

The Unity of Independence

and

The Unity of Poverty

Freedom lies in the correct analysis of necessity. The first necessity of all non-aligned countries is to achieve development - to overcome poverty and dependence. Therefore it is necessary to consider the nature of our position as non-aligned nations to determine where our true freedom of choice conforming to our necessity lies.

Independence is a unity. Without economic independence there can be only a limited degree of political, social, cultural, or - for that matter - military independence. Economic progress is, of course, not everything. However, without a steady growth in the resources at our command it is impossible to make sustained progress toward any objective. Political, educational, technical, and social advances and especially the fuller realization of independence all require the expenditure of resources which will not be available except in a context of economic development and enhanced economic independence.

None of us can hope to attain as full a degree of economic independence as rapidly by autarchy as by participation in exchanges of goods, services, and knowledge with other economies. For the majority of the smaller non-aligned states, economic autarchy is assuredly a road to sacrifice and slow growth but doubtfully one to development or true independence.

The unity of independence at this point links itself to the unity of poverty. On the one hand all non-aligned countries are poor. All of us must achieve rapid national development - economic and social, political and educational - if our independence is to be of real meaning to our citizens. However, in another sense the unity of poverty presents itself as an integral part of the present world economic order. In that system development and underdevelopment, a rich nation class and a poor, effective economic independence and extreme external economic dependence are complementary parts of a whole and whose mutual existence is perpetuated by the functioning of the system.

This reality, unpalatable though it is, must be faced. Under present conditions the world economic order perpetuates and accentuates the inter-class system. Free trade and investment do not normally lead to increasing economic equality; quite the reverse as most of us know all too well from experience. Partnership in development among rich and poor simply does not overcome this contradiction not simply because resource transfers are too small but more basically because they still remain largely within the context of an inequality accentuating system.

From the basic contradiction between the difficulty - perhaps impossibility - of achieving national autarchic development and the nature of the present world economic order as an inequality accentuating not a development spreading system causes a clear necessity for non-aligned, and indeed other poor, countries. That is to devise effective means of international economic and technical trade, co-operation, and exchange different in kind from the unequal relationships which now characterize the international economic system.

In pursuing that necessity there can be considerable freedom of choice of main strategies and even more of particular policies. One main channel lies in strengthening economic relationships - in trade, transport, industry, education, and technical exchanges - among ourselves whether bilaterally, regionally, or globally as the particular situation may warrant. The other main channel - logically a complement rather than an alternative to the first is joint action by ourselves as non-aligned states to secure major alterations of the key elements in the present international economic system which prevent it from serving our interests as well as those of the rich, industrial economies.

All of us are open to criticism for not having pursued either of these main lines of action seriously enough or with enough tenacity and ingenuity. Further what has been done has often taken forms of doubtful or limited value. Joint action for international economic system reform has usually taken the form of statements, pleas, and manifestos addressed to the rich countries with marginal supporting reference to our own responsibilities for public relations purposes. Further these documents tend to pay relatively little attention either to demonstrating what power non-aligned nations can exert to achieve such changes or to showing why many of them would also serve the interests of many rich countries. International economic relations are not a zero sum game where one participant's gains are always another's losses - many changes can yield net benefits to both rich and poor countries. Nor is the international economic system primarily a humanitarian exercise - it is a set of economic relationships, decisions, and institutions created, taken, and built up in the pursuit of the economic gain of those with the power to influence them.

## Factors

Power and perceived self interest are the basic ~~parameters~~ in-  
forming and determining national, corporate, and institutional  
policies. <sup>This is</sup> particularly so in the case of international economic  
policies. <sup>It</sup> ~~is~~ is - or should be - as true of developing economies  
and developing economy interest groups as of anyone else, although  
the very nature of the present dependent relationship makes it  
doubtful whether such is in fact usually the case. These contentions  
~~are not equitable either~~ <sup>do not imply</sup> with denial that humanitarian and ethical  
considerations ~~do~~ play some role in policy determination ~~or~~ <sup>that</sup>  
~~the~~ ~~argument that international economic relations are essentially~~  
~~zero-sum~~ a gain for one party necessarily means a loss for the  
other. What a restatement in these terms does demonstrate <sup>is the</sup>  
~~basic validity of the~~ ~~basic argument~~ that discussion  
couched largely in terms of "aid" and "cooperation" or "partnership"  
is dangerously misleading and tends to give rise to reform proposals  
which are inherently inadequate because they fail to analyze either  
existing ~~power interest~~ <sup>of power and interests</sup> patterns or the impact which the proposed  
reforms would have on them.

