

28-1-1983

The necessity and possibility of establishing
a new international economic order*

by
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Let me first briefly run over how the present role arose - the transition from the colonial to the neo-colonial system (or rather from a group of colonial systems to two neo-colonial systems, dominated by the United States and the Soviet Union respectively).

In the first decade after the end of the war, when the globe was divided into three 'worlds', this corresponded to reality. The centrally planned countries were ruled by Communist Parties which obediently followed the lead of their comrades in Moscow, and had characteristically different economic systems, in which each production unit was assigned an annual target.

In the rest of the world, the profit motive still reigned, but two distinct groups could be identified. One was a great deal richer than the other: too much has been made of comparisons in per capita incomes, but there was little doubt about the contrast if one looked at dimensions such as degree of industrialization, reliance on exports of primary products, fiscal systems, and sources of technology, let alone such social indicators on literacy, mortality, etc., as were available.

Besides, many of the developed countries were still imperial powers, even if their empires were crumbling, and nearly all those who were developing (then called by the less flattering

* Based on parts of The Political Economy of Nationalism, to be published by Oxford University Press.

term 'underdeveloped') had been colonies, the majority in fact until very recently. Rarely explicit in diplomatic fora was an underlying perception in both camps that the great majority in the developed countries were white, of European stock, whereas the great majority in the other group (with the conspicuous exception of the Southern Cone of Latin America) were not.

This frame for looking at the world has been until now curiously convenient for the governments of each type of country. Its usefulness to the élites ruling the developing countries does not need spelling out: it created the presumption that they would receive concessions in trade, etc., and in particular, large quantities of resources would be passed to them as aid. Not merely would they be able to use some of this themselves: they would be able to dispense it as patronage.

Secondly, the framework separated the Soviet government and its East European allies from the rest of Europe, and relieved them from the responsibility of making such transfers themselves - but allowed them to continue criticizing the 'imperialist powers' as exploiters.

What is superficially somewhat surprising is that there was widespread acceptance of such a perceptual frame in the developed countries too. But it suited powerful interests. Naturally it was convenient for foreign offices: it justified parliamentary appropriations that helped to save the ex-colonies from the Soviet domination. Emerging TNCs (Transnational Corporations) not only ^{wanted} to keep open the non-socialist world economy (which can without dogma be called 'neocolonial'), they were glad there was some other source of capital and technical assistance to create the schools, roads, power plants, etc., necessary for their activities.

Yet this also provided a moral programme for European liberals and socialists, who were keen to purge themselves of guilt about both the colonial past and the inequalities of the present. Instead it gave them a stage for a world role - a version, though much diminished, of the part that their forefathers (the 'liberal imperialists') could play in the days of empire. Many of the heads of state of former colonies, notably Nehru, later Nyerere, for example, were well-known in Europe: they were seen as socialists in the West European tradition, who would respect democratic rights. Inequalities overseas were gross indeed (reflecting in part the pay structure inherited from the colonial services), but they would soon be reduced, as they had been in Europe.

This extraordinary international coalition (the political breadth of which must be historically unique) included a part of academia. Some social scientists, economists in particular, in both developed and developing countries, showed the governments of the developing countries how to 'plan' growth.

The third quarter of this century was the heyday of the well-intentioned intervener, abroad as well as at home: the 'scientific' approach to social problems was in the ascendant. Social problems only had to be properly specified and analysed for them to be solved. In particular, research based on imported analytical techniques, could help to raise the economic and social levels in developing countries to those in the developed countries, which were seen as basically satisfactory. A cosy philosophy of internationalism reinforced modernization. There were ultimately no unmanageable conflicts of interest within or between countries; in the ever-expanding world made possible by scientific discoveries, all could advance - those furthest behind, indeed, the quickest. The only obstacles were the cultural traditions that (temporarily) stood in the way of progress, especially nationalism, militarism, and philoprogenitive inclinations.

Events have been undermining the three-world classification, the basis of this way of perceiving world problems. The categories of developed and developing countries have been becoming more heterogeneous and thus now overlap, whatever dimensions one looks at. The per capita income of some developing countries, e g Abu Dhabi, is now higher than that of the USA, and Singapore is more urbanised than most of Western Europe. Indeed, Japan has leapt from underdeveloped to highly developed; Argentina and Brazil have become in many economic dimensions, including technological capacity, more developed than Greece or Portugal.

There has also been some convergence between the systems of the capitalist and socialist countries. The former, both developed and developing, have been showing gradual centralisation of economic and political power and growing public sectors, despite temporary periods of 'denationalisation' in Britain and the USA, whereas the socialist countries are becoming - in varying degrees - decentralized, as well as increasingly dependent on imported capital and technology. Hungary is a conspicuous example; China, Algeria and Yugoslavia have been anomalies for some time, hard to fit into any of the three official categories, and the same is now true of Roumania.

