EXCURSUS I

Inescapably—and Fatefully—One World

The possibility of famine in the less developed nations seems to confirm the Malthusian prediction. This potential catastrophe, however, is rooted not in the pressure of overpopulation but in the rise of a new metropole of high finance. Robert S. McNamara, president of the World Bank, writes in a report clearly stamped "Not for Public Use": "The series of changes in the world economy in recent months, which are of a magnitude previously associated only with major wars and depression, have serious consequences for the growth prospects and capital requirements of the developing countries." The principal change McNamara has in mind is the steep increase in petroleum prices that has created a heavy concentration of capital in the oil-rich nations of the Persian Gulf.

The emergence of this new center of power seems to be belated confirmation of Lin Piao's metaphor of world political struggle. In the sixties, before his mysterious demise, Lin advanced the notion that the Third World peasant nations in the countryside surround the rich industrial nations of the city. This image was a transference of the experience of the Chinese Revolution to the international setting. According to Lin, the countryside would rise in revolt and deprive the cities of essential raw materials. The creation of OPEC may be seen as one phase in this process.

The World Bank study, entitled "Prospects for the Developing Countries," succinctly describes the correlates of the situation. In the short run the billions harvested by the OPEC countries will mainly be absorbed by their domestic economies, which are being diversified to protect them from the perils of single-crop dependence. But by the end of the decade the accumulated OPEC reserves could total $650 billion, and by 1985 the sum could be $1.2 trillion. "Massive outflows of funds in some form will therefore be unavoidable," the study notes. The purchase of 25 per cent ownership in the Krupp steelworks by the redoubtable Shah of Iran is an initial indication of where OPEC funds will flow.

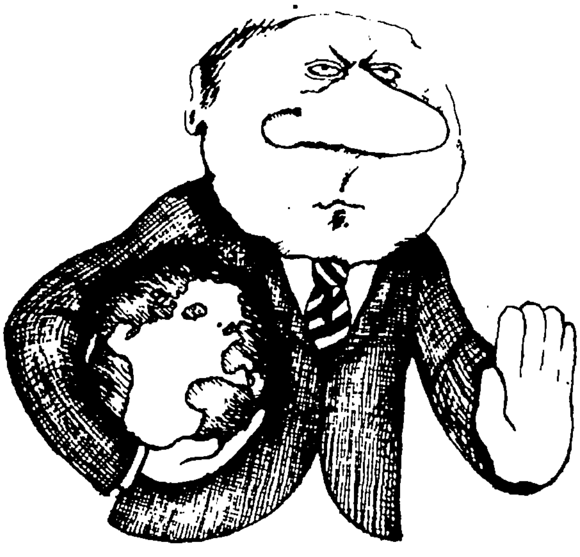
"On balance," McNamara states, "some 300 million people in developing countries stand to benefit from the recent changes in price and terms of trade, but another 800 million people—whose per capita incomes average less than $200 per year—are likely to receive a severe setback." He estimates that the rate of growth of Western industrialized nations will fall to between 3.5 and 4.7 per cent per year for the rest of the seventies. The incomes of people living in the fortunate OPEC bloc will zoom by 11 per cent per year. In the rest of the world, tied to the fluctuations of the commodity markets, growth will not exceed 1 per cent per year at best. This pyramid of growth rates is cemented tightly together, and the World Bank is attempting to render the structure as stable as possible.

The World Bank is a major source of capital to the less developed countries. It procures its funds from subscriber nations and lends it at lower interest rates than commercial banks. As a reliable and vital source of funds for development, Third World countries rely on the World Bank to carry out their economic agendas. The new situation squeezes the World Bank, just as it does its patrons and beneficiaries.

Western countries facing huge oil bills and payments deficits have been increasingly using international financial markets as a source of funds. The amount of money needed to pay the sheiks and Shah will rise by $8 billion in 1976 and by $17 billion in 1980, according to the World Bank. The competition from the industrial countries has already made it more difficult for less sophisticated economies to find available funds. The Third World is thus more dependent than ever on noncommercial outlets such as the World Bank for the essential money to float them above the starvation level.

The interconnection of the world economy is aptly commented on in the secret report: "The future welfare of the LDCs [less developed countries] depends heavily on the resumption of noninflationary growth in the OECD [Organization for Economic Cooperation and Development, Western industrial] countries, which affects not only the supply of capital to developing countries but, more important, the demand for their exports." Since inflation will continue unabated in the West, the prognosis for the LDCs is not bright.

The OECD nations are not the ready funding source for the World Bank that they were in the past. The constriction of the money markets does not allow them the luxury of siphoning off internally needed capital to the Third World, whatever the gravity of the crisis there. The World Bank is counting, although not too certainly, on the generosity of the OPEC consortium. A number of the oil-producing states have raised a special fund of $200 million to ease the oil price increase for African countries; Saudi Arabia (which, incidentally, has hired the Stanford Research Institute as its economic consultant) has announced that it will establish its own development fund; discussions about an Islamic Development Bank with an authorized capital of $2 billion have be-



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gun. But these initiatives are moving very slowly and are quickly outpaced by events.

McNamara proposed a 5 per cent increase in the lending program of the Bank, but this figure does not even match the amount the Bank's own study says will be needed to rescue the less developed nations from distress. The report categorically states that $58 billion is required just to maintain Third World growth at the present unspectacular rate. It adds: "Given the difficulties of securing large increases in aid appropriations in the present climate, there appears to be no likelihood of reaching this objective."

This dismal prospect is not the result of a conjunction of natural forces. It is Malthusian only in its gloominess; none of this was in the stars. The crisis was man-made, and its resolution is a political problem. The calculations of the World Bank do not take account of the possible political reactions of the peoples affected by these dire economic turns.

Neither, however, is Lin Piao's Third World theory a guide to comprehension. It fails to account for certain economic realities. Lin neglected to foresee that food reserves would be stored in the cities. The advanced nations control the world food supply and can retaliate against upstart combinations. (Bauxite is indigestible.) The Third World is defined not only by its possession of key commodities, but also by its vulnerability to famine. The peasant nations are linked to the industrial nations in a direct and fateful way.

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EXCURSUS II

The U.N.: A Dangerous Place

The excitement and general enthusiasm provoked by the opening of negotiations in Geneva between Israel and some of her Arab neighbors contrast dramatically with the general pessimism provoked by the recent General Assembly debate and resolutions concerning the Palestine Liberation Organization. Arab-Israeli relations have, after all, absorbed more of the time and energy of the United Nations than any other conflict. Hundreds of thousands of words have been expended on this issue in the Assembly and Security Council since 1947. Why, then, did the Geneva meeting inspire a sudden upsurge of hope that war could be averted?

The brutal truth is that the Geneva negotiations are a major attempt to break through the obstacles to peace erected in the U.N. It will not be easy. Statesmen must overcome hatreds nurtured by countless insults, one-sided resolutions, condemnations, and hypocritical attachment to "universal" principles. If the peace talks ever resume and then become prolonged and difficult, Arabs especially will be tempted to abandon them again in favor of easy victories at the U.N. The difference between diplomacy at the United Nations and real negotiations is enormous and obvious. It is the difference between war and peace.

The Middle East is not the exception—it is the rule. Wherever the U.N. has been a constant adjunct of foreign policies, the chances for peaceful settlements are diminished, relations among states embittered, and the dangers of war increased. In these situations international peace requires a flight from the U.N. This is true for Pakistan and India after three wars and twenty-five years of "peacemaking" by the United Nations in Kashmir, for the two Koreas after the devastation of the Korean War and a quarter-century of United Nations resolutions favoring South Korea's claims to the entire peninsula, for the United States and China after decades of insults, condemnations, and exclusion of China from the organization, and for Soviet-American relations after more than twenty years of cold war in which the United Nations was a principal instrument for the maintenance of tensions and a crusade atmosphere. It will be true eventually, too, between black Africans and the strongholds of white supremacy in southern Africa. In all of these instances the availability and use of the United Nations have encouraged diplomatic habits which are directly opposed to those necessary