Neoliberal Globalisation & the Third World

Fidel Castro

Contents

Note

Throughout the speeches and appendices in this pamphlet, dollars refers to US dollars.

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Neoliberal Globalisation & the Third World

Excellencies, distinguished delegates and guests,

Never before did mankind have such formidable scientific and technological potential, such extraordinary capacity to produce riches and wellbeing but never before were disparity and inequity so profound in the world.

Technological wonders that have been shrinking the planet in terms of communications and distances coexist today with the increasingly wider gap separating wealth and poverty, development and underdevelopment.

Globalisation is an objective reality underlining the fact that we are all passengers on the same vessel, that is, this planet where we all live. But, passengers on this vessel are travelling in very different conditions.

Trifling minorities are travelling in luxurious cabins furnished with Internet, cell phones and access to global communication networks. They enjoy a nutritional, abundant and balanced diet as well as clean water supplies. They have access to sophisticated medical care and to culture.

Overwhelming and hurting majorities are travelling in conditions that resemble the terrible slave trade from Africa to America in our colonial past. That is, 85% of the passengers on this ship are crowded together in its dirty hold suffering hunger, diseases and helplessness.

Obviously, this vessel is carrying too much injustice to remain afloat and it pursues such an irrational and senseless route that it cannot call on a safe port. This vessel seems destined to clash with an iceberg. If that happened, we would all sink with it.

The heads of state and government meeting here, who represent the overwhelming

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This address was given by Fidel Castro Ruz, President of the Council of State and the Council of Ministers of the Republic of Cuba, on April 12, 2000 at the opening session of the Group of 77 South Summit Conference in Havana .

and hurting majorities, have not only the right but the obligation to take the helm and correct that catastrophic route. It is our duty to take our rightful place at the helm and facilitate that all passengers can travel in conditions of solidarity, equity and justice.

For two decades, the Third World has been repeatedly listening to only one simplistic discourse while one single policy has prevailed.

We have been told that deregulated markets, maximum privatisation and the state's withdrawal from the economic activity were the infallible principles conducive to economic and social development.

Along this line the developed countries, particularly the United States of America, the big transnationals benefiting from such policies and the International Monetary Fund have designed in the last two decades the world economic order most hostile to our countries' progress and the least sustainable in terms of the preservation of society and the environment.

Globalisation has been held tight by the patterns of neoliberalism; thus, it is not development that goes global but poverty; it is not respect for the national sovereignty of our states but the violation of that respect; it is not solidarity amongst our peoples but "sauve qui peut" [save themselves who can] in the unequal competition prevailing in the marketplace.

Two decades of so-called neoliberal structural adjustment have left behind economic failure and social disaster. It is the duty of responsible politicians to face up to this predicament by taking the indispensable decisions conducive to the Third World rescue from a blind alley.

Economic failure is evident. Under the neoliberal policies, the world economy experienced a global growth between 1975 and 1998 which hardly amounted to half of that attained between 1945 and 1975 with Keynesian policies and the states' active participation in the economy.

In Latin America, where neoliberalism has been applied with absolute attachment to doctrine, economic growth in the neoliberal stage has not been higher than that attained under the previous state development policies. After World War II, Latin America had no debt but today we owe almost $1 trillion. This is the highest per capita debt in the world. Also the income difference between the rich and the poor in the region is the greatest worldwide. There are more poor, unemployed and hungry people in Latin America now than at any other hard time in its history.

Under neoliberalism the world economy has not been growing faster in real terms; however, there is more instability, speculation, external debt and unequal exchange. Likewise, there is a greater tendency to financial crises occurring more often while poverty, inequality and the gap between the wealthy North and the dispossessed

South continues to widen.

Crises, instability, turmoil and uncertainty have been the most common words used in the last two years to describe the world economic order.

The deregulation that comes with neoliberalism and the liberalisation of the capital account have a deep negative impact on a world economy where speculation blooms in hard currency and derivative markets and mostly speculative daily transactions amount to no less than $3 trillion.

Our countries are urged to be more transparent with their information and more effective with bank supervision but financial institutions like the hedge funds fail to release information on their activities, are absolutely unregulated and conduct operations that exceed all the reserves kept in the banks of the South countries.

In an atmosphere of unrestrained speculation, the movements of short-term capital make the South countries vulnerable to any external contingency.

The Third World is forced to immobilise financial resources and grow indebted to keep hard currency reserves in the hope that they can be used to resist the attack of speculators. Over 20% of the capital revenues obtained in the last few years were immobilised as reserves but they were not enough to resist such attacks as proven by the recent financial crisis in Southeast Asia.

Presently, $727 billion from the world central banks' reserves are in the United States. This leads to the paradox that with their reserves the poor countries are offering cheap long-term financing to the wealthiest and most powerful country in the world while such reserves could be better invested in economic and social development.

If Cuba has successfully carried out education, health care, culture, science, sports and other programs, which nobody in the world would question, despite four decades of economic blockade, and revalued its currency seven times in the last five years in relation to the US dollar, it has been thanks to its privileged position as a non-member of the International Monetary Fund.

A financial system that keeps forcibly immobilised such enormous resources, badly needed by the countries to protect themselves from the instability caused by that very system that makes the poor finance the wealthy, should be removed.

The International Monetary Fund is the emblematic organisation of the existing monetary system and the United States enjoys veto power over its decisions.

As far as the latest financial crisis is concerned, the IMF showed a lack of foresight and a clumsy handling of the situation. It imposed its conditioning clauses that paralysed the governments' social development policies thus creating serious domestic hazards and preventing access to the necessary resources when they were most needed.

It is high time for the Third World to strongly demand the removal of an institution that neither provides stability to the world economy nor works to deliver preventive funds to the debtors to avoid their liquidity crises; it rather protects and rescues the creditors.

Where is the rationale and the ethic of an international monetary order which allows a few technocrats, whose positions depend on the American support, to design in Washington identical economic adjustment programs for implementation in a wide variety of countries to cope with specific Third World problems?

Who takes responsibility when the adjustment programs bring about social chaos, thus paralysing and destabilising nations with large human and natural resources, as was the case in Indonesia and Ecuador?

It is of crucial importance for the Third World to work for the removal of that sinister institution, and the philosophy it sustains, to replace it with an international finances regulating body that would operate on democratic bases and where no one has a veto right. An institution that would not defend only the wealthy creditors and impose interfering conditions, but would allow the regulation of financial markets to arrest unrestrained speculation.

A viable way to do this would be by establishing not a 0.1% tax on speculative financial transactions as Mr. Tobin brilliantly proposed, but rather a minimum 1% which would permit the creation of a large indispensable fund — in excess of $1 trillion every year — to promote a real, sustainable and comprehensible development in the Third World.

The underdeveloped nations' external debt is amazing not only because it is terribly high but also due to its outrageous mechanism of subjugation and exploitation and the absurd formula offered by the developed countries to cope with it.

That debt already exceeds $2.5 trillion and in the present decade it has been increasing more dangerously than in the 1970s. A large part of that new debt can easily change hands in the secondary markets; it is more dispersed now and more difficult to reschedule.

Once again I should repeat what we have been saying since 1985: the debt has already been paid if note is taken of the way it was contracted, the swift and arbitrary increase of the interest rates on the US dollar in the previous decade and the decrease of the basic commodity prices, a fundamental source of revenue for developing countries. The debt continues to feed on itself in a vicious circle where money is borrowed to pay its interests.

Today, it is clearer than ever that the debt is not an economic but a political issue, therefore, it demands a political solution. It is impossible to continue overlooking the fact that the solution to this problem must basically come from those with resources and power, that is, the wealthy countries.

The so-called Heavily Indebted Poor Countries Debt Reduction Initiative exhibits a long name but poor results. It can only be described as a ridiculous attempt at alleviating 8.3% of the South countries' total debt; but almost four years after its implementation only four countries among the poorest 33 have reached the complicated process simply to condone the negligible figure of $2.7 billion, which is 33% of what the United States spends on cosmetics every year.

Today, the external debt is one of the greatest obstacles to development and a bomb ready to blow up the foundations of the world economy at any time during an economic crisis.

The resources needed for a solution that goes to the root of this problem are not large when compared to the wealth and the expenses of the creditor countries. Every year $800 billion are used to finance weapons and troops, even after the Cold War is over, while no less than $400 billion go into narcotics and one additional billion into commercial publicity which is as alienating as narcotics; this is to mention just three examples.

As we have said before, sincerely and realistically speaking the Third World countries' external debt is unpayable and uncollectable.

In the hands of the rich countries, world trade is already an instrument of domination, which under neoliberal globalisation will become an increasingly useful element to perpetuate and sharpen inequalities as well as a theatre for strong disputes among developed countries for control over the present and future markets.

The neoliberal discourse recommends commercial liberalisation as the best and only formula for efficiency and development. Accordingly, all nations should remove protection instruments from their domestic markets while the difference in development between countries, no matter how big, would not justify separation from the only way offered without any possible alternative. After hard negotiations in the WTO, the poorest countries have been conceded a narrow time difference for full access to that nefarious system.

While neoliberalism keeps repeating its discourse on the opportunities created by trade openings, the underdeveloped countries' participation in world exports was lower in 1998 than in 1953, that is, 45 years ago. With an area of 8.5 million square kilometres, a population of 168 million and $51.1 billion in exports during 1998, Brazil is exporting less than the Netherlands with an area of 41,803 square kilometres, a population of 15.7 million and exports of $198.7 billion that same year.

Trade liberalisation has essentially consisted in the unilateral removal of protection instruments by the South. Meanwhile, the developed nations have failed to do the same to allow the Third World exports to enter their markets.

The wealthy nations have fostered liberalisation in strategic sectors associated with advanced technology where they enjoy enormous advantages that the deregulated markets tend to augment. These are the classic cases of services, information technology, biotechnology and telecommunications.

On the other hand, agriculture and textiles, two particularly significant sectors for our countries, have not even been able to remove the restrictions agreed upon during the Uruguay Round because they are not of interest to developed countries.

In the OECD, the club of the wealthiest, the average tariff applied to manufactured exports from underdeveloped countries is four times higher than that applied to the club member countries. A real wall of non-tariff barriers is thus raised that leaves out the South countries.

Meanwhile, in international trade a hypocritical ultra-liberal discourse has gained ground that matches the selective protectionism imposed by the North countries.

The basic commodities are still the weakest link in world trade. In the case of 67 South countries such commodities account for no less than 50% of their export revenues.

The neoliberal wave has wiped out the defence schemes contained in the terms of reference for basic commodities. The supreme dictum of the marketplace could not tolerate any distortion, therefore, the Basic Commodities Agreements and other defence formulas designed to face unequal exchange were abandoned. It is for this reason that today the purchasing power of such commodities as sugar, cocoa, coffee and others is 20% of what it used to be in 1960; consequently, they do not even cover the production costs.

A special and differentiated treatment to poor countries has been considered not as an elementary act of justice and a necessity that cannot be ignored but as a temporary act of charity. Actually, such differential treatment would not only recognise the enormous differences in development that prevent the use of the same yardstick for the rich and the poor but also a historically colonial past that demands compensation.