"Partnership" - as an operational concept - should mean an area of  
perceived mutual self interest leading to joint action beneficial  
to ~~both~~ <sup>all participants</sup> parties. Potential areas for partnership - even if only  
of a "second best" variety - exist by definition unless one is  
willing to assert either that the present pattern of international  
economic relations is based on one way unrequited transfers  
from developed to underdeveloped or (only slightly less implausibly)  
that national, regional, or global economic autarchy vis a vis the  
industrial world is the only practical policy for tiers monde economies.

"Aid" similarly represents the commitment of resources to the  
pursuit of a national, interest group, or institutional goal as  
seen by those allocating the resources. From the point of view of  
those "accepting" it "aid" represents the receipt of resources whose  
nature and terms of use is viewed as more or less consistent with  
their use to pursue their national, interest group, or institutional  
goals. Much "aid" is of course defective - or  
~~even counterproductive~~ <sup>in this sense, on balance</sup>  
impeding and distorting rather than speeding

and enhancing the attainment of fuller independence and the conquest of poverty. ←

There is no reason to suppose that the motivations on either side are necessarily simple nor that the two sets of goals wither are - or need to be - identical. ~~Available evidence suggests the reverse~~  
For "aid" to be of at least some potential value.

Viewed from this standpoint, international economic contacts designed to create a world economic system less inconsistent with global development must be primarily "dialogue" and "negotiation" not "sympathy" and "assistance". It is likely to be much more effective to demonstrate that certain international economic reforms would benefit significant industrial economies and interest groups than to demonstrate that their absence will tend to perpetuate human misery in tiers monde nations. It is similarly more convincing (more cogently) to show that developing economy power (singly or collectively) is adequate to make the refusal to accept certain changes more costly than acquiescence in them than to prove the ethical desirability of the changes.

The difficulty of pursuing a strategy of dialogue and negotiation with any degree of consistency and effectiveness is much greater than that of devising quasi-moral and humanitarian cases for sympathy and assistance. In the first place, perceived self interest may be very far removed from true self interest - a type of misconception certain negotiating partners have every interest in preserving - and thus lead to quite unsatisfactory arrangements being agreed. After all, many of 19th Century Colonialism's acquisitions in Africa took the form of negotiated treaties which the African parties actually (if quite mistakenly) believed to be in their interests. Few tiers monde economies have built up data collection and analysis capacities or negotiating team expertise and experience in any way adequate to their needs not simply because of absolute shortages of resources but also because of giving relatively low priority to this field and because of over sanguine dependence on the impartiality and disinterestedness of foreign "partners."

A more basic problem is that the interests of many tiers monde groups - including some governments and ruling elites - ~~are seen by them to be consistent with the present system~~ are diffusing and cancelling out both clarity of purpose and much of the limited bargaining power available to developing economies singly, regionally, and collectively. Powerlessness corrupts as often and as much as power even if in very different ways. In June ~~majority~~ of developing economies it has gone far toward creating a pervasive client mentality and ensuring the internal dominance of comprador/colporteur groups whose internal power is based on the external powerlessness and dependence of "their" economy. The seriousness of this form of sociointellectual colonization is enhanced

5

by the fact that belief in absolute powerlessness is normally self fulfilling even if objectively inaccurate. The basic differences between ~~for example, African economies like Tanzania~~ <sup>those developing</sup> which have made significant use of their external bargaining power to negotiate internal and external economic structural and institutional patterns somewhat more compatible with national development and those which have not ~~but rather have accepted a stepped up colonial Union on valour policy~~ do not seem to lie in initial economic structures, institutions, or economic power positions. Rather they appear to turn on the degree of national belief in the possibility of and the level of commitment to attaining self reliance, ~~defined as implying~~ <sup>Belief in the</sup> attainability of an external economic pattern of negotiated relationships moving toward greater interdependence as opposed to dependence on the one hand and ~~the quality of~~ <sup>Careful</sup> the attention paid to identifying the limits of national economic power and the areas of potential joint interest with external economic groups as a prelude to actual negotiation on the other ~~are~~ <sup>are</sup> prerequisites for any real progress.

The interests, attitudes, comprehension of the nature of power and self interest in international economic relations, and ability to act on that comprehension of developing economy leadership and elite groups are objective realities which affect the nature of the international economic system and the attainability of major reforms. Client governments and compradore/colporteur economic elites not only do not see national development on the basis of national self reliance and international economic interdependence as possible; they do not unless they seriously misjudge their own interests - desire any such radical transformations nationally or internationally because they would inevitably erode and probably destroy their own privileged positions. Economic change cannot be separate from socio-political change and the guardians of the socio-political status quo cannot be expected - except under very special circumstances - to encourage much less initiate total economic restructuring. All

It is for this reason that the likelihood of unified tiers monde pressure for major international economic changes over the next decade or more appears negligible. Too many governments and elites are either integrally dependent on their nation's external economic dependence or are convinced that they do not have the power to negotiate major reforms and must request marginal amelioration of particularly unsatisfactory situations on a piecemeal basis.

of us are subject to this corruption of powerlessness and to its more subtle corruption of underestimating what non-aligned states can do individually and collectively.

The present international economic system reinforces the patterns of metropolitan dominance and peripheral dependence (corresponding to the industrial world-tiers monde dividing line) in two basic ways. The first ~~is explained by Professor Sunkel~~ is through the creation of structures and procedures which would produce reasonably balanced results were all participants of relatively comparable economic power and capabilities but, in the absence of these prerequisites, increase inequality by limiting the "approved" courses of action open to the poorer and weaker. The second is the inclusion in the system of a number of critical biases which contravene its own basic logic and - on examination - can be seen to be heavily weighted in favour of industrial economy special interest groups. This distinction ~~may be of~~ <sup>has</sup> some importance because even within the present system quite significant amelioration of its impact on developing economies could be obtained by redressing these existing biases and/or creating counterbalancing one favourable to developing economy interests. It is for this reason that the Pearson Report ~~may be of value.~~ <sup>It</sup> provides a high level public relations exercise in the presentation of industrial economy conventional wisdom by pillars of the world economic political, financial, and intellectual establishment ~~which does argue~~ <sup>arguing</sup> for removal of a number of biases, and for the institution or expansion of certain elements - e.g. preferential market access, genuinely low cost multinational resource transfers, discriminatory economic regionalism among developing economies - which could be negotiated into significant balancing biases in favour of developing economies. Certainly the Report has very little to offer in the way of a blueprint for reconstructing the world economic order from the ground up. Nor could it be expected to do so - the need for or desirability of such an operation is most emphatically not part of industrial world conventional wisdom whether intellectual, business, or governmental.

The real ~~problem~~ <sup>imbalance</sup> of the present system lies in its intellectual paradigm, <sup>its</sup> official institutional structure, and multinational corporation parallel structure, and the "imperialism of free trade". These tend to form an interlocking, self reinforcing whole <sup>which makes</sup> effective proposals for, let alone negotiation of, basic changes exceedingly difficult. This difficulty arises from the fact that over 1945-1970 the system has served the interest of the capitalist industrial world reasonably well and also has begun to accommodate the international economic interests of the socialist

~~industrial world reasonably well and also has begun to accommodate~~  
~~the international economic interests of the socialist industrial~~  
economies ~~world.~~ Therefore not only is the need for radical change far from  
self evident to the majority of those managing and influencing  
the system but the power which can be marshalled on behalf of such reform  
is ~~not~~ limited ~~in scope~~ and fragmented, ~~in nature~~. Under these  
circumstances even if the benefits of metropolitan dominance are  
either marginal or ~~in the long term~~ negative for the industrial  
world as a whole, the status quo in respect of such domination is ~~often~~  
~~likely to be~~ maintainable if significant industrial world economic  
interest groups are seriously committed to it, ~~maintainance~~ While  
dependence and exploitation are central to the system as ~~it affects~~  
the periphery, this is not necessarily the case ~~as far as~~ the  
metropolitan centre. The tiers monde even as a whole - is  
peripheral to industrial world international, as well as national,  
economic concerns and is becoming more so over time. ~~The same~~ A

more promising  
~~however~~ inverse of this contention is that, precisely because  
industrial economy vested interests in continued domination are  
often quite marginal, negotiated change should be more possible  
than any simple comparison of total economic power might suggest, ~~they~~  
they are critical to us but not necessarily of high  
cost to rich nations.

A The intellectual paradigm underlying the present international  
economic order is powerful and persistent because it provides a  
coherent, reasonably convincing explanation of world trade and  
finance as seen from metropolitan economies over the past century  
and because its basically neo-free trade conclusions are con-  
sistent with the main interests of industrial economies and  
multinational corporations (including socialist trading corporations).  
Because it rests on a series of structural and institutional  
assumptions quite contrary to developing economy realities, the  
paradigm's direct application in the tiers monde is often both  
intellectually untenable and operationally stultifying. ~~By its~~  
prestige it provides a framework which limits the ~~nature~~  
of questions asked and thus tends to abort attempts to redefine the nature of  
the relationship between international trade and national development,  
~~before they start.~~ The alternative paradigms - basically the ~~new~~  
Marxian structuralist one ~~of which Professor Sunkal's paper~~

~~example~~ - have been hampered not merely by their inherent attack on  
major power and interest groups but also by a decided lack of coverage,  
coherence, and intellectual rigour as contrasted with the prevailing  
orthodoxy; These weaknesses are ones which our  
universities and our intellectuals should  
seek to remedy, advances in knowledge  
are most likely to be sought and  
found by those who expect to profit

From them.