The second major change has been political. Whereas in the first decades after independence at least the forms of parliamentary democracy were mostly preserved - and they flourished in parts of Latin America, for example Chile - the characteristic government of developing countries is now dictatorship, sometimes civilian, but mostly military, and in any case repressive, often savagely so. (See Table 1). As far as one can tell, inequalities have become greater: in many countries the poorest 20 per cent of the population are little better off, if indeed there has been any improvement at all (except in the reduced prevalence of a few endemic diseases), whereas the elites have been adapting their lifestyle to the rising standards of their counterparts in the

Table 1

Military-dominated governments^{a/} in developing countries,^{b/} by continent, and their support by aid and loans, 1980

	<u>Moderate to high aid</u> ^{c/}	<u>Heavy debtor</u> ^{d/}		<u>Moderate to high aid</u>	<u>Heavy debtor</u>
<u>Latin America</u> (12)			<u>Africa</u> (20)		
Argentina		x	Algeria		x
Bolivia	x	x			
Brazil		x	Benin	x	
Chile		x	Burundi	x	
El Salvador	x		Cameroon	x	
Guatemala			Central Afr Rep	x	
Haiti	x		Chad		
Honduras	x		Congo	x	
Nicaragua	x	x	Eq Guinea		
Panama	x	x	Liberia	x	
Paraguay		x	Madagascar	x	
Uruguay		x	Mali	x	
<u>Asia</u> (10)			Mauretania	x	
Bangladesh	x		Niger	x	
Burma		x	Rwanda	x	
Indonesia			Somalia	x	
Jordan	x		Sudan	x	x
Korea		x	Togo	x	
Pakistan	x		Uganda		
Philippines			Upper Volta	x	
Taiwan		x	Zaire	x	x
Thailand		.			
Turkey	x	x			

Source: Country classification, World Military and Social Expenditures, 1981, by Ruth Sivard (World Priorities, Leesburg, Va).
 Aid, Development Corporation: 1981 Review (Development Assistance Committee, OECD, Paris).
 Population, debt service and exports: World Development Report 1982 (World Bank, Washington).

- a/ So-classed in the source. Those affiliated to the Soviet bloc are excluded here.
 b/ Other than those affiliated to the socialist bloc.
 c/ Aid net receipts more than \$12 per capita.
 d/ Service on public and public-guaranteed debt more than 10% of value of exports of goods and services.

industrial countries (with the additional advantage of cheap domestic services and, in many countries, cheap petrol). Corruption has become rampant (it exists in various forms in the developed countries, of course, but financial corruption is relatively on a much smaller scale than in parts of the Third World).

A programme for reviving the neo-colonial system, such as the New International Economic Order, would help them maintain this lifestyle and their political control, but it no longer has much moral content. (It would doubtless benefit some of the poor, too, but at the cost of perpetuating their subjugation).

So academic progressives have become disillusioned, and the old coalition has been undermined. Moreover, few in the developed countries any longer see their own societies as sufficiently successful either to act as a model or to provide great quantities of resources to help the rest of the world.

The framework is still useful to those with political and commercial motives for subsidizing the governments of developing countries. Indeed, there is now an additional justification - many private banks have lent heavily abroad and are worried about the prospects of the debts being serviced, let alone repaid. A more general argument (e.g. in the Brandt Report) is that rising incomes in the South would help reflate the economies of the North: but if the 'Northern' governments wanted a boom (some of them seem far from keen), they could manage it much more efficiently by increasing their domestic expenditures. The result of a worldwide reflation might well be to reveal the oil and food shortages that lurk near the surface, and could generate a politically embarrassing return of inflation. Moreover, if aid were massively increased, its suppliers might not all gain trade correspondingly - Britain, in particular, might lose out.

Yet, large-scale aid may not be a necessary price to keep the neo-colonial system alive. The Soviet Union has evidently become less influential in the world scene: it no longer has much oil to offer, even to its Communist partners. Besides, the survival of the system seems unlikely to continue being in the interests of many in the industrial countries, who find it means heavy outflows of capital, growing volumes of imports of manufactures (See Table 2), and increasing competition in the world market.

The best survival policy for Western Europe, Britain in particular, lies in strengthening and further enlarging the European Community, though to make this viable will require a development strategy with many dimensions, as yet hardly touched on in Community politics, especially industrial and redistributive (to integrate the new members properly), but also in the fields of education and population (e.g. stimulating a mild population growth, so as to raise the ratio of teenagers to pensioners).