The failed Seattle meeting showed the tedium caused by and the opposition to neoliberal policies in growing sectors of public opinion, in both South and North countries.

The United States of America presented the round of trade negotiations that should begin in Seattle as a higher step in trade liberalisation regardless, or perhaps forgetful, of its own aggressive and discriminatory Foreign Trade Act still in force. That Act includes provisions like the "Super-301", a real display of discrimination and threats to apply sanctions to other countries for reasons that go from the assumed opposition of barriers to American products to the arbitrary, deliberate and often cynical qualification that that government decides to give others on the subject of human rights.

In Seattle there was a revolt against neoliberalism. Its most recent precedent had been the refusal to accept the imposition of a Multilateral Agreement on Investments. This shows that the aggressive market fundamentalism, which has caused great damages to our countries, has found a strong and deserved world rejection.

In addition to the above mentioned economic calamities, on occasions the high oil prices significantly contribute to the worsening of conditions in the South countries which are net importers of that vital resource. The Third World produces about 80% of the oil traded worldwide, and 80% of that amount is exported to the developed countries.

The wealthy nations can afford to pay any price for the energy they waste to sustain luxurious consumption levels and destroy the environment. The United States' consumption is 8.1 tons oil equivalent per capita while the Third World consumes an average of 0.8 tons, and the poorest among them only 0.3.

When the prices mount abruptly from $12 to $30 a barrel, or more, it has a devastating effect on the Third World nations. This is in addition to the external debt, the low prices of their basic commodities, the financial crises and the unequal terms of reference's negative impact weighing heavily on them. Now, we perceive a similarly devastating situation emerging anew among sister South nations.

Petroleum is a universally needed vital commodity, which actually escapes the market laws. One way or another, the big transnationals or the Third World oil exporting countries that associated themselves to defend their interests were always able to determine its price.

The low prices mostly benefit the rich countries that waste large amounts of fuel, restrain the search for and the exploitation of new deposits as well as the development of technologies that reduce consumption and protect the environment; and they affect the Third World exporters. On the other hand, high prices benefit the exporters and can be easily handled by the rich but they are harmful and destructive to the economies of a large part of our world.

This is a good example to show that a differential treatment to countries in different stages of development should be an indispensable principle of justice in world trade. It is absolutely unfair that a poor Third World country like Mozambique with $84 per capita GDP needs to pay for such a vital commodity the same price as Switzerland with $43,400 per capita. This is a 516 times higher per capita GDP than that of Mozambique!

The San José Pact, concerted 20 years ago by Venezuela and Mexico with a group of small oil importing countries in the region, set a good precedent of what can and should be done bearing in mind the particular conditions of every Third World nation in similar circumstances, although avoiding this time any conditions associated to the differential treatment they might receive.

Some countries are not in a position to pay more than $10 a barrel, others no more than $15, and none more than $20.

However, the rich countries' world, prone as it is to big spending and consumerism, can pay over $30 a barrel taking hardly any damage. As they consume 80% of the Third World countries' exports, this can easily compensate a price lower than $20 for the rest of the nations.

This could be a concrete and effective way to turn South-South cooperation into a powerful instrument of Third World development. To do otherwise would invite self-destruction.

In a global world where knowledge is the key to development, the technological gap between the North and the South tends to widen with the increasing privatisation of scientific research and its results.

The developed countries with 15% of the world's population presently concentrate 88% of Internet users. Just in the United States there are more computers than in the rest of the world put together. These countries control 97% of the patents the world over and receive over 90% of the international licence rights while for many South countries the exercise of the right to intellectual property is nonexistent.

In private research, the lucrative element takes precedence over necessity; the intellectual property rights leave knowledge out of reach for underdeveloped countries and the legislation on patents does not recognise know-how transfer or the traditional property systems, which are so important in the South.

Private research focuses on the needs of the wealthy consumers.

Vaccines have become the most efficient technology to keep health care expenses low since they can prevent diseases with one dosage. However, as they yield low profits they are put aside in favour of medications that require repeated dosages and yield higher benefits.

The new medications, the best seeds and, in general, the best technologies have become commodities whose prices only the rich countries can afford.

The murky social results of this neoliberal race to catastrophe are in sight. In over 100 countries the per capita income is lower than 15 years ago. At the moment, 1.6 billion people are faring worse than at the beginning of the 1980s.

Over 820 million people are undernourished and 790 million of them live in the Third World. It is estimated that 507 million people living in the South today will not live to see their 40th birthday.

In the Third World countries represented here, two out of every five children suffer from growth retardation and one out of every three is underweight; 30,000 who could be saved are dying every day; two million girls are forced into prostitution; 130 million children do not have access to elementary education and 250 million minors under 15 are bound to work for a living.

The world economic order works for 20% of the population but it leaves out, demeans and degrades the remaining 80%.

We cannot simply accept to enter the next century as the backward, poor and exploited rearguard; the victim of racism and xenophobia prevented from accessing to knowledge and suffering the alienation of our cultures due to the foreign consumer-oriented message globalised by the media.

As for the Group of 77, this is not the time for begging from the developed countries or for submission, defeatism or internecine divisions. This is the time to rescue back our fighting spirit, our unity and cohesion in defending our demands.

Fifty years ago we were promised that one day there would no longer be a gap between developed and underdeveloped countries. We were promised bread and justice; but today we have less and less bread and more injustice.

The world can be globalised under the rule of neoliberalism but it is impossible to rule over billions of people who are hungry for bread and justice.

The pictures of mothers and children under the scourge of droughts and other catastrophes in whole regions of Africa remind us of the concentration camps in Nazi Germany; they bring back to us memories of stacks of corpses or of moribund men, women and children.

Another Nuremberg is required to put on trial the economic order imposed on us, the same order that is killing of hunger and preventable or curable diseases more men, women and children every three years than all those killed by World War II in six years.

We should discuss here what is to be done about that.

In Cuba we usually say: “Homeland or Death!” At this summit of the Third World countries we would have to say: “We either unite and establish close cooperation, or we die!”

Thank you very much.■

Fighting to Preserve Life on Earth

Excellencies, distinguished delegates and guests,

Perhaps after the generous resolution you have just adopted regarding the United States' economic war against Cuba, without our having requested it, it would be better to say: dear brothers and sisters.

I have been truly impressed by the speeches we have heard here today. Over the course of many hours, I took note of the main ideas expressed by every head of state or government, vice presidents and other high officials who took the floor.

I have attended many summit meetings, but never before had I seen such a coincidence of opinion among the Third World leaders. This shows two things.

Firstly: talent, clear thinking, the ability to elaborate and communicate ideas, and the experience accumulated by the leaders of our countries throughout 40 years, since the inception of the Non-Aligned Movement and later the Group of 77, as many of the peoples represented here achieved independence and we supported each other as free states or as liberation movements.

Secondly: the severity of the crises facing our countries in their efforts to achieve development, and the growing inequality and discrimination they suffer.

The participants here have denounced, one by one, the injustices and calamities that plague our nations and are a constant source of concern to us all.

Every single speaker alluded to the debt tragedy that limits our resources for economic and social development in a thousand different ways.

There was practically unanimous agreement on the view that the benefits of globalisation extend to only 20% of the world's population, at the expense of the other 80%, while the gap between the wealthy countries and the marginalised world grows increasingly wider.

There was also a unanimous approach to the need for a transformation of both

This speech was given by Fidel Castro Ruz on April 14, 2000 at the closing session of the Group of 77 South Summit Conference in Havana.

the United Nations and the international financial system.

One way or another, every delegation expressed the view that unequal and unfair trade is decimating the Third World's export revenues through tariff and non-tariff barriers that deprive it of the minimum amount required to pay off debts and achieve sustainable economic and social development.

Equally unanimous was the complaint that scientific and technical development, currently monopolised by the privileged club of wealthy countries, remains beyond our reach, for it is the wealthy countries that control the research centres, hold almost 100% of patents, and increasingly hinder our access to know-how and technology. Quite a few leaders of the South took it upon themselves to remind us of something that is barely mentioned in the manuals on neoliberal policies and economics: the shameless theft of the most highly qualified minds of the Third World. The North countries are appropriating them because the South cannot offer enough research centres, and much less the high salaries that draw these minds to the consumer societies, which did not spend a penny on training them. In addition, many of the outstanding youths from the Third World studying at universities in the former colonial powers or other wealthy countries do not return home after graduation.

Many of our world leaders used really overwhelming figures and statistics to reflect the sum total of accumulated financial obligations and the brutal mockery at dozens of the poorest countries of which only four have been targeted for a slight relief. There is a clearly resounding clamour for the Third World's debt to be considerably reduced if it cannot be completely cancelled, which is what would be most fair and equitable for the peoples who have paid it off many times over in the course of centuries past and present.

Many of our colleagues have addressed the need to establish fiscal obligations on various activities in order to finance development.

Cuba has sustained, and steadfastly insists, that a 1% tax on all speculative operations would suffice to finance the development of the Third World. Pay no attention to those who claim that it would be impossible. The technical resources and know-how currently available would make it perfectly possible.

When one hears the participants at this Summit describe the billions of people who receive less than $2, less than $1 or only a few cents with which to survive, one might come to believe that our planet is devoid of even the slightest sense of humanity. Nobody could have imagined that after the century of the revolution for liberty, equality and fraternity over 200 years ago, the century of accelerated industrialisation that followed or that of great breakthroughs in communications, science and the productivity of human labour, which has just come to an end, we would be discussing the hundreds of millions of people who are going hungry, malnourished, illiterate, unemployed and suffering from disease, in addition to the colossal numbers of children who are undersized or underweight for their age, who have no access to schools or medical care, or who are forced to work at gruelling and low-paying jobs, not to mention infant mortality rates that are sometimes over 20 times higher than in the wealthy nations. These are the permanent human rights reserved to us.

Fixed in our memories, as a symbol of our era, is the figure of 36 million people in the world infected with AIDS, of which 26 million live in the African continent, as indicated by the secretary general of the United Nations; medical treatment for them would require $10,000 per person per year. And, in the next 12 months, another six million newly infected people will engross this figure.

Why do all of these happen? How much longer will it last?

One way or another, practically everyone here expressed their expectations about this Summit.

Never before had I seen such awareness. Let us hope that we are as aware of our combined strength as we are of the pettiness and the injustices we suffer.

Perhaps in the future people will speak in terms of before and after the first South Summit. It is up to us to make it happen.

People used to talk about apartheid in Africa. Today, we can talk about apartheid throughout the world where more than four billion people are deprived of the most basic rights of human beings: the right to life, to health, to education, to clean water, to food, to housing, to employment, to hope for their future and that of their children.

At the rate we are going, we will soon be deprived even of the air we breathe, increasingly poisoned by the wasteful consumer societies that pollute the elements essential for life and destroy human habitat. Natural disasters like those that have affected Central America, Venezuela, Mozambique and many other countries — almost all of them in the Third World and all in the course of barely 18 months — were completely unprecedented in the 20th century. They took the lives of thousands of people. These are the consequences of climatic changes and the destruction of nature and the blame cannot be laid upon those of us gathered here to fight not only for universal standards of justice but also for the preservation of life on the planet.