~~is~~

**P**The institutional imbalance is formal, operational, and personal. There is no major international organization which was created to further international economic development. ~~It~~ It is not accidental that the "Reconstruction" comes first in the ~~IBRD's~~ <sup>name</sup> name. European rebuilding combined with avoidance of 1920-1930 capital market conditions for international lending <sup>which were</sup> seen as having contributed to the Great Depression were central to its founding. ~~The~~ The present World Bank and United Nations development institutional roles are very much ad hoc structures and also ones peripheral to - say - GATT and the International Monetary Fund. Operationally international economic institutions are sometimes self-selected "rich mens clubs" like the Group of ~~f~~ Ten and sometimes so organized that only nations with very large resources in terms of data collection/analysis and high level manpower can participate effectively - e.g. GATT especially during the Kennedy Round. Either method excludes tiers monde countries from meaningful participation, thus increasing the tendency to concentrate on industrial economy as opposed to more broadly global priorities. It is no accident that a Special Drawing Right system reasonably well designed to avert chronic industrial economy liquidity crises could be negotiated and adopted but <sup>JD Farr</sup> not one which allocated a portion of the SDR's in relationship to support for international resource transfers in support of development. ~~e.g. IDA, UNDP, regional development bank contributions and subscriptions.~~ The former was among the vital interests of the Group of Ten and the latter was very much a peripheral concern to them. On the personal level, the majority of institutional managers are - not surprisingly ~~and probably even necessarily~~ - from the capitalist industrial world and (with some exceptions) are most attuned to its priorities, problems, and intellectual formulations.

**P**The multi-national corporation is the latest standard bearer of the "imperialism of free trade". In this context - as when the United Kingdom championed free trade during the 19th Century - "free trade" means freedom for the stronger economic unit to enter the sphere of the weaker (whether national or corporate) and to build up its economic penetration ~~there~~ without major hindrance from protective or restrictive measures. ~~The~~ ~~of~~ ~~Professor~~ ~~Collier~~ ~~points~~ ~~on~~ ~~the~~ ~~multi-national~~ ~~corporation~~ ~~(MNC)~~ ~~appears~~ ~~open~~ ~~to~~ ~~challenges:~~ First, while planning in the neo ~~labor~~ ~~firm~~ ~~is~~ ~~typical~~ ~~of~~ ~~MNC's~~, on balance they seek neo free trade not neo-mercantilism. ~~Mercantilism, protectionism, structuralism from Mun and Colbert through List and Hamilton to Surkel and Linder have been the intellectual rationales for strategies of economic development.~~



by weaker and less economically advanced units, not of expansive domination by self confident economic leaders; it is "free trade" which has played the latter intellectual role. Second the tiers monde is - at least to date - not of central interest to most MNC's. The old colonial trading and conglomerate company groups are not genuine MNC's nor are the old line extractive enterprises, while the limited number of such groups reconstructed into genuine MNC's appear to be shifting their center of economic gravity toward the industrial world in terms of key activities as well as control.<sup>14)</sup> Free trade in the metropolitan centre - as very largely achieved in the Kennedy Round of GATT - has been their most important international economic policy target, not the dismantling of developing economy trade barriers.

PThe growth of the multi-national corporation has been argued to constitute a basic alteration in the nature of the system. The extent to which, and the ways in which, this contention hold true for developing economies requires further scrutiny.

PFirst, multi-national corporations are "free-traders" not neo-mercantilists. Free trade has, with reason, normally been the policy pursued by the strong and multi-national corporations are, in fact, able to advance it more single-mindedly than governments because they normally have very limited concern with, or stake in, weak and declining sectors. While past investments may qualify their positions in relation to economic regionalism, by and large they support it both among developed and developing economies as a step toward free trade which allows them to rationalize corporate production and planning.

PSecond, multi-national corporations are very much part of the de facto managing elite of the international economic system and have very heavy vested interests in its continued smooth operation. Its collapse would be disastrous for them and, <sup>on the other hand</sup> ~~indeed~~ their major problems are its major problems.

PThird, this does not mean that <sup>MNCs</sup> ~~they~~ are not interested in participating as investors, managers, financiers and suppliers in the attainment of levels of development in selected tiers monde economies very substantially above present standards. Because they are sophisticated business units taking both broad and long term views of their operations they are likely to seek opportunities for exploiting <sup>potential shifts in world trade and production patterns</sup> ~~dynamic comparative advantages~~ even when ~~it means~~ they entail shifting production from their "home" industrial economies to

developing economies. Similarly they are more likely than most foreign investors to place primary emphasis on the probable stability and economic rationality rather than the political economic ideology of potential host governments.

Fourth, however, any such development will remain dependent and externally controlled so long as the multi-national corporations are basically North American, Western European, ~~and~~ Japanese ~~and~~ and South African, ~~as at present~~. The metropolis/satellite relationship will continue to hold true in output, markets, technology, research, and management.

Fifth, while the multi-national corporations are prepared to conclude agreements on terms beneficial to tiers monde economies and investors (public or private) so long as these terms allow them to secure what they consider a reasonable level of profit (probably on the order of 20-33% after tax on total investment counting profits on supplying, marketing, and managing as well as producing) they are extremely hard and well informed bargainers. Only because any particular tiers monde economy is normally of relatively marginal significance to them (a factor which in other ways strengthens their position and weakens that of developing economies) is there any chance of developing economy bargainers (public or private) being able to negotiate on an even vaguely comparable plane of skill and knowledge.

On balance, therefore, it would appear that the multi-national corporation is a logical evolution within the present international economic system and Western economic analytical orthodoxy, not a basic challenge to either. The tiers monde economies' position is not basically altered although new - if limited - opportunities and rather different forms of challenge are opened to them.

Industrial economy policies clearly prevent developing economies from taking full advantage either of present or developmental areas of efficient production ~~static or dynamic comparative advantage~~. They dampen the potential growth of primary product exports and hinder breakthroughs into transformed export patterns. And - ~~many~~ most critical - these restrictions are growing despite the talk of - and for ~~many~~ manufactures the reality of - trade liberalization. These are biases which contradict the basically "neo free trade" logic of the system.

First, industrial economies subsidize the production and export of primary products in which they have a comparative disadvantage.

sugar to the rich

The most appalling case is sugar where the uneconomic production of beet costs the tiers monde \$1.000 million a year. <sup>(potential exports)</sup>

The European Economic Community and - to a slightly lesser degree - the USA agricultural programmes do not merely protect a weak agricultural sector and discourage resource reallocation over time. They promote the expansion of the subsidized sector choking off any growth of access for more efficient producers and provide competition with developing economies (often described as "commodity aid" in export markets.

Second, high effective tariffs (often <sup>over</sup> 25-50% of value added) protect established primary product processing industries in the industrial economies. These again prevent a rational redeployment of resources and of processing. Like the agricultural subsidies they were treated as beyond general challenge by the developed economies in the UNCTAD-II discussions at New Delhi.

Third, manufactured goods of real interest to developing economies are discriminated against - again probably because the rich economy industries concerned are economically unable to withstand international competition but are able to insist politically that assistance to them take the form of protecting their existence not of easing resource transfer to more productive uses. The Kennedy Round reductions created a situation in which trade in almost all manufactures except labour or raw material intensive ones was relatively free. ~~UNCTAD-II~~ <sup>this</sup> ~~was~~ <sup>is</sup> benefitting developing economies least. Where breakthroughs have been made, draconic (especially as to growth) quota restrictions have followed hard on their heels <sup>who</sup> vide cotton textiles. Various administrative devices have been used with considerable effect. ~~UNCTAD-II~~ UNCTAD-II did support generalized preferences for developing economy manufactured exports <sup>basically as breakthrough as this is</sup> a course endorsed by GATT four years earlier! <sup>however</sup> the meaning of industrial economy warnings that safeguards would be needed is all too clearly spelled out in the US stand that all textiles, clothing, and footwear should be excluded and, indeed, subjected to stringent quota limits in addition to full tariff barriers.

Fourth, while import duties for industrialization by developing economies are viewed as basically acceptable, parallel export promotion subsidies are not and their use leads to <sup>economic</sup> sanctions. Since the economic effects are very much the same this has the (presumably intended) effect of forcing developing economy

industrialization to be unbalanced in favour of import substitution and against export promotion even where the latter would be economically more rational <sup>For</sup> developing economy, global, and industrial economy production pattern.

F Fifth, quite inaccurate trade diversion arguments are used to justify resistance to preferential economic groupings of developing economies. These could increase the range of viable industrial production in tiers monde economies and could hardly decrease their which are <sup>export</sup> basically primary product and net capital inflow determined imports from the industrial economies. Conversely, sixth, industrial economies seek to promote closed preferential areas including developed and developing economies which, whatever the intentions, clearly do tend to freeze economic structure and inhibit structural change. EEC Association is the most dramatic of these initiatives, a USA-Latin American grouping may yet be an equally unfortunate countermove.

