ideas and new rhetoric. Behind a fresh smokescreen of pastorals about "global interdependence," the old Nixon/Kissinger dream of lining up the consumer nations for a showdown with the suppliers lives on. With a new twist, of course.

No more John Connally's have been dispatched to Europe to put backbone into the European Economic Community jellyfish; Carter talks sweet reason to the Europeans and Japanese these days. And the Marines have discontinued their training for desert warfare; in the future, disputes with the producer countries will be settled at the bargaining table, not on the "shores of Tripoli."

However, not any old negotiating table will do. The U.S. has so far succeeded in channelling substantive trade talks away from the UN, where it is outgunned, and into the more genteel surroundings of the "North-South Dialogue" in Paris. Bosworth's stalling act in Geneva was for that purpose.

Souped-up Kissinger.

At the outset of the Conference, there had been a skirmish with a "Group of Like-Minded Nations" (the Benelux countries, Denmark, Finland and Norway, with Ireland and Sweden in the wings) that had wanted the EEC to go along with the UN/Third World version of the Common Fund. To block this maneuver, the U.S. called upon its No. 1 European "Trojan Horse," the Federal Republic of Germany. The Germans filibustered; the Community was obliged to resolve that a Common Fund "should be" set up, and that was all. The "Like-Minded" group folded and the Conference ended in deadlock.

The EEC "Like-Minded" contingent was also excluded from the Community's preparatory meeting for the London economic summit, with the result that the American position on trade relations prevailed at Downing Street. It surfaced again in Paris as the OECD bargaining package at the "North-South" encounter.

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BRITAIN

Trade unions grant Labour a reprieve

Prime minister Callaghan came to the Trades Union Congress to keep something of labor's pact with the government. He got something, but a big strike may topple him.

By Mervyn Jones

LONDON—This year's meeting of the Trades Union Congress, held on Sept. 5-9, will be remembered as the week when people wanted to be kind to Prime Minister James Callaghan's government. The unions had already rejected pleas to keep wage rises for the coming year down to 10 percent, or any other imposed ceiling, and had proclaimed a return to free collective bargaining. There was therefore a general inclination to leave something of the Government's policy intact. After all, an election can't be far off and a total breach between the Labour Party and the unions can only help the Tories.

Callaghan himself, as the TUC's guest, made about the cleverest and most successful speech of his career. He said candidly, indeed bluntly, that the Government would still use all its influence—and its control over the public sector of industry—to keep wage rises down to the 10 percent level. But he promised: "The period of reduction of living standards is at an end. There will be no further reduction in our standard of living because we have worked our way through that situation." This formula neatly sidestepped the question of whether unions are entitled to regain the ground lost through the admitted reduction of 1976-7.

He went on to give a broad hint of reflationary measures for this fall, stressed the currently improving economic situation and the good prospects ahead, and warmly thanked the unions for their cooperation over the last two difficult years. He sat down to a standing ovation—to be interpreted not as an endorsement of everything he'd said, but as an assurance that party and union are still on friendly terms.

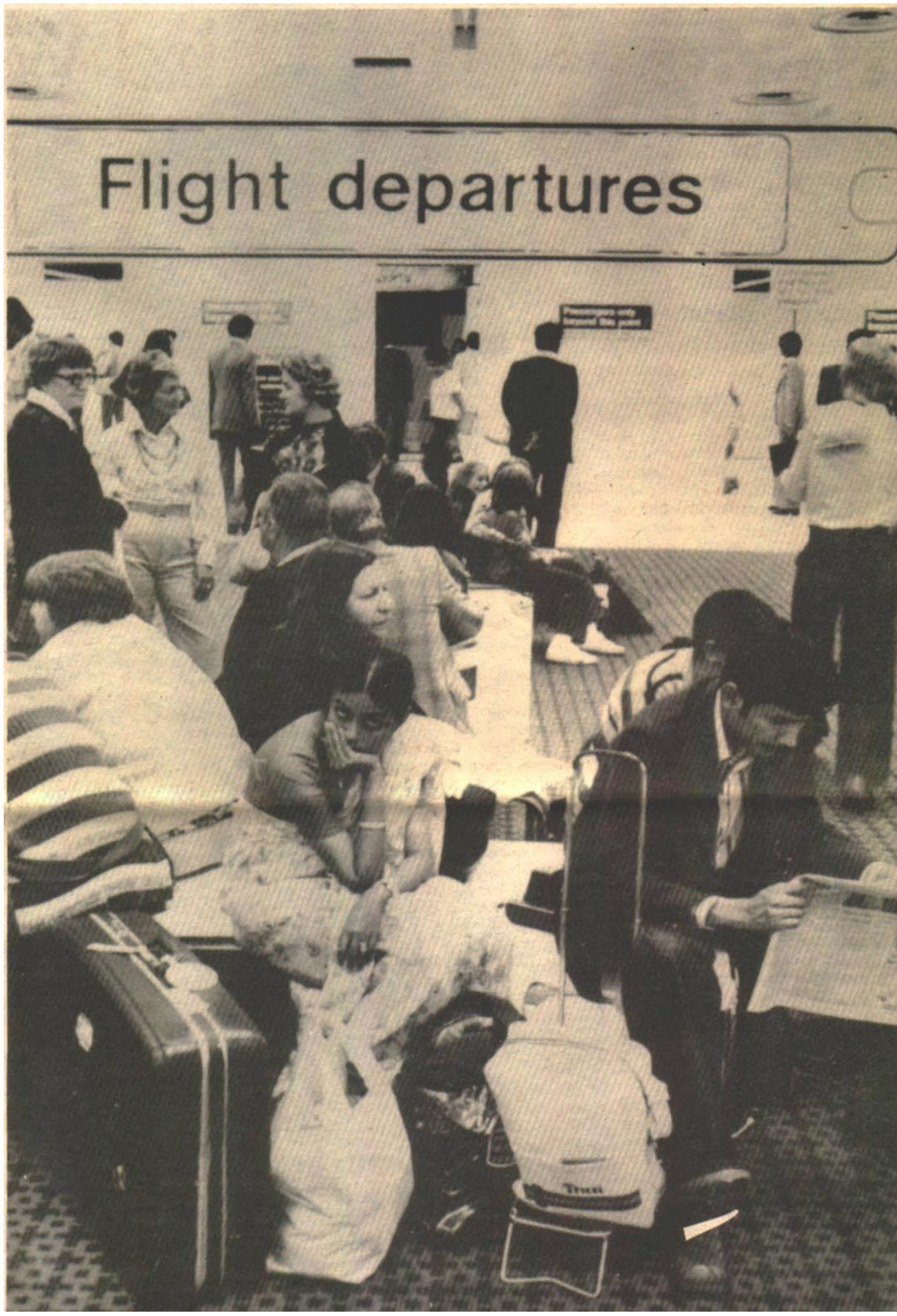
12-month rule maintained.