The wealthy world pretends to ignore that slavery, colonialism and the brutal exploitation and plunder to which our countries were subjected for centuries are the causes of underdevelopment and poverty. They look upon us as inferior nations. They attribute the poverty we suffer to the inability of African, Asian, Caribbean and Latin American peoples, that is, of dark and yellow skinned, indigenous and mixed-race peoples to achieve any degree of development or even to govern ourselves. They speak of our flaws as if it were not they themselves who impregnated our pure and noble ancestral peoples with the vices of the colonisers or the exploiters.

They also pretend to ignore that when Europe was populated by those whom the Roman Empire called barbarians, there were civilisations in China, India, the Far East, the Middle East, and north and central Africa that had created what are still known today as world wonders and that had developed written languages before the Greeks learned to read and Homer wrote *The Iliad*. In our own hemisphere, the Mayans and pre-Incan civilisations had attained knowledge that still today continues to astound the world.

I am firmly convinced that the current economic order imposed by the wealthy countries is not only cruel, unjust, inhuman and contrary to the inevitable course of history but also inherently racist. It reflects racist conceptions like those that once inspired the Nazi holocaust and concentration camps of Europe, mirrored today in the so-called refugee camps of the Third World, which actually serve to concentrate the effects of poverty, hunger and violence. These are the same racist conceptions that inspired the monstrous system of apartheid in Africa.

At this Summit, our reflections were aimed at building unity, accumulating forces, strategies, tactics and the means to coordinate and guide our efforts to ensure that our vital economic rights are recognised. But, this Summit also reflects our obligation to fight for our dignity, our culture and our right to be treated as equals.

In the same way that, in a not-so-distant past, we defeated colonialism and attained the status of independent countries, and much more recently crushed the heinous and fascist apartheid system through the common efforts of the Third World in support of the heroic South African fighters, we can show that we are not inferior to anyone when it comes to fighting capacity, bravery, talent and virtues.

We are fighting for the most sacred rights of the poor countries; but we are also fighting for the salvation of a First World incapable of preserving the existence of the human species, of governing itself in the midst of contradictions and self-serving interests and much less of governing the world whose leadership must be democratically shared. It could almost be mathematically demonstrated that we are fighting to preserve life on Earth.

This is the only way that we can prevent the ship of which I spoke in my welcoming address from colliding with the iceberg that could sink us all.

This is the only way that we can look forward to life and not death.

Thank you very much.■

Appendix 1
International Financial Architecture

The current world financial order is a remnant of what the system, which was agreed upon at the Bretton Woods conference, was for 27 years. According to those agreements, from 1944 to 1971, the Dollar-Gold Exchange Standard, which was based on the fixed exchange rates and ensured some degree of monetary stability, prevailed in the world financial system. Since 1971, when the United States stopped backing the dollar with gold, the exchange markets have been affected by extreme volatility.

Over the last 20 years, the richest countries and, in particular, the United States, have virtually dragged all underdeveloped countries into a neoliberal economic policy that has resulted in an opening of the latter's economy, way beyond what was prudent and beyond their actual ability to regulate.

One of the pillars of that policy is the indiscriminate liberalisation of the balance-of-payments capital and financial account, which is an intrinsic factor in the instability of the world economy. This instability is transferred via the so-called bandwagon effect, by virtue of the globalisation of the financial market, in such a way that an untimely measure of this kind affects not only the country that adopts it, but others as well, to a lesser or greater extent, depending on the size of their respective economies.

In reasoning this out, it is worth mentioning the examples of China and India, countries that were less affected by the recent crisis. As pointed out by the United Nations Conference on Trade and Development (UNCTAD) in a recent report, it is noteworthy that these are precisely the countries that have resisted the temptation to prematurely integrate into the global financial system.

With the advent of modern means of automatic information processing and

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The five items appended here were included as annexes to Fidel Castro's speech to the Group of 77 South Summit Conference.

telecommunications, monetary markets developed their own dynamics, thus becoming an important sector of that global financial market and gradually splitting off from the real economy.

The current daily volume of hard currency sales transactions worldwide is estimated to reach some $1.5 trillion. This does not include the operations of the so-called financial by-products, which represent an additional sum of about the same size. Bearing in mind that the world's total amount of exports in one year is about $6.5 trillion, we can figure out the extraordinary volume of monetary transactions not related to actual trade.

Even assuming that a significant part of these transactions may be related to operations between subsidiaries, donations, unilateral transfers, etc., there is no question that a large portion of them is linked to speculation.

In all international fora where the causes of financial crises are debated, there is talk of the need for greater information transparency and for effective banking supervision. Requirements and progress in this field, however, appear to be asymmetric.

For example, in practice we are witnessing a worrying growth in the activity of strongly levered financial entities, such as the so-called hedge funds, that operate from tax havens, revealing very little or no information regarding their activity. Nevertheless, these institutions regularly carry out transactions involving amounts that are considerably larger than the underdeveloped countries' bank reserves and have the real capacity to destabilise their financial markets, seriously affecting the performance of their economies. There have already been cases in which even the markets of the most developed countries have been jeopardised by the activity of these institutions.

The director of the Bank for International Settlements recently expressed his fear that tax havens would unleash a financial crisis in the future.

All of this indicates that in order to achieve greater information transparency and more effective banking supervision, efforts should be first and foremost geared towards regulating the activity of these powerful financial institutions, whose ability to destabilise is nowadays much greater than that of any Third World country.

The head of Hong Kong's monetary authority — a territory with reserves of some $90 billion and a high level of economic and financial liberalisation — said in the midst of the 1998 crisis: "Hong Kong has the lowest level of state intervention in the world, the strongest economic foundation, and has no debt; but speculation threatens to destroy the structure of this model economy. And if Hong Kong's strong foundation can be threatened by such speculation, what hope is left for the emerging and unindustrialised markets?"

But speculation is not the only threat to the financial stability of developing countries. Their extreme reliance on short-term capital flows renders them vulnerable to any external shock, even if their economic policies are internally sound.

The design of this international financial system forces developing countries and so-called emerging countries to immobilise important financial resources and get further into debt in order to accumulate reserves in hard currency, with the illusion of discouraging and resisting speculative attacks on their national currency and, in general, to defend their stability. In this regard, the latest UNCTAD report mentioned that more than 20% of these countries' total net inflow of capital in the last few years was used to increase their national reserves. For the countries regarded as emerging markets, that proportion is considerably higher than it was in the '80s, something which is undoubtedly determined by their greater vulnerability to the volatility of capital flows.

This accumulation of reserves takes place despite greater exchange flexibility and despite reforms geared towards facilitating the access to foreign capital in these countries.

It is well known that even when reserves can be made profitable by investing in international financial assets, the opportunity cost is high, since resources that could be used for development are immobilised. Furthermore, in financial terms, the cost of these resources is almost always greater than their performance, due to the high interest rates which have to be paid by developing and so-called emerging countries for the credits they receive.

To give just one example, South Korea's reserves in 1991 were $13 billion; in 1996, $34 billion; and by January 2000, these had reached $74 billion, i.e., over five-fold those of 1991 and more than twice those of 1996.

Seventy percent of the reserves in central banks worldwide is made up of US dollars, and approximately 727 billion of these dollars are placed in the United States. Something unusual: with their reserves, developing countries contribute to providing cheap, long-term, finances for the richest and mightiest country in the world.

It is obvious that a financial system that forces countries to immobilise important financial resources that they desperately need, just to protect themselves from its instability, and which makes it possible for the poor to finance the rich, must be subjected to an in-depth analysis.

On the other hand, opening the economy at all costs and changing the patterns of financing on an international level, initiated an exaggerated growth rate in the emerging countries' stock markets. In 1980, the 24 most important emerging markets, as a whole, had a capitalisation of $145 billion, whereas, by 1992, that figure had been increased seven-fold, and by 1998, close to 15-fold.

This impressive development of organised markets in emerging countries has increased the instability of the international financial system. We must remember that stock markets revaluate many investments on a daily basis, and these revaluations give rise to constant decisions by investors.

But the new and most dangerous thing is that these constant revaluations lead to transactions that can be carried out today in greater amounts and more rapidly than ever before, giving stock markets a much stronger destabilising power than ever in the past.

Another quite visible result of that neoliberal policy has been the transfer of state assets to transnational enterprises, which are certainly much more powerful than governments themselves.

The cost-benefit ratio of this long-term policy does not favour Third World countries. Particularly in the financial realm, it has the effect of aggravating problems in the external finance sector, because outflows as dividends sent abroad, in general, exceed the initial inflows of the investment in a short time period.

If we use Latin America as an example, we see that many of the investments registered in the balance of payments are the result of privatisations and reflect a change of ownership of the assets being exploited, belonging to residents of the economy, which become non-resident stock (i.e., they are not investments that create new sources of wealth and employment). These investments — which are initially entered just once as an inflow in the balance-of-payments capital and financial account (when the change of ownership is registered) — subsequently have sustained and increased entries in the income account as outflows for remittances of profits abroad, decapitalising the country that received the investment and heightening the problems of its external sector. These flows of resources, which are transferred to rich nations, are seldom given any coverage by the mass media, which contrasts with the constant publicity given to incomes from foreign investment.

If we review the elements of the Latin American and Caribbean balance of payments as a whole, we can see elements that back this analysis, by showing that the true cause of the current-account deficit does not lie in the unfavourable evolution of the balance of trade — as many try to explain — but rather in the performance of the income account, where the net transfer of resources as foreign investment profits is registered.

In the 1990-99 period — according to ECLAC figures — the accumulated deficit in Latin America's current account was as high as $422 billion. The negative result of the income account represented 95% of that deficit.

There is, therefore, no doubt that privatisations advocated by the neoliberal model, while, in many cases, allowing for an immediate income, originate a mid- and long-term net transfer of resources that creates an irreversible debt spiral. Furthermore, the policy of indiscriminately transferring assets to non-residents on a large scale does not *per se* promote structural changes or meet the real needs of Latin America's economy.

An overview of the current international financial system design cannot be complete without making reference to the role of the International Monetary Fund. There have been many criticisms of the IMF in regard to the handling of the current crisis. Particularly, it is charged with an absolute lack of foresight and with imposing, at all costs, its conditionality clauses, which interfere with governments' social development strategy; get them into serious domestic problems that generate instability and keep them from rapidly obtaining the financial resources that they need in order to put an end to the crisis when they most need them. Many people say that the IMF should, as a preventive measure, provide low-conditionality facilities when the source of imbalance is an international shock.

It has also been suggested that the IMF should issue new Special Drawing Rights for countries with sound economic policies that may be suffering from a financial crisis.

Others have proposed that international provisions be adopted on the suspension of payments by countries under the risk of illiquidity, when it is caused by external circumstances, so as to enable an orderly debt restructuring and to have the impact of the crisis more equally shared between debtors and creditors.

The common denominator of all these proposals is the conviction that the IMF does not play the role of providing the international economy with stability, and that it behaves like a creditors' relief organisation rather than like a preventive provider of funds to debtors, seeking to keep them from illiquidity crises.

In reality, one of the IMF's greatest defects is that it imposes conditions upon Third World debtors but not on the creditors from wealthy countries. This encourages creditors to act irresponsibly, taking great risks that enable them to make high profits during periods of economic boom. However, when the crisis hits, the IMF makes sure they have their investment refunded, getting the Third World countries further into debt, which, first of all, have to pay high interest rates that reflect the risks allegedly taken by investors when they invest in those countries, and then have to get into debt with the IMF in order to meet their obligations. All this means that IMF intervention wipes out the supposed risk because of which investors charged their prohibitive interest rates.

There has been vague talk about formulas to involve the private sector of rich countries in preventing and resolving crises. However, no one has been able to explain clearly how this proposal would be put into practice.

Lastly, one cannot overlook the fact that the International Monetary Fund works, in practice, as an agency of the United States, a country that imposed a structure upon this body, which enables the United States to unilaterally govern it for the sole purpose of accomplishing, on an international level, its big-power goals.

It must be borne in mind that the 18 decisions on the IMF's most important issues require an 85% majority vote. Since the United States holds 17.8%, it can exercise its right to veto in this organisation, which, of course, it uses in pursuit of its own interests.

Regardless of all these criticisms and deficiencies, and all that has been said on this matter in the last few years, the fact is that up until today, countries with financial problems have no other choice but to resort to the IMF to request the means to cope with them. Faced with these requests, the IMF imposes the lifting of all sorts of regulation on trade and finance, including, of course, a complete liberalisation of the capital and financial account. This means, among other things, eliminating all barriers to foreign investment, suspending all forms of assistance or protection for domestic enterprises, and enabling unlimited foreign participation in the financial sector.

The great dilemma facing these countries is that the more these conditions are accepted, the more exposed they are to future crises, and if they do not comply, they will not receive the necessary assistance to cope with the current one.

Whilst discussions of these conditions are taking place, the crisis situation generally gets worse, so that the pressure to accept them is unbearable.

The US elitist risk-rating agencies, which not only assess corporate risks, but can also afford to rate countries, intervenes in this process. When these agencies — during these periods of waiting for the IMF — announce a negative change in the rating, the problems get worse, more capital slips away, and the financial cost of capital that can be attracted is greater.

Such a situation poses three questions.

The first one: What rationality or morale can be behind a world order that allows a group of Washington-based experts — who know that their posts depend, in the final analysis, upon the United States' support as "controlling shareholder" of the IMF — to design, in a few hours, economic adjustment programs suspiciously suited to the interests of the United States, which the lives of millions of human beings depend upon?

The second one: The governments of the countries facing these situations have to subordinate — in a few days, and sometimes in a few hours — to the political economic decisions made by a small group of foreign experts who act under the command of the United States. How is this to be reconciled with the concepts of democracy and sovereignty?

The third one: Who takes responsibility when adjustment programs cause economic, political and social chaos, and virtually paralyse a country, as happened in Indonesia and Ecuador? Who takes responsibility for the dead, for the burned stores and factories, and for the millions of families helpless as a result of the growing unemployment?

Third World countries are still awaiting the answers to these questions.

But, the consequences of this neoliberal order need not be awaited, among them are:

First, the adjustments imposed by the IMF have resulted — in real terms — in a drastic reduction in social expenditure, mainly education and health care. However, life itself has shown that if social problems are not dealt with, no growth can be considered solid, regardless how impressive macroeconomic figures appear to be. Every day that passes, the world has less faith in the "miracles" of an economic development which is based on unemployment and on increasing social problems, that simply helps make time-bombs that sooner or later explode, causing political instability, which, in turn, translates into capital flight, high interest rates, recession, the collapse of stock markets and currencies, thus growing into a vicious circle.

Likewise, the need to invest in education is something that has become self-evident. The representative of the Inter-American Development Bank, who attended the conference on globalisation, held in Cuba in January, explained how the low educational level in Latin America had become a growth-decelerating factor in the region, just to give an example.

All this is linked to the issue of decreased official assistance, and the irrational claim that private investment can meet the need to develop the social infrastructure, when it has been more than proven that private capital's preference for liquidity and rapid yields can never be reconciled with the requirements of long-term investment in social projects.

Second, all these years of globalisation have not resulted in greater wealth for the great majority, but they have deepened the abyss that separates the richest and the poorest, and have created greater inequality. According to Inter-American Development Bank data, there were 90 million Latin Americans who lived in poverty in the '80s, after almost two decades of accelerated globalisation, today there are 200 million.

Also, there is no question whatsoever that it is underdeveloped countries that suffer the impact of the crises more intensely. Even UNCTAD believes that the current crisis should be called "development crisis", taking into account how unequally its consequences have been shared between the richest and the poorest. This organisation has noted that, in 1998, the reduced prices of intermediate products translated, for OECD countries, in a 5% improvement in their terms of trade, which helped them to maintain their income levels, and reduce inflation and interests rates; all of it at the cost of a terrible deterioration of living conditions in the poorest countries.

In a nutshell, it has been proven, yet again, that it is the poorest countries and the humblest layers of society that most directly suffer the impact of the crises inherent to the current world economic order. When these take place, a Wall Street shareholder sees his fortune diminished. A poor person in Latin America or Southeast Asia and his/her family eat less or simply do not eat.

Third, the last two decades have revealed the destabilising essence of the neoliberal model. The pre-eminence granted to the private sector as the source of finance worldwide, to the detriment of official credit, has added instability and speculation to the international financial system. Private capital has a marked preference for quick yields and an aversion to risk, which forces it to be in constant movement. The massive scale and speed of these movements are — today more than ever — a real threat to the world economy and, most particularly, to its weakest part: Third World countries.

To try to solve all these problems with more liberalisation is like increasing, for a patient with a serious condition, the dosage of a drug to which he is having a negative reaction.

This ought to be self-evident, but, obviously, rich countries are not concerned much about the health of their neighbours in the South. Their conclusion seems to be: the drug is good; if the patient cannot endure it, that is his problem, not ours.

According to them, all our problems can be solved with five simple points:

- More information transparency and more effective banking supervision.
- Strengthening banking and financial systems.
- A greater participation by the private sector.
- A greater liberalisation of capital markets.
- Adopting good-practice codes.

And, as if to offer a grain of sugar in the midst of so much bitterness, they are now talking, shyly and cynically, of adopting social policies and policies to support the poorer and more vulnerable people.

The world's entire naivete would not be enough to make the South countries believe that a solution to their pressing problems can be reached in that way.

The least we could expect, in order to find a real solution, would be the disappearance of the obsolete and dictatorial IMF and its replacement with a body for regulating international financing, in keeping with the current world situation, and which works on a democratic basis, with no all-embracing powers for the United States.

Until this happens:

- Simple and clear mechanisms would have to be set up, so that countries exposed to crises have access to IMF funds in a simple and expeditious manner, without conditions. It is a proven fact that the time taken by the IMF to negotiate an assistance package in times of crises, and the uncertainty of the conditions, render the assistance ineffective as a preventive factor. The palliatives proposed by the IMF have so far proven to be ineffective in achieving this objective.
- The IMF must stop imposing its recipes on the total liberalisation of the capital and financial accounts. Every country must freely choose the degree of regulation that best suits its interests, without external pressure of any kind.
- None of the IMF's conditions can interfere, directly or indirectly, with the handling of the domestic social policies that every government has the right to determine in a sovereign manner.
- The IMF must involve creditors in the solution of crises, through international agreements that provide for the suspension of payments by illiquidity-risk countries, when these crises result from external circumstances.
- Information transparency and effective supervision, demanded of Third World financial institutions must also be demanded of sophisticated financial institutions in First World countries, such as hedge funds, whose activity is absolutely unknown to the rich countries' central banks and governments, with the paradox that these funds often handle, for speculative purposes, greater financial resources that the reserves of any central bank of a developing country.
- It is imperative to increase official assistance, particularly with the aim of narrowing the tremendous gap that separates the richest and poorest countries in terms of education, without which there will be no development for the poorest, even if they receive increased flows of private capital. It is a proven fact that economic liberalisation at all costs cannot be reconciled with the development of the social infrastructure. It is also clear that investments by the private sector cannot substitute the role that official assistance should play. Liberalisation and private investment will not ensure educational programs, and unless the Third World countries' educational level is raised, there will be no sustainable economic growth. It is worrying to see how, in practice, such a pressing issue is constantly set aside on the international agenda.

- It is vital that we somehow aim to regulate exchange markets, in order to curb the huge speculative activity that seriously threatens the economic stability of the Third World countries. A tax load of not less than 1% must be imposed on financial transactions, and the money raised could be used to speed up development. Scientific and technical developments in telecommunications and information processing make it possible for the world to pursue this task.
- A South bank, with governments, public and private enterprises, financial institutions and businesspeople from the Third World participating as shareholders, must be created. Oil-exporting countries must commit themselves to place part of their resources that are temporarily free, with this bank, in the form of deposits. This bank would serve as a useful instrument in building trade and financial relations among countries of the South.

The issue of external debt must be dealt with in a different manner. This is addressed in a separate document.

There could be other concrete proposals, but the essential thing is that the South countries' governments cannot become mere spectators of a supposed "international financial architecture" design whose objectives are doubtful and confusing. We cannot just listen to a new but empty rhetoric that has nothing to do with our realities. We have a duty to act.■

Appendix 2
The External Debt

The primary cause of the external debt of the underdeveloped countries can be found in the very foundation of their deformed economic structure, which is incapable of internally generating the financial resources essential for overcoming backwardness and guaranteeing sustainable economic growth. Nevertheless, a few factors have notably contributed to even further promoting and exacerbating this phenomenon. They include:

- The excessive liquidity accumulated in the 1970s as a consequence of the recycling of petrodollars and the extraordinary growth of the Euromarket.
- The dynamics of interest rates, which have notably influenced the growth of indebtedness. In 1980, the US prime rate rose to its highest level in history (22.5%), while the minimum for the same year was 11%. The following year, 1981, was considered even more critical, for although interest rates did not reach the heights registered in 1980, they did not go below 15.75%. Given the fact that 90% of the external debt of the underdeveloped countries is denominated in dollars, one can understand the terrible impact of these abrupt fluctuations on their economies.
- Erratic shifts in exchange rates.
- The deterioration in terms of trade.
- The easy access to credit during the 1970s for corrupt governments, which used borrowed funds for fraudulent purposes or military projects, or which simply devoted resources to works that had little to do with social and economic development; because they were political allies of the wealthy countries, these governments were offered generous financial facilities, with no importance attached to how they used them.

The debt is therefore a problem for which much of the responsibility lies with the wealthy countries and their policies towards the Third World. Far from being solved over the course of time, this problem grows more serious every day.

In 1998, the stock of the debt increased by 6.4% in comparison with the previous year, and by the end of that year it had reached a total of $2.4561 trillion, four times the total in 1982, when the debt payment crisis erupted. The average annual rate of growth was 11.6% between 1982 and 1990, and 6.7% between 1990 and 1998.