I <sup>well</sup> It is worth noting that these deviations rarely serve either overall metropolitan or MNC interests as opposed to those of declining and inefficient interest groups. In this fact lies the key leverage point for seeking their reduction and final elimination.

I To make out a general case, that it is in the self interest of industrial economies to accept changes in the nature of international economic relationships which reduce the degree of one way dependence and <sup>tendencies to</sup> hinder development in the tiers monde which now characterize them, is not particularly difficult. First, the preservation of biases almost always entails inefficient allocation of resource flows to prop up special interests. The same resource allocations to retraining workers, converting firms and - in some cases - subsidizing, compensating, pensioning those locked into the declining areas for a specific terminal period would be both economically and socially more rational nationally as well as internationally. It would substitute investment in economic progress and social self sufficiency for subsidization of economic stagnation and human mislocation. If, for example, the costs (including higher prices to consumers) <sup>over the last 25 years</sup> of keeping the New England textile industry afloat had been expended in assisting the expansion of new labour and technology intensive lines of economic activity in New England the transition would have been more rapid, there would be fewer sick towns today, and the (smaller) remnant textile industry

would probably be economically healthier, ~~while~~ At the same time developing economy textile exports to the USA would not be cho~~ck~~ed off by quotas. Second, the reallocation of resource stocks and flows inherent in sup~~ort~~ <sup>of</sup>, rather than resistance to, structural change in the industrial economies would allow concentration on lines of economic activity in which their ~~present~~ <sup>and potential</sup> productivity ~~is~~ <sup>is</sup> ~~greater~~ <sup>are</sup> greater. The dominant effect of such reallocation and structural alteration would be to raise industrial economy Gross Domestic Product and its rate of growth. <sup>9</sup> Third, the resultant shifts in the import patterns of industrial economies would provide increased opportunities for tiers monde exports. <sup>these would be</sup> Initially concentrated in temperate agricultural commodities (including meat), processed raw materials, and light manufactures but by no means <sup>would they</sup> necessarily limited to these categories. As a direct result, the industrial economies could increase their own exports to the developing economies more rapidly because of the increasingly buoyant export growth which would then characterize the tiers monde. For industrial economies, after all, trade very often does act as an engine of growth. <sup>2</sup> Fourth, because developing economy imports from industrial are determined almost solely by their exports to and net resource transfers on capital account from the industrial world, closed economic regionalism or trade preferences among developing economies can - at worst - not harm industrial economy export interests taken as a whole. It will of course alter their composition, but may actually increase their level if the result of regionalism and preferential arrangements is to accelerate the breakthrough of developing economy world market export capabilities. Certainly the standard "trade diversion" arguments of ~~Vinerian~~ <sup>Western</sup> ~~economic~~ common market analysis do not hold so long as tiers monde imports from the industrial world are basically limited by the "export ceiling" ~~is~~ <sup>imposed by limited demand for raw materials and artificial barriers to processed and man-</sup> <sup>ufactured goods.</sup> <sup>R</sup> Whether the world economic pattern resulting from negotiated changes based on the foregoing type of argument would be optimal from the point of view of developing economies is not <sup>an immediate</sup> ~~an immediate~~ political economic question although it is one of ~~considerable~~ <sup>major</sup> intellectual and future policy interest. The pattern would be better than that now prevailing. Assuming it was achieved by genuine negotiations between two sides (and not by industrial economies and their interest groups negotiating with client governments and satellite elites having interests quite incompatible with those of their own peoples and economies) it would appear likely to be distinctly more advantageous than neo-autarchy for any <sup>non-aligned</sup> developing

economy below sub-continental scale. Neo-autarchy on a regional basis would, however, be potentially preferable as a strategy if the price of a negotiated ~~self interest~~ reform package was to give domestic economic decision making power in developing economies dominantly or even substantially into the hands of MNC's <sup>and international resource transferring</sup> ~~subject~~ <sup>bodies which were sub-</sup> to no effective national restraints.

Unfortunately, the ease of presenting the general case of mutual interest in economic reform gives a rather deceptive impression as to the ease of achieving concrete action. For example, preferential access of developing economy manufactured goods to industrial economy markets has been agreed in principle since 1963/64 ~~and~~ ~~even provided for in the GATT amendments of that period~~ but, on balance, the individual changes in market access over the subsequent period have been in quite the reverse direction.

Three basic problems require resolution once a general mutual interest in restructuring international economic relations is established. First, industrial economy special interest group's stakes in biases and in domination of developing economies must be overcome. Second, tiers monde governments must achieve enough national economic control to ensure that potentially beneficial changes are actually so nationally as well as domestically i.e. that the benefits do not flow solely to MNC's, other foreign interest groups, and narrow, externally oriented elites. Third, developing economies must develop information collection/analysis and detailed economic negotiating capacity to a level qualitatively as well as quantitatively superior to that which most of them possess today.

The first hurdle can be approached in a number of ways. Protection for special interests can be phased out over a definite period supplementing more basic emphasis on retraining and conversion. Potential beneficiary groups in industrial economies can be mobilized -e.g. the Committee for Economic Development in the USA - in support of specific proposals. Opposed special interest group fronts can be split by involving them in the new trade pattern as, e.g., the USA shoe protection lobby has become divided because a number of shoe manufacturers are now major importers and distributors for foreign footwear.

The second obstacle can be cleared only if self interest is backed by power. If it is abundantly clear that the alternative to foreign economic interests participating in negotiated arrangements within a nationally determined frame is exclusion, that the <sup>non-aligned</sup> government

Still less is it a field in which cooperation among non-aligned countries has been extensively explored, let alone systematically practical.

setting out the frame has substantial domestic backing, and that the frame does provide potential areas of joint interest, then and probably only then, serious negotiations are likely to ensue and can prove fruitful. As argued earlier, the critical issue here is whether the national leadership and economic elite has a clear perception of the possibilities (and limits) of pursuing a strategy of internal economic control and international economic interdependence and a definite commitment to acting on that perception.

The third problem may prove to be the most intractable. Negotiating is an extremely demanding process in respect of data, policy deviation level attention, an high level manpower. Major conferences are a very minor part of any strategy based on negotiation as opposed to appeals for sympathy and assistance. Case by case bargaining in numerous <sup>Forums</sup> with literally scores of governments, institutions, MNC's, and other foreign economic units is essential to making real progress via a negotiation centred strategy. To date such detailed economic negotiation is not a field in which the majority of tiers monde economies have proven to be very effective - a generalization which holds true even for those with relatively abundant high level manpower resources. In addition to more manpower a considerable rethinking of priorities and approaches is likely to be necessary if this record is to be improved radically over the next decade. Without a real breakthrough in this respect it is difficult to see how ~~the~~ strategy of negotiation and dialogue ~~proposed by Professor [unclear] (and endorsed by the writer)~~ can be made to function. Areas for and approaches to negotiation, let alone basic tactics and minimum acceptable (as opposed to maximum desirable) results cannot be identified without far more and better negotiating patterns and personnel than are now typical.

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The creation of economic power bases by developing economies should proceed on four fronts: national, regional, tiers monde, and global. The first is basic while the last - with special exceptions - ~~can probably is not particularly promising until substantial gains are recorded in the other three~~ <sup>only be pursued seriously in conjunction with the other three.</sup>

The national economic power of developing economies depends at least as much - and probably more - on the degree to which the domestic economic institutions and policies are nationally controlled and formulated by a public sector leadership with clear-cut developmental

goals and broad support than on absolute economic size, or even the degree of external trade and investment dependence. ~~Very~~ A very small economy with a high foreign trade to gross domestic product ratio can exert a substantial degree of control over "resident" foreign interests and maintain a not inconsiderable degree of international economic freedom to manoeuvre if its domestic political economy is national, <sup>(40.1)</sup> backed by a realistic set of policies and ~~institutions and reasonably popular~~ <sup>targets formulated and staffed by citizens</sup> ~~institutions and reasonably popular~~ <sup>21)</sup> ~~Especially in Africa, developing economy leadership~~ ~~often appears to underestimate~~ ~~and therefore to fail either to~~ ~~use or to expand what economic potential it possesses.~~

**L** The case for economic regionalism among developing economies is - at least in broad outlines - both fairly well known and widely agreed. The dominant problems in acting on it are lack of adequately formulated national political economic strategies and policy patterns leading to severe problems in attempting any broadly based approach to coordination or unification and of the necessary degree of commitment, patience, and priority backed by flexibility and imagination to sustain the necessarily numerous and often tedious process of negotiation essential to the operation and growth as well as to the setting up of a significant economic community.

**L** A logical extension of economic regionalism is broader tiers monde coordination of negotiating positions (including tax rates and investment incentives), institutional development (probably with special emphasis on applied research, economic data collection and analysis, and economic consultancy services ~~W~~ ~~W~~), and the building up of a variety of preferential economic agreements (possibly including shipping, reinsurance, and development and merchant banking as well as trade). The number of national interests to be accommodated and of positions to be coordinated necessarily makes such ventures - if serious - even more difficult and time consuming than regionalism. However, the potential effect of pooling a large proportion of the ~~economic~~ <sup>non-aligned</sup> power on at least certain issues is ~~substantial~~ considerable.

<sup>W</sup> Shipping is probably a case in point. <sup>Now</sup> if all of the national shipping lines of countries represented here were either unified or coordinated a much more equal bargaining

**L** Developing economy power in international institutions is more likely to flow from national, regional, and tiers monde economic power than to be a base from which to build the latter. So long as developing economies do not make use of their domestic power potential and remain divided in their approach to industrial

Aligning positions with shipping conferences would be possible.



economies and MNC's (often to the point of openly backing measures which appear marginally beneficial to themselves individually but seriously detrimental to the interests of the tiers monde as a whole) their chance of gaining significant power - as opposed to marginally greater influence - in such bodies as the World Bank, the IMF, and GATT is very low and that of their substituting quasi - tiers monde controlled agencies such as UNCTAD for industrial economy power centres such as GATT is nonexistent.

**PL** Indeed a serious reappraisal of the rather unexamined enthusiasm for multinationalism in vogue in many developing economy circles would seem to be in order. The recent initiatives of the World Bank **for** ~~greater involvement in national planning and bilateral aid~~ **coordination** combined with full implementation of the Pearson and Jackson Reports could lead to a "World Bank World" so far as development of non-metropolitan, non-socialist economies was concerned. Virtually all material, personnel, information, feasibility study, and training transfers would be routed through World Bank-United Nations Development Programme led consortia with the World Bank very much the senior partner. There is little doubt that such a change would increase the efficiency and decrease the particular political strings of resource transfers, ~~nor~~ **what one does** that its explicit and implicit proponents are seriously committed to rapid economic growth in the peripheral economies. However, by setting up a framework in which each developing economy individually faced a consortia of the major industrial economies and international economic institutions it would also appear to minimize - not maximize - the degree of domestic and international political economic leverage any developing economy could exert.

**PL** A pre-requisite for using multinationalism in resource transfers as a means to negotiating any radical transformation of the international economic system would appear to be to secure firm developing economy control over regional development banks ~~and~~ **appear to be** two of the present three ~~industrial economy dominated~~ industrial economy dominated and over the United Nations Development Programme. If the former could then become an increasingly important channel for resource, and the latter for information, training, study, and personnel, transfer, multinationalism could be a viable strategy for world economic transformation on the basis of genuine dialogue and negotiation. It is not at all clear whether the developing economies can gain control over any major United Nations programme - however, UNDP is a more promising area than most. If the implementation of the Jackson Report were **to be** coupled with the creation of a full time Board of Directors (like the World Bank Executive Directors) having a built in tiers monde majority,

and the developing economies were able to agree on joint positions for their directors to take, significant results could be attained.

In the forgoing as in other potential areas for negotiation evaluations of what is possible should take account not simply of the absolute power mobilizable by the parties to the negotiations but also of how much of that power they will wish to commit to the issue. Neither industrial economies nor MNC's will normally find it profitable to devote more than a small fraction of their economic power or negotiating capacity to development or developing economy issues.

This will be especially true if the changes sought include areas of mutual benefit as well as straight alterations in favour of the developing economies. It is on this fact of partial commitment by industrial economies and MNC's vs potentially total commitment by

~~developing economies linked with the reality that many changes~~ *non-aligned* *plus identification of changes which*

benefit the industrial economy as well as the developing economy partner that any realistic hopes for success of dialogue and negotiation as a strategy must be grounded.

this analysis suggests that as non-aligned countries we need to pursue a variety of types of economic cooperation and coordination on different levels and that major conferences and manifestos, while critical in themselves and as symbols will be ineffective without a series of working groups, exchanges of personnel and information, and specific operational agreements and institutions. All of us have some successes in international economic negotiations and relations which would be of value to all but these are rarely discussed or described in enough detail to have much practical transfer value. Many promising new ideas on how to co-operate or how to tackle specific problems exist in some form but have not attracted serious attention for their practical working out either nationally or jointly. Ironically some have been proposed by citizens of industrial economies and rejected by our governments and officials as too unorthodox. A number of joint ventures in trade, planning, and particular economic enterprises among developing economies are moribund or barely holding their own not because they have no potential but because the day to day routine work of building them is not done and the need to pool economic power in order to expand it is recognized in principle but ignored when it has short term costs.

Until we face and overcome these weaknesses in our own performance in cooperation as opposed to our potential it is fruitless to talk of securing major international economic reforms. The only countries which are primarily committed to the development of the non-aligned countries are the non-aligned countries. It is for us, not for the industrial world that our independence and our development form a central necessity. Therefore it is only based on our collective self reliance and working together that we can be free to alter the patterns of the international economic system which constrain us today.