The crucial vote was on the so-called 12-month rule, the last remaining fragment of the wage restraint system. This binds the unions not to seek wage rises within 12 months of the previous rise. Since the previous rise for most workers was miniscule, and way behind the inflation rate, there's a natural reluctance to wait until next March—or thereabouts—to put in fresh demands. Indeed, most major unions at their own conferences have decided to table demands as soon as possible.

By a vote of 7,130,000 to 4,344,000, a long resolution was ratified endorsing the "immediate return to free collective bargaining," granting the 12-month rule as a condition, and demanding urgent Government action of a reflationary nature "to reduce unemployment and allow living standards to rise again."

How far the union leaders speak for their members in conceding the 12-month rule is a matter for argument. Hugh Scanlon, president of the Amalgamated Union of Engineering Workers, cast his union's 1 ¼ million votes for the resolution amid protesting shouts from other delegates of that union.

What's involved here is a question that has caused a ruckus within the AUEW on many previous occasions. Is the union vote at the TUC (or at a Labour Party conference) to be cast in accordance with previous decisions of its executive committee, as interpreted by the president, or in accordance with the wishes of the delegation to that conference? Advocates of the latter view assert that the delegation is the more democratic body, being chosen from shop-floor workers in various regions, and also that it can take account of recent swings of opinion. Twenty-three of the 26 delegates at the TUC were opposed to the 12-month rule, which must mean something in terms of membership attitudes. These delegates bitterly denounced Scanlon for dictatorially casting the vote as he saw fit.



Passengers at London's Heathrow airport during air traffic control assistants strike. UPI

Air controllers strike.

The difficulties created by the lingering remnants of the wage restraint policy are highlighted in the current strike by air control traffic assistants. There are only 850 of these men, but their action has cut British Airways flights by 40 percent and created long delays at airports.

They reached agreement with the management (the state-owned Civil Aviation Authority) in June 1975 on wage rises of between 13 and 17 percent, according to grade and skill. Because of the wage-freeze, introduced in August 1975, the increases were not paid. They claim that, the wage-freeze being over, they should get the rise—with back-dating to January 1975, when the original negotiations started.

The Government states firmly that, return to free collective bargaining notwithstanding, nobody paid from public funds is going to get a rise of over 10 percent. The CAA says, in particular, that the back-dating is out of the question. The union replies that it's not making a new claim but asking for the implementation of a 1975 settlement, and that back-dating is hallowed practice.

Acting tough, the CAA has now declared the men dismissed for refusing to perform their duties—which shows that a state authority can behave just like any old unreconstructed employer. The strike could be a long one.

Any major strike this fall or winter—above all a miners' strike, the ultimate nightmare—would pose a grave threat to the promised economic recovery, to the "confidence" of foreign investors, and also to the political strategy whereby Callaghan hopes to win the next election.

Thus the question faced by the Government is: how firmly can it hold to its disciplinary policies without provoking an explosion? The TUC session has supplied a reprieve, but no durable answer.

Mervyn Jones writes for The New Statesman.