Within the Third World there are two contrary pressures: one is for a Brandt-type programme of increased aid and trade concessions and the other for increased self-reliance. They are incompatible because aid is an instrument of control to keep economies more firmly tied to the international financial system, which of course is even more obviously true of schemes to stabilise commodity prices, allow trade preferences, etc.

The two programmes thus correspond to the interests of different classes in the South.^{1/} The bureaucrats and those with professional skills have had their minds moulded in part by foreign education (or education based on imported textbooks). They favour the 'most up-to-date' technology, believe in quantitative development plans, have living standards depending on imports (cars, colour television, video recorders, etc). Aid programmes give them not only opportunities of corruption

Table 2

BALANCE OF TRADE IN MANUFACTURES^(a): EEC (9) AND UK WITH REST OF WORLD
1960 TO 1980

Ecu. bn.	EEC (9)			of which	UK		
	IMPORTS	EXPORTS	RATIO X/M		IMPORTS	EXPORTS	RATIO X/M
1960	8.4	21.5	2.6		2.8	6.9	2.5
1965	13.2	29.1	2.2		4.3	8.5	2.0
1970	25.1	47.6	1.8		7.5	11.8	1.6
1975	48.8	103.1	2.1		13.4	20.6	1.5
1980	118.7	183.0	1.5		30.4	38.7	1.3

Notes: (a) S.I.T.C. groups 5 to 8, viz. Chemicals, Manufactured Goods classified by material, Machinery and Transport Equipment, Other manufactured goods.

Source: Statistical Office of the European Communities (1981),
Monthly External Trade Bulletin, Special Number, 1958-80
(Luxembourg).

and possibilities of patronage but also often their only chance of foreign travel. Thus they favour strengthening the neo-colonial system, as of course do most of those in the export and import trades.

Many in the Third World secretly welcome the tough conditions imposed by the IMF and bilateral donors which rule out import controls, etc. and the 'monetarist' policies that are the natural correlates of this approach which imply stiff opposition to wage increases.

Local capitalists producing for the home market, however, naturally favour a programme of import substitution using high tariffs, import and exchange controls, etc., and so do most of their workers. Indeed the representative workers in other sectors often favour autonomous policies, precisely because 'opening up' the economy would mean limits on government social expenditures, wage control, etc.

I have over-simplified. Somebody in the Third World in favour of strengthening the world system may well favour redistributing the income that it provides - for example, changing the voting structure of the IMF and the World Bank, and by this or other means issuing SDRs only to the governments of the Third World. Conversely, those who favour opting out of the system may well have doubts about the possibility and cost of doing so: such fears may be well-founded.

As Western Europe develops its resource base (even just the 12) the customary interventions of its member governments in the political and economic affairs of other countries, which is certainly becoming less feasible, should be less necessary. This, together with the effects of the economic expansion of the Community that would be feasible could be much more important to most of the Third World than what happened to the volume of aid and other capital flows, or to trade barriers on manufactures. Indeed, import controls on industrial

products would be consistent with an expansion of imports of many types of primary product.

It could well be to the benefit of all parties if the European TNCs engaged in manufacturing and mining were induced to invest inside the Community, especially along its periphery, rather than outside it. Governments elsewhere are much less capable of rejecting economically or socially undesirable projects put forward by the TNCs, or of monitoring their operations (e g by checking 'transfer pricing'), or of ensuring that technology of the right kind is gained.

Thus what appears to be a Eurocentric scenario could be beneficial to much of the Third World, at least in the longer run. It would not be hard to improve on past performance. Our contribution to overseas development may well have been on balance negative, even since decolonisation. The impact varies, of course, but in general high technology is injected into the 'modern sector', aggravating geographical dualism and economic inequality. The beneficial effects of aid, on some parts of the recipient population, have often been outweighed by the consequences of political support for governments that fit into the neo-colonial system. A good deal of European capital and covert political support has been extended to the government of South Africa, affecting the whole of the southern part of the continent.^{2/}

Now that the neo-colonial system is disintegrating, the most constructive European policy in the 1980s would be to adopt less paternalistic policies to the Third World. One of the most significant implications of the second enlargement of the EEC is that it permits, and may compel, a degree of disengagement, including a running down of aid programmes in the South.

Types of aid that have primarily political or commercial justifications (constituting now a large fraction of the total) could well be reduced, with advantage to both sides. This does not imply its sharp and total elimination: while that would reduce the incomes of many who live off corruption and high distribution margins, and reduce the patronage of military cliques, it would also hurt some of the really poor. Aid targets are really meaningless (because aid covers so many sins), but an aim of letting it decline to about 0.1 per cent of donors' GNP by the end of the century would concentrate the minds of the policy-makers and may be the sort of magnitude that would be consistent with the scenario I am outlining.