Total external debt of the underdeveloped countries
(in billions of dollars)

	1980	*1998*
Total external debt (stock)	609.5	2465.1
Long-term debt	451.6	1957.5
Public and publicly guaranteed	381.1	1637.1
With official creditors	178.2	837.6
Bilateral loans	129.3	520.2
Multilateral loans	48.9	317.6
With private creditors	202.9	799.5
Private non-guaranteed	70.6	320.4
Short-term debt	145.7	412.2
Debt/export ratio (%)	85.3	146.2
Debt/GDP ratio (%)	21.0	37.3

(Note: The sum of the long-term and short-term debt does not tally with the total because the use of IMF credit has not been included.)

Source: World Bank, *Global Development Finance*, 1999.

This debt is fundamentally long-term (79.4%) and publicly guaranteed by the government (83.6%), although the private non-guaranteed debt has been growing at a surprising rate over recent years. This fact can be explained, among other factors, by the changes in financing patterns on an international scale that began to emerge in the 1980s.

During the 1990s, a new process of indebtedness has taken place that is even more dangerous than that of the 1970s. A large portion of the new debt is individually held, and so it can change hands more easily on secondary markets, is more dispersed, and is more difficult to renegotiate.

Asia and Latin America combined account for 65% of the total debt. Latin America continues to be the most highly indebted geographical area of the Third World, as a result of its accumulated debt stocks.

The conditions for renegotiation within the framework of the Paris Club have been evolving since the 1988 adoption of the so-called Toronto terms, applicable only to low-income countries, which entailed the cancellation of one third of the non-concessional debt and the long-term rescheduling of restructurable concessional loans.

It is well known that these renegotiations have been marked by the political positions of creditor countries and used as a means of applying pressure to benefit their own interests.

Subsequently, new terms have been adopted which have increased levels of concessionality, but have ignored the situation of middle-income countries. As we will see further on, the attention of the international financial community has been completely diverted and focused solely on the search for stopgap measures to alleviate the situation of a group of highly indebted poor countries, which do not account for even 9% of the total debt.

Nevertheless, for the middle-income countries, which represent 84% of the debt, the only measures adopted have been the so-called Houston terms of 1990, which do not encompass any form of cancellation and only offer the possibility of debt conversion and swap operations. In other words, for 10 years now, the wealthy countries have proposed nothing that signifies an advance in the solution of this pressing problem for the immense majority of debtor countries.

In September 1996, the IMF and World Bank proposed the reduction of the debt of the Highly Indebted Poor Countries (HIPCs) with the supposed objective of achieving sustainable levels of external indebtedness for this group of countries, which represent only 8.3% of the total debt of the underdeveloped countries. In the studies carried out, only 20 countries emerged as potentially eligible, out of the 41 which made up the original list. In November 1996, the Lyon terms were approved, establishing the participation of the Paris Club in this initiative. These terms contemplated the reduction of 80% of the debt.

The implementation of this proposal has progressed at a slow pace that contrasts starkly with the urgency of the problem, despite the efforts of the countries included within it to comply with the severe adjustment programs imposed by the IMF.

In June 1999, at the Cologne Summit of the Group of 7, new agreements were reached which were then made concrete at the joint IMF/World Bank meeting held in Washington in September 1999, leading to the so-called Enhanced HIPC Initiative.

This new variation proposed the cancellation of $100 billion in debt, linked the lowering of the debt with a reduction of poverty, and contemplated faster, more widespread relief of the debt burden. It also made the criteria for debt sustainability more flexible, therefore raising the number of potentially eligible countries to 33.

Independently of all of these steps, what is certain and irrefutable is that almost four years after the HIPC Initiative was put into practice, only 14 countries have managed to make any progress with it. Of these, only four have reached the completion point (Uganda, Bolivia, Guyana and Mozambique). The relief provided to these countries so far amounts to only $2.7 billion. For Uganda, it represents the reduction of 20% of its debt; for Bolivia, 13%; for Guyana, 24%; and for Mozambique, 63%. Another five countries have reached the "decision point" and are now trying to arrive at the "completion point".

The Enhanced HIPC Initiative continues to be an insubstantial proposal for numerous reasons:

- It is not a matter of debt cancellation, but rather a debt swap mechanism, given that, in exchange, the debtor country must provide the equivalent value of the cancelled amount in national currency, to be invested in projects aimed at reducing poverty. Nevertheless, the social crisis in these countries is so urgent and their resources are so limited that it is unrealistic to assume that governments will finance domestic projects with nonexistent funds that should supposedly be used for the payment of the debt. Instead, what is urgently needed is the total cancellation of their debts and a major flow of fresh money under concessionary terms, in order to genuinely implement a program for reducing poverty.
- The matter of costs and financing of the proposal remains a major question. The amounts donated for this purpose are insignificant in comparison with the magnitude of the problem. The HIPC Trust Fund to be used to implement the reduction of the multilateral debt contains only $1.42 billion at this point in time.
- The majority of the debt belongs to impoverished countries, and consequently the analysis of debt sustainability should not be focused on a few arbitrary numerical indicators, which do not express in themselves the degree of deterioration of the economies of most Third World countries.
- The procedure for applying the Enhanced HIPC Initiative follows the classic IMF philosophy of adjustments first and financing later, when the reality is that the degree of poverty and accumulation of social problems simply does not leave room for more adjustments.
- While cancellation constitutes momentary relief, it does not in itself solve the core problem of the phenomenon of indebtedness, for if this cancellation is not accompanied by mechanisms that guarantee a sustained flow of resources under concessionary terms and true insertion into the world economy on just foundations, then the problem will likely re-emerge and further expand in time.

With regard to the commercial debt (which totalled just over $799 billion at the end of 1998), only a limited number of debtors have reached agreements under the auspices of the Brady Plan, with no evidence of a significant reduction of indebtedness in terms of net interest payments, a reduction in the transfer of resources abroad, a diminishment of the registered commercial debt, and changes in the ratios of debt to exports and GDP.

In the period from 1989 to 1998, programs with official support associated with debt-equity swap operations reduced the debt of the whole of the underdeveloped countries to the commercial banks by approximately $54 billion, a figure that represents an insignificant 6.7% of the total commercial debt at the end of 1998.

It can be concluded that several years after being put into effect, the Brady Plan has fallen far short of being a genuine solution for many reasons, which include:

- The scant amount of public resources designated for financing to decrease the debt.
- The reluctance of banks to grant new funds.
- The fact that banks have been made responsible not only for deciding the amount of reduction and portion of the debt subject to restructuring, but also determining the time in which negotiations take place. This has led to negotiations being drawn out almost indefinitely for various countries with urgent financial situations.

Today, it is more obvious than ever that the debt is not an economic problem, but rather a political one, and therefore requires a political solution. We cannot continue leaving the problem to the debtors; we cannot continue ignoring that this a matter whose solution is fundamentally up to those who have the necessary resources and power: the wealthy countries.

There are endless arguments demonstrating the injustice of continuing to pay off a debt that is largely illegitimate. They have been put forward repeatedly by Cuba in the past, and more recently have been addressed at numerous international events by non-governmental organisations and other entities that demand a just solution for the problem. We will mention but a few:

- The banks in the 1970s were irresponsible in granting loans. Creditors were highly aggressive in encouraging dictators and corrupt governments to obtain credits that they did not really need, and after the resources stemming from these credits were wasted or fraudulently used, repayment was demanded. Of course, those who have suffered most are the most vulnerable sectors of society. The responsibility for unpayable debts should therefore fall to those who encouraged the acquisition of these loans, and not on those who never learned the final destination of these funds.
- The debt has already been paid off, if one considers the terms under which it was arranged, and the spectacular growth in dollar interest rates in the early 1980s, combined with the steep fall in the prices of basic commodities, all of which made debt payments unsustainable. The debt has fed upon itself and fallen into a vicious cycle in which money is borrowed to pay the interest generated by the debt itself.

It could be pointed out that throughout many years in the 1980s, the net transfer of resources in Latin America was negative as a result of high payments for the amortisation of the debt.

- If the financing received before 1980 were appraised in basic commodities exported by the poor countries and not in dollars, that is, in tons of sugar, coffee, copper, oil, etc., and interest rates had remained fixed, this old debt would have been paid off.
- Renegotiations of the debt have not allowed for a definitive solution to the problem, but rather have transferred or postponed the problem in time, additionally entailing further indebtedness.
- The commercial debt has been marketed on secondary markets at such a dynamic rate that many of the current holders of the certificates of indebtedness of the debtor countries have nothing to do with those who loaned the money, and who, it should be added, managed to recover a major part of their capital. The marketing of the debt of the underdeveloped countries on the secondary markets has turned into a lucrative business for many investors who acquire certificates of indebtedness at a discount, but demand payment of their face value from the debtors.
- Researchers and scholars of economic history remind us that the default on payments is nothing new in the history of humanity. Europe left the payment of its debt to the United States pending during the First World War, and nothing more was ever said of it; Britain still owes the United States for loans granted during the Second World War, and nobody even reminds them of it, or at least they do not demand their repayment. The United States itself, when it occupied Cuba 100 years ago, put forward the doctrine of "odious debts" (debts imposed on a people without its consent and by the use of armed force did not have to be paid by the successor government) so as not to have to assume the debts contracted by Cuba with the Spanish government. Why, then, should we not abide by the same principles, if this is a case not only of one people, but rather of many peoples who have been bearing the heavy burden of the debt for over two decades? According to eminent specialists, one fifth of the debt of the underdeveloped countries could be considered "odious".
- The debt is one of the biggest obstacles to development today. Nevertheless, the amount of money needed for a definitive solution to the problem is small if compared to the wealth and expenditures of the creditor countries. World military spending totals some $800 billion annually, while some $400 billion are spent on illicit drugs; Europe spends $155 billion annually on cigarettes and alcohol, while the OECD countries provide $350 billion in subsidies to their agricultural sectors every year.

The only action taken by the wealthy countries to confront this problem (the HIPC Initiative) has been nothing more than a way of distracting the attention of the international community and giving the impression that they are working towards a solution, while in practice, the problem has been perpetuated and further aggravated.

An eloquent example of the gap between promises and reality is that after the offer made by the president of the United States to forgive the debts of the poorest countries (a total of some $1 billion), until now, the US Congress has approved the ridiculous sum of $33 million.

If we were to compare the economic power of the wealthy countries with the magnitude of the debt, it would become clear that with the necessary political will, there could be a genuine solution to the problem. The fact that the problem continues to get worse simply demonstrates that the wealthy countries do not want to solve it, for the indebtedness of Third World countries translates into economic and political dependence of the debtor countries on their creditors. The time has come for the necessary steps to be taken to bring this situation to an end once and for all. These are a few of the possible steps, among others:

- The creation of a debtors club. Countries acting in isolation will never achieve a true solution to their problems, but rather mere stopgap measures that barely mitigate their difficulties.
- The total cancellation of the official bilateral and multilateral debt of all underdeveloped countries.
- The cancellation of the private debt of those countries with a per capita GDP lower than $2000.
- The cancellation of 50% of the private debt of those underdeveloped countries with a per capita GDP lower than $6000 and a floor amount of $2000. The resources for the cancellation of the private debt should be contributed by the governments of creditor countries, who are, in the final analysis, the ones mainly responsible for the problem and have the resources needed to solve it.
- Compensation for debtors for the profound economic and social imbalances provoked in their countries as a result of the policies they have been forced to implement in order to manage the external debt.■

Appendix 3
International Trade & the Technological Gap

World trade is one of the favourite topics of the neoliberal policy and theory proposed to the underdeveloped countries as the only possible way to enter modernity and have access to development.

Neoliberal discourse recommends trade liberalisation, the competitive openness to world trade as an invariable and absolute formula to attain efficiency and development. All countries, with no exception, should practice the same policy of elimination of barriers to liberalisation, of removal of any instrument of protection of internal markets, which, generally, are considered wrong and responsible for a backward economic policy opposed to competitive efficiency.

Development differences among countries, however big, would not justify a deviation from the only possible way. The only thing granted to poorer countries Band this after arduous negotiations at the WTOC is some little difference in the period of time to enter the guidelines of trade liberalisation.

World trade continues to be an instrument of control by rich countries, a factor of perpetuation and emphasis of inequalities, and a scene of a fierce struggle to control markets.

Third World participation in world trade reveals a sustained downward trend, despite the instances of conjunctural increases in oil prices and the repeatedly voiced growth in the importance of manufactured goods in the exports of that majority group of countries.

In fact, in 1953, underdeveloped countries comprised 35.6% of world exports. Forty-five years later, in 1998, the proportion had not increased but decreased to 34.6%.

This group of countries, despite the fact that they represent 85% of the world population — a proportion that predictably will continue to increase in the future —

has diminished its participation in world exports, while neoliberalism continues to preach the opportunities offered by trade liberalisation.

According to 1998 statistics, the top 10 countries in world exports of manufactured goods, all of them capitalist developed countries, except China, carry out 59.3% of those exports. The 10 main service-exporting countries, a group similar in composition to the previous one, carry out 60.9% of such a strategic trade.

In practice, the continued emphasis placed on liberalisation has resulted in a unilateral elimination of barriers by underdeveloped countries, while a similar process has not taken place in developed countries to allow Third World exports to enter their markets.

While in areas of the underdeveloped world unilateral liberalisation has been systematically expanded, in developed countries, on the contrary, this has not happened. The explanation is that they have the economic power to impose the game rules and violate the very speech of openness they proclaim.

These countries have focused on promoting the liberalisation of strategic sectors in the technological power planned for the future. In those sectors they enjoy huge advantages which guarantee rising profits as liberalisation increases. Such are the classic cases in services, information technology, biotechnology and telecommunications.

On the other hand, sectors like agriculture and textiles, which are very important to underdeveloped countries, have not even been able to eliminate the restrictions agreed upon during the Uruguay Round, because this would not serve the interests of developed countries.

In OECD countries, the average tariff applied to manufactured goods exported by underdeveloped countries (3.4%) is four times higher than that applied to the OECD countries themselves. The lower average tariffs for developed countries keep the so-called tariff "peaks", on some occasions three times higher than the national average, in sectors of special importance to underdeveloped countries such as textiles, shoes, leather and furs, food and clothes.

In international trade, a hypocritical ultraliberal discourse has been established which is combined with an active selective protectionism imposed by developed countries.

In the struggle for the control of markets and supply sources of the Third World, protectionism serves to discourage productions inconvenient to developed countries, and calls for liberalisation serve to help them penetrate national markets or the markets of groups of countries.

Commodities, despite the emphasis of some propaganda which presents them as relatively irrelevant in the face of the increase in exports of manufacture goods, continue to be highly important to the Third World. For 67 countries of the South, commodities represent no less than 50% of their export earnings. In 1998 and 1999, these commodities faced severe price reductions as a result of the financial crisis those years. The well-known long-term tendencies to deterioration of the terms of trade have made them the most disfavoured group of products in the world market.

The neoliberal wave did away with the defensive schemes of the terms of trade for commodities. The supreme judgement of the market, defended by fundamentalist neoliberalism, can not tolerate any distortion. Hence, the Commodity Agreements, the attempts to establish price indexation schemes, the Integrated Programme for Commodities and its corresponding Pool, and any other effort to fight unequal exchange in favor of the South, were abandoned.

The special and differentiated treatment toward the countries of the South, which is not only the recognition of the huge development differences that prevent the implementation of the same standard to the rich and the poor, but also the recognition of a historical colonial past demanding compensation, has been progressively diminished and reduced to the minimum on the neoliberal globalisation scene.

What has remained of that special treatment suffers from a non-general character; that is to say, it is limited to establishing exceptions in the case of any obligation, but it is necessary to negotiate in each case to make provisions effective.

The consequences for the countries of the South are evident. During the '80s, the terms of trade for this group of countries deteriorated by more than 5% a year. After a certain price recovery during the first half of that decade, from 1996 on, prices declined again, and they did so sharply during 1997, 1998 and the first half of 1999, as a result of the financial crisis.

For non-oil exporting underdeveloped countries in particular, deterioration of the terms of trade has been about 1.5% a year since the beginning of the '80s.

Even many manufactured goods exported from the countries of the South have been suffering a similar deterioration in their terms of trade. This indicates that the unfavorable price tendencies are not explained by the nature of the products, but by the economic weakness of the country exporting them and its participation in a world trade system controlled by huge transnational corporations and by the policies of developed countries.

The prices of the manufactured goods exported by underdeveloped countries were 2.2% a year lower than the same goods exported by member countries of the European Union, between 1978 and 1994.

The so long awaited integration into the world market, promised so many times by the sole thinking supported by the WTO and IMF, has not taken place if the matter is analysed rigorously. That integration should have consisted of the access of all countries to growing and balanced trade, giving opportunities to all countries.

What has actually happened is that the unilateral liberalisation practiced by the Third World has strongly encouraged imports into those countries, but the exports desired have not taken place in the same degree, due to the protection of markets of developed countries and the marketing mechanisms in the hands of big transnational corporations based in the developed countries themselves.

The strong growth of imports, often influenced as well by the imitative consumption carried out by the elites in developed countries and the standards set by the transnational propaganda, and the very low growth of exports, have made the average trade deficit of Third World countries, as compared with the GNP, 3% higher in the '90s than in the '70s, while the average growth of the GNP is 2% lower yearly, as compared with that decade.

The 48 least developed countries have witnessed a 0.4% reduction in their exports, as compared with twenty years earlier. For them, the Uruguay Round agreements represented a loss of some $200 million in exports and the loss of a similar amount in imports.

The recent and failed Seattle meeting was a highly significant moment for international trade, an expression of the weariness and opposition provoked by neoliberal policies in growing sectors of public opinion, in both developed and underdeveloped countries.

The main objective of the attempt to launch a new round of multilateral trade negotiations was to liberalise international trade even more, to try to weaken the national sovereignty of the countries of the South and to contribute to a further liberalisation of financial markets. The host country, the United States, presented that round as a higher step in trade liberalisation, without worrying about the fact that this country has enforced an aggressive, discriminatory and intimidating Foreign Trade Act, including provisions like the so called Super 301. This provision is a genuine showcase of aggressive measures, trade discrimination and threats to impose sanctions on countries, for reasons ranging from the supposed discrimination against US products to the qualification the United States wants to establish with regard to human rights treatment.

In Seattle there was a genuine anti-neoliberal uprising, due to the combination of a strong opposition based on the resistance of the countries of the South, major street demonstrations by a very broad coalition of social forces, with the active participation of non-governmental organisations, and the contradictions and conflict of interests among developed countries.

The failure of the Seattle meeting and the rejection of the attempt to impose a multilateral agreement on Investments constitute important expressions of the fact that the aggressive trade fundamentalism that has made the Third World go backward and imposed enormous losses on our countries, is raising a strong and deserved international rejection.

In that international rejection of the exportation of inequity, the unity of the South is indispensable and decisive in the struggle to make world trade a genuine instrument to generate wealth and wellbeing and to fight poverty.

Between the North and the South, the technological gap has grown increasingly wider under conditions of growing privatisation of the so-called knowledge economy. In fact, more than 50% of the GNP of the main OECD member countries is based on knowledge. Regarding the knowledge economy and the leading role towards the future it represents, the standards ruling neoliberal globalisation, that is, liberalisation, privatisation and intellectual property rights, are provoking profound and negative consequences for the countries of the South.

The dizzying development attained in information technologies cannot hide the fact that information is one among many needs.

The availability of vaccines and clean water cannot be supplied or substituted by electronic mail.

In mid-1998, the developed countries, with more than 15% of the planet's inhabitants, comprised 88% of Internet users. In the United States there are more computers than the total of computers in the rest of the world.

99% of world expenditures on information technology correspond to just 55 countries.

The knowledge economy is growing at an impressive rate, but with the implementation of neoliberal policies, governments are witnessing the reduction of their budgets and public funding for research, and the development of science and technology has decreased to give way to private enterprise.

The consequences of that significant change can be synthesised by the fact that profit takes precedence over the need in private research programs, the more restricted intellectual property rights exclude underdeveloped countries from the knowledge sector, and the new legislation on patents does not recognise either the knowledge or the traditional property systems.

In all industries in the biotechnology sector, there is a select group of enterprises that control an increasing part of the world market. Megamergers have increased and a small number of powerful enterprises have growing control. This shows that privatisation discourages competition, and tends to create strong oligopolies. In fact, in 1998 the 10 main enterprises controlled 35% of the pharmaceuticals industry, 60% in veterinary medicine, 70% in computers, 85% in pesticides, and 86% in telecommunications.

Developed countries control 97% of all patents in the world. In 1993, in the strategic sector of intellectual property, 84% of research and development corresponded to just 10 countries. At the same time, they controlled 95% of patents in the last twenty years and received more than 90% of the rights for international licenses, while 70% of payments for patents rights at the worldwide level was made between parent enterprises and subsidiaries of transnational corporations. On the other hand, the use of intellectual property rights is alien to many Third World countries.

Research in science and technology carried out by private trade interests shows that financial gain comes before the needs. Research focuses on the needs of rich consumers and farmers. In 1998, more than 95% of the land planted with transgenic crops was in North America and Europe.

Likewise, in the pharmaceuticals industry, private interests do not satisfy the needs of human beings. Only 2% of the research and development related to health at the worldwide level is devoted to pneumonia, diarrhoeal diseases and tuberculosis, but these represent 18% of all diseases.

Vaccines are the most efficient technologies in terms of expenditures on health care, because they can prevent the disease with a dose administered only once. But they generate little profit, which is why they are relegated, as compared with medications which require repeated applications.

Profit comes before the needs. Cosmetics and slow ripening tomatoes are more important on the list of research and sales of the large private transnational corporations than a vaccine against malaria or drought-resistant crops. The new medications, the best seeds and, in general, the best technologies have a price set for those who can pay it. ■

Appendix 4

The Most Recent Oil Situation

The price of oil continues to be a key variable in the functioning of the world economy. This is due, among other things, to the fact that it is the leading product on the international market in terms of both volume and value. In addition, oil prices significantly influence the prices of those goods and services that involve the intensive use of energy, while the prices of alternative fuel sources, such as natural gas and coal, among others, are linked to the performance of crude oil prices. For these reasons, abrupt changes in oil prices are transmitted by diverse means to different regions and socioeconomic sectors, in countries that produce and consume oil alike.

The erratic course followed by oil prices beginning in 1970 and the instability that has characterised this market in the last three decades generate tremendous uncertainty with regard to the economic future of the underdeveloped countries. This is even more evident if one takes into account the predominant role of oil in the energy budgets of these nations.

Since the second quarter of 1999, the effects have been felt of a considerable rise in oil prices, which surpassed the barrier of $30 a barrel in the first quarter of the year 2000. This price increase can basically be explained by the cuts in production adopted by OPEC and other crude oil producers between late March 1999 and late March 2000. These have been combined with a certain recovery in the demand for oil in Asia, in comparison with the depressed levels of 1997-1998.

Consequently, the price of oil, which fell to some $13 a barrel in 1998, rose to $18 a barrel in 1999 and averaged some $26 a barrel in the first two months of 2000.

The majority of the industrialised countries, which are net importers of energy, have seen themselves affected by the rise in international crude oil prices. In many of these countries, inflationary pressures have been registered as a result of the high price of fuel throughout 1999 and the first months of 2000. This has led to successive increases in interest rates, in both Europe and the United States. For the latter, the high costs of gasoline and home heating fuel have become a hot theme in an electoral year.

Despite the fact that the United States is the world's second largest producer of oil, after Saudi Arabia, it is also the world's largest importer. Fifty years ago, the United States was almost self-sufficient with regard to oil and was a net exporter of natural gas. Today, however, it imports over half of the oil and 15% of the natural gas it consumes. In 1998, the United States produced some 368 million tons of oil and imported some 513 million tons.

A significant part of the oil imported by the United States is absorbed by the transportation sector. In the mid-1990s, there were 750 vehicles in circulation in the United States for every 1000 inhabitants (as compared with 519 per 1000 in Japan and 270 per 1000 in Europe). This contrasts sharply with the figure of eight vehicles per 1000 inhabitants in China, 22 per 1000 in Africa, and 88 per 1000 in South America.

As the world's largest importer of oil, the United States is the country that has exerted the greatest pressure on the OPEC countries to increase the supply and lower the price of this product. The US government has gone so far as the threaten OPEC members with the cancellation of the economic and military aid it provides to these countries, if they refused to comply with the "requests" to increase oil production in order to stabilise international crude oil prices.

While the United States imports only 21% of the commercial energy it consumes, Japan imports around 80%, and in numerous European countries, this figure is greater than 50%. These include Portugal, at 87%; Italy, 82%; Belgium, 79%; Austria, 71%; Ireland, 71%; Spain, 68%; Greece, 64%; Germany, 60%; Switzerland, 59%; Finland, 57%; and France, 49%.

Nevertheless, at the current time, these industrialised economies are much less vulnerable in the face of high energy prices than in the early 1970s. This is due, among other reasons, to a greater presence of socioeconomic sectors and branches that require smaller amounts of raw materials and energy per unit of products or services. In many cases, these are high technology sectors, based on the intensive use of knowledge, such as informatics, telecommunications and biotechnology, among others.

The oil intensity (oil consumption per unit of GDP) of the highly industrialised economies, which had decreased by almost 40% between 1973 and 1985 under the impact of high oil prices, was further reduced by around 8% between 1985 and the mid-1990s.

In late 1999, the OECD countries had a stock of 3.86 billion barrels of oil (some 527 million tons), of which 2.636 billion barrels (some 360 million tons) were controlled by governments, and the rest by oil companies.

It should be recalled, as well, that under conditions of high oil prices, the petrodollars received by underdeveloped countries that export oil tend to return, to a large extent, to the industrialised countries, through both trade channels (the acquisition of manufactured goods and other imports by oil-exporting countries) and financial channels (financial investments by oil-exporting countries in the markets of developed countries).

The underdeveloped regions that are net exporters of oil provide around 80% of the crude oil sold throughout the world: 53% is supplied by the Middle East and North Africa, close to 13% by Latin America, 8% by sub-Saharan Africa, and around 6% by exporters in Asia and the Pacific.

Oil exports from underdeveloped countries are preferentially directed towards the industrialised countries, which absorb around 80% of these sales. Of these, 27% correspond to North America, 24% to Western Europe, and 29% to the industrialised countries of Asia and the Pacific. The underdeveloped countries that are net importers of oil receive only the remaining 20%.

The OECD countries, which produce only 29% of the world's oil supply, account for 63% of the total consumption, which is distributed in the following manner: the United States, 25%; the European Union, 19%; Japan, 8%; and the remaining OECD members, 11%. Consequently, the three major power centres take up two-thirds of the oil marketed internationally, with the United States absorbing 28%; Western Europe, 25%; and Japan, 13%.

The commercial energy consumption per capita in developed countries is 5.4 tons of oil equivalent (TOE) a year; in the United States 8.1 TOE per capita are consumed — as compared with a world average of 1.7 TOE. The average commercial energy consumption per capita in underdeveloped countries is just 0.8 TOE (0.3 TOE in the poorest countries, also called the least developed countries), according to available 1996 data.

The high energy consumption rates per capita in industrialised countries represent serious damage to the environment. According to United Nations' estimates, highly industrialised countries, with about 15% of the world's population, are responsible for approximately 44% of CO_2 emissions, which is the main greenhouse gas.

In the underdeveloped world, the latest increase in oil prices has had a highly adverse impact on the overwhelming majority of countries and is reminiscent of what happened during the '70s and the first half of the '80s, when high oil prices significantly aggravated the terms of trade of net oil-importing countries.

Approximately three fourths of the underdeveloped nations have been adversely affected by high oil prices, as a result of their high dependence on imported oil. Many of these countries are also subjected to serious external restrictions as a result of the increasing foreign debt and the depressed price levels of their main export products (generally commodities other than oil).

According to estimates from the International Monetary Fund, some 40 underdeveloped countries depend preferentially on exports of primary commodities other than oil to guarantee the functioning of their economies. In 1998, these countries contributed barely 2% of the world GDP and 1.2% of world exports of goods and services. In 1991-98, this group of countries spent more than $30 billion to pay their oil account and about $110 billion to service their foreign debt.

It should be taken into consideration that, as a result of the price increase of commercial energy sources, like oil, the poorest strata of the population in underdeveloped oil-importing countries are forced to increasingly depend on their own physical labour, on the use of animals, and on traditional biomass fuel to satisfy their basic energy needs.

It is estimated that two billion people in the Third World have no access to electricity, and 1.5-2 billion people depend mainly on traditional biomass fuel (fuelwood, charcoal and animal and forest waste) which represents approximately 80% of the whole domestic consumption in our countries.

The cost of this high dependence on traditional biomass fuel should be measured in terms of time and human effort spent, health problems and environmental deterioration. Thus, most underdeveloped energy-importing countries are characterised by technological vulnerability, energy crisis and environmental deterioration.

Taking into consideration the above mentioned reality, regarding the erratic course of oil prices and the consequences for oil-importing and oil-exporting countries from the underdeveloped world, there should be steps taken toward the development of complementary formulas between these two groups of countries. These formulas should take into account the interests and priorities of both.

At present, there are several examples of energy complementarity between underdeveloped countries, among them the San José Accord between Venezuela and Mexico, which favours approximately 10 oil-importing nations in Central America and the Caribbean (Barbados, Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Panama and Nicaragua). This Accord, which has no precedent as an instrument of cooperation between underdeveloped oil-exporting countries and underdeveloped oil-importing countries, was signed in 1980, and since then, it has been renewed every year.

The oil demand of beneficiary countries covered by the San José Accord amounts to some 160,000 barrels a day of crude oil and clean products, and it is equally supplied by Venezuela and Mexico. Beneficiary countries pay international market prices when they are lower than $15 a barrel. When the international price is higher, a part of the oil account (between 20% to 25%) is turned into credits that are used to finance development projects and trade flows between beneficiary countries and supplier countries.

This formula could serve as an antecedent when thinking about new international proposals that take into consideration the interests and priorities of underdeveloped countries, both oil-exporting and oil-importing alike.

Regarding oil prices, the countries of the South have a problem to solve among themselves. The problem occurs when the oil price skyrockets and provokes a severe negative impact on the economies of a number of Third World countries that are net importing countries.

Only 20% of the total amount of oil exported by Third World countries is sent to other underdeveloped countries. This underlines the fact that oil imports by the countries of the South that buy oil from other countries of the South are a small part of the oil trade.

Rich countries can easily pay any price for the energy that they import. They are characterised by energy wasting and extremely high levels of consumption that are often many times greater than those of poor countries, and by the disturbance of the ecological balance provoked by that over-consumption.

On the other hand, the poor countries that import oil experience booms in oil prices as yet another painful aspect of unequal exchange, which combines with the suffering imposed by the external debt, the low prices of the commodities they export, the destabilising effects of financial crises, which are becoming ever more frequent, and reductions in official development aid.

Third World solidarity with the Third World cannot continue to allow the same price to be paid for oil by the wealthy, who waste it, and the poor, who barely have a chance to use it.

There is a need to establish a system of differentiated prices that make a concrete reality of South-South cooperation and apply within the context of the Third World countries the special and differentiated treatment logically and morally demanded by the enormous gap between the wealthy countries, with GDP per inhabitant figures that are hundreds of times greater than the poor countries, and the dozens of countries which, because of their poverty, import only small amounts of fuel.

The prices paid for oil by the countries of the South should be scaled in accordance with their level of poverty, the size of their economies, and their possibilities of development.

It is evident that a number of poor countries are not in a position to pay more than \$10 a barrel, others cannot pay more than \$15, and none could realistically pay more than \$20.

A differentiated system of oil prices would be the most effective way to make South-South cooperation a genuine instrument for the development of the Third World.

Appendix 5
The Social Situation in the Third World

The deterioration of the social situation in the Third World is one of the most obvious manifestations of neoliberal globalisation. The implementation of adjustment policies, the financial crises, and the growing instability caused by the process of globalisation, have had a profound impact on the social reality of the underdeveloped countries.

This dramatic situation is reflected in significant indicators that attest to the challenges facing our countries, and to the urgent need to find just and lasting solutions to the demands of our peoples.

The decline in incomes is the main characteristic of the current socioeconomic models. According to United Nations data, in 1960 the 20% of the world's population living in the richest countries had 30 times the income of the poorest 20%. In 1997, this figure was 74 times greater. The wealth of the world's 200 richest people increased from $440 billion to more than $1 trillion, between just 1994 and 1998. Furthermore, in the period previously stated, the heritage of the world's three richest people was greater than the combined GDP of the 49 countries considered to be the least advanced.

In the UNDP "Report on human development" in 1999, it was noted that the percentage of income relating to the underdeveloped countries has diminished from almost 56 per cent in 1950, to just 12 per cent in 1960, and some 15 per cent in more recent years.

Within the underdeveloped countries, the difference in global income between the richest 20 per cent (an annual average of $6195) and the poorest 20 per cent ($768) is 8 times, but in Latin America — a region that holds first place in the world, in terms of unequal distribution of wealth — this difference is 19 times. In this region, the richest 20 per cent of Latin Americans reap an average annual of $17,380, whilst the poorest 20% only has access to $933.

Whilst globalisation has progressed to unimaginable levels in the scientific-technical sphere, in the Third World there are 1.3 billion poor people, that is to say, one in every three inhabitants lives in poverty. In its last report on poverty, the World Bank predicts that, on the threshold of the new millennium there could be 1.5 billion people living in the most abject poverty.

In terms of regions, poverty is felt most drastically in South Asia and Africa. In accordance with predictions by the World Bank, poverty levels have increased considerably since the crisis in the Asian countries.

In Africa, poverty continues to be a matter of great concern. In the aforementioned report by the UNDP, on human development, it is shown that a significant group of countries in the region has surpassed 50% on the Human Poverty Index (HPI), which means that poverty is affecting at least half the population.

In the case of Latin America, according to the last CEPAL report, the number of poor people had reached 204 million, and there were 90 million destitute.

More than a quarter of the 4.5 billion people who live in underdeveloped countries do not have some of the most basic of life's necessities: to live past 40 years of age, access to the most basic knowledge and social services.

Faced with such living conditions, destruction of the environment becomes obligatory for daily survival, and this interconnection between poverty-environmental deterioration is affected by a combination of factors.

One of these is the uncontrollable population growth, which affects the underdeveloped countries. On a global scale, the annual rate of population growth between 1975 and 1997 was 1.6%, whilst in the underdeveloped countries it was 2.0%. And in the poorest countries, it was 2.5%. The sub-region of Sub-Saharan Africa was particularly notable, with a growth rate of 2.8%. Even though predictions for the year 2015 suggest that the annual rate of global population growth will decrease (to 1.1%), in the underdeveloped countries it will continue to be higher (1.4%).

This phenomenon will compound another problem: a population exodus towards the cities, in search of better opportunities for survival, which will cause levels of urbanisation to rise. The urban population in the underdeveloped countries rose from 26.1% in 1975 to 38.4% in 1997, and it is estimated that by the year 2015, it will be 49.1% of the total population. This contributes to increased urban concentration, in the form of marginalised neighbourhoods, and an increase in levels of poor health, food insecurity, environmental degradation and other social ills.

Undoubtedly, these demographic tendencies make the challenge of feeding the world's growing population, using environmentally sustainable techniques, increasingly more difficult.

The food situation in the underdeveloped world shows that more than 800 million people are suffering from chronic hunger and do not have access to health services. Due to this, it is estimated that 507 million people do not live past the age of 40 in the Third World. 61% of these people live in South Asia and South Saharan Africa: in the latter region, almost 30% of the population will die before they reach 40.

The number of undernourished people is still unacceptably high. It was estimated that in 1995-1997, some 820 million people were undernourished, the majority of them — 790 million — in developing countries. In recent years we have witnessed some progress: this number had decreased in the developed world, by 40 million. However, the number of undernourished people had only decreased in 37 countries: in the remaining countries the number of chronically undernourished people had increased by almost 60 million. In the case of the less advanced countries, 38% of the population is undernourished, and this has not changed during the last 16 years.

Given this situation, it is going to be very difficult to meet the objective of the World Food Summit — to reduce the number of starving people by half, by the year 2015. In recent years, their numbers have decreased at a rate of 8 million people per year, which is not enough. In order to achieve the objective of the Summit, the rate of progress has to increase by 150%, until there are 20 million less starving people every year.

In the case of undernourished people (subject to chronic food insecurity), the majority live in the Asian and Pacific region. 70% of the total population of the Third World, and two thirds of the undernourished people — about 526 million people — are concentrated in these countries. However, if we take into account the number of people affected by hunger, almost a quarter of the total number live in Sub-Saharan Africa.

In total, more than a quarter of the people who suffer from chronic hunger, live in countries with a greater prevalence of malnutrition (35% or more). The problem is especially serious in Central, South and East Africa, where almost half (44%) of the 340 million people who inhabit the 26 countries which comprise the said sub-region, are undernourished.

In the underdeveloped countries, the possibility of children enjoying a long and healthy life is unlikely, due to poverty, disease, undernourishment and armed conflicts. According to data obtained from studies undertaken by the FAO between 1987 and 1998, two in five children in the underdeveloped world suffer from growth retardation, one in three from low weight for their age, and one in 10 low weight for their stature. Almost half the children in the world who display these deficiencies, live in South Asia, where there is the highest incidence of undernourishment, and a high population of children under five. At the same time, undernourishment is one of the factors which contributes to more than half the deaths of under-five-year-olds in underdeveloped countries.

In the case of Latin America and the Caribbean, chronic undernourishment and malnutrition continue to present a serious problem. Deficiency of important nutrients, such as, for example vitamin A, affects approximately 14 million under-five-year-olds, in the region.

With regard to education, there are still more than 840 million illiterate adults. In this respect, women and children are at a distinct social disadvantage.

More than 130 million children of school age in the developed countries, grow up without having access to basic education. Female children represent about 60% of the minors who do not attend school.

Gender inequality also continues to be considerable. In the underdeveloped countries there is still 60% more illiterate women than men, and 6% less women than men enrol in education.

In the case of Latin America and the Caribbean, the gross rate of school intake is also affected by a series of factors, such as late enrolment, having to repeat grades and dropping out of school. For this reason the number of boys and girls that complete their primary education is decreasing. In the entire region it is estimated that of the 20% of boys and girls who enrol late into the school system, 42% repeat the first grade, and 30% repeat the second. The average rate of having to repeat, across all primary grades, is about 30%.

The number of doctors and nurses per 100,000 inhabitants in the underdeveloped countries, is 76 and 85 respectively; in developed nations it is 253 doctors. In the poorest countries, the figures are 14 and 26.

The health situation is also reflected in the mortality rate of infants and children up to the age of five. In Sub-Saharan Africa this rate is 107 per thousand live born, and 173 respectively; in South Asia it is 76 and 114, to give just some examples. In the Third World 2.2 million children die every year from diarrhoea. Of the 192 million children who live in Latin America and the Caribbean, almost half a million under five years old die every year from illnesses, many of which are preventable.

In the case of Latin America, the average mortality rate of under-fives was 39 per thousand live-born in 1998, but this average conceals certain differences, both among the various countries, and within the countries themselves, where the rates of mortality and morbidity are higher in rural areas, and among low-income groups. It is estimated that at the end of the decade, between 20% and 50% of the region's urban population still has no access to sanitary services. In the rural areas, 50% of the population does not have any access to drinking water supplies, and more than 60% do not have access to sanitary services.

The average rate of maternal mortality in Latin America is 190 deaths per 100,000 live births. It is estimated that if the unrecorded cases were taken into account, this figure would be 40% higher. More than half a million mothers suffer from chronic health problems caused by inadequate health care during pregnancy and birth.

Life expectancy in the Third World in another indicator of the deteriorating social situation. Between 1975 and 1997 it declined in ten countries: of these, in four countries — all in Sub-Saharan Africa — life expectancy decreased by more than 10%. This decline, over such a short period of time, demonstrates the devastating effects of AIDS.

In regional terms, the life expectancy in North Africa and the Middle East is 66 years, but in Sub-Saharan Africa it is 48 years. The UNDP estimates that in this region the proportion of people who do not survive past 60 years of age has reached 56%.

One of the factors that has most influenced the decline in life expectancy has been the impact of HIV/AIDS. This virus principally affects the poor. It is estimated that 33.4 million people live with HIV, which causes AIDS, and of these, 1.4 million are in Latin America, and 330,000 in the Caribbean. The rates of HIV infection are higher in the Caribbean, which has the second highest rate of incidence in the world, after Sub-Saharan Africa.

In the region of Africa the social and economic impact of HIV/AIDS during the last decade has been greater than the destruction caused by armed conflicts. In 1998 some 200,000 Africans, — the majority of them women and children — died in armed conflicts, whilst some two million people lost their lives as a result of the virus.

Economic instability has had negative repercussions on rising unemployment, and the precarious nature of unemployment. According to estimates by the International Labour Organisation, levels of unemployment are higher among young people and women.

It is estimated that in the underdeveloped countries, the urban youth unemployment rate exceeds 30%. In Latin America, employment which was created in the '90s was mainly in the informal sector. Unemployment increased to 8.7% in 1999, the highest for the decade.

In the region's urban areas it is estimated that some 18 million people are without work. The unemployment rate rose more among men than among women, going from 7.2% in the first half of 1998, to 8.2% in the first semester of 1999. Unemployment amongst women rose to 10.2%, compared to 9.5% for the same period.

The ILO noted that the real wage in the industrial sector in Latin America and the Caribbean fell by 0.9% in the first semester of 1999, compared with the same period one year before. The wage gap between qualified and non-qualified workers also widened considerably, increasing between 18% and 24%, as a regional average. The percentage of urban wage-earners formally affiliated to a social security system also declined. Between 1990 and 1998, this figure declined from 67%, to 62%.

In Africa the increase in available employment was lower than the increase in the economically active population. In this respect, the ILO noted that, with a growth in the active population of almost 3%, and an insufficient generation of jobs in the formal sector, the majority of employment would be generated in the informal sector, and in low-production agriculture.

The problem of employment will continue to be very pressing, due to the accelerated rate of migration from the countryside to the cities, and due to the fact that it is predicted that the economically active population will increase by 2.9% annually, between 1997 and 2010. This means that 8.7 million people will be joining the work market every year, with no employment security.

The ILO report notes that in Asia, unemployment and poverty is higher than in any other region of the world, and that almost two thirds of the total estimated 1.3 billion poor people in the world, live in that region, above all in South Asia. In the same report, it is also noted that conditions in the work market in Asia could deteriorate even further if the external economic environment turns hostile.

The region's security and social welfare systems could do little to protect the population from the drastic deterioration in living conditions. Almost none of the countries affected by the crisis, provides unemployment benefit, which means that the unemployed are left with no means of surviving.

Another aspect that should be noted, is the situation regarding child employment. According to estimates by the ILO, in the underdeveloped countries there are about 250 million children under the age of 15 who are working — many of them in dangerous employment, where their basic rights, their health, and even their lives, are placed in jeopardy.

In Latin America and the Caribbean alone, there are 20 million children under the age of 15 who are working. If this number is added to the adolescents who work from when they turn 15 to before they turn 18, it is very likely that the number would be no less than 30 million children and adolescents working in the region. In accordance with the same source, more than half these child workers are girls, the great majority of whom do work which is not even recognised, let alone part of the official statistics.■

‘Fifty years ago we were promised that one day there would no longer be a gap between developed and underdeveloped countries. We were promised bread and justice; but today we have less and less bread and more injustice.

‘The world can be globalised under the rule of neoliberalism but it is impossible to rule over billions of people who are hungry for bread and justice.

‘The pictures of mothers and children under the scourge of droughts and other catastrophes in whole regions of Africa remind us of the concentration camps in Nazi Germany; they bring back to us memories of stacks of corpses or of moribund men, women and children.

‘Another Nuremberg is required to put on trial the economic order imposed on us, the same order that is killing of hunger and preventable or curable diseases more men, women and children every three years than all those killed by World War II in six years.’

— Cuban President Fidel Castro speaking at the Group of 77 South Summit Conference in Havana in April 2000.

Fidel’s speeches at the conference and the supplementary material appended to them provide a vivid picture and a powerful indictment of Western capitalism’s “new world order” and a call to struggle to save humanity.

Resistance books