There is a growing demand for 'self-reliance' in the Third World. Our correct response is to respect this, and - so far as we can - reduce, not increase, our contacts. Self-reliance in the South logically implies self-reliance in the North too. If we could give up the temptation to meddle in the affairs of overseas countries - a meddling that, in fact, is often counter-productive - we would certainly save on military expenditures as well as aid budgets, and need to make fewer trade concessions.

It might well be argued that some North-South contacts are beneficial - even that they offset the damage done by political and cultural interventions by the greater powers. Thus European (and for that matter United States) priests and nuns have done a great deal in Latin America, politically as well as socially, to offset the financial and military aid given to the dictatorships and the commercial loans. It would also be possible to argue that economic advice that counters what is, for example, given by European monetarists (or Marxists) is only making good the damage done by other Europeans or Americans - the same could be said about some of our theoretical contributions to the 'development' debate.

The trouble with justifications of intervention is, however, that they can be used by those who want to strengthen the neo-colonial system for their own reasons. Besides, more basically, who are we to judge what is, and what is not, a justifiable intervention? - we really lack the knowledge, no less than the right, to do this.

I make one major exception, however, in favour of human rights. There is little doubt that outside intervention, whether in the form of resolutions, deputations or letters, has some influence in encouraging the application of proper legal process to political prisoners. If one can do anything to lessen, even marginally, the torture, inhumane imprisonment and execution of people for political reasons (often personal vendettas), in the countries listed in Table 1, then the obligation to do this seems to me to over-ride the arguments against intervention in the affairs of other countries, especially since the administrations that behave in this way often depend on exports from Europe.

The Community could also itself play a positive role in establishing a more durable world economic order, with international taxation gradually taking the place of aid, and expenditures based on criteria such as infant mortality rates (perhaps tied to basic health care). (Admittedly, many dictatorships would automatically benefit - but they would not receive aid because they adopted policies conducive to the survival of the neo-colonial system). Europe would certainly gain from a stable international system, even if it were less colonial.

I will close by speculating on what sort of a world system might replace the neo-colonial one. Europe may prove to be the first of a series of regional blocs. While the world crises encourage self-sufficiency, this can hardly be achieved on a national basis, indeed this is more implausible

overseas than in Europe. Only a handful of the nation states have markets big enough for manufactures such as aircraft: the United States and the Soviet Union are leading examples, though India and China could well join them in the 21st century.

It is uncertain whether Europe (even its Western part) will develop in this way. Elsewhere it is even more problematic, and for the same basic reasons. The links within them are so far mostly economic. They are each even more lopsided than the Community, consisting essentially of a weak ring around a highly advanced core. The industrial core of the Latin American region is Brazil and Argentina (with Mexico a separate base to the North); of East Asia, Japan; of the South Pacific, Australia. There are colonial-type relations between each regional core and its periphery: the core sells advanced manufactures and takes in less sophisticated products, foodstuffs, and raw materials. There are also strong labour flows towards the centre to work in its factories; and tourist flows mainly in the opposite direction, just as in Europe. Indeed, the balance of payments of the periphery is heavily dependent on remittances from migrants working in the factories of the core and on tourist expenditures.^{3/}

While the big nation-states have some political machinery for integration, the other regional groups, by contrast, have fewer means than the Community of overcoming these disparities, e g by transferring to the periphery the profits of core manufacturing operations (and also financial and transport institutions with headquarters in core countries). Regional banks provide some capital on concessional terms, but very little in relation to needs. The UN has Regional Commissions, but they do not fit the regional economic patterns; their powers are limited; and their coverage is too big. (Even the Latin American Commission includes the United States as well as Britain and France). The responsibility for aid programmes to the governments that alleviate poverty in each area best lies in its own rich countries - they have some long-term interest in doing so.

A region like Latin America trades more with the outside world than they would need to if their resources were properly developed, and internal exchanges developed. Much of the capital generated in some regions, again Latin America is an example, flows elsewhere (whereas many governments in the same regions have to borrow, usually expensively, from outside).

All regions also lack (again with the partial exception of the two European systems) collective representation in international affairs. There are regional political organizations, such as the Organisation of American States and the Organisation of African Unity, but they hardly fulfil this role. (The former includes the United States). Finally, there are no effective common defence arrangements (except for each of the two Europes, and even also these include outside powers).

Such weaknesses may well be overcome if the economic pressures continue to grow and great power policies become increasingly threatening. There are already a few indications of progress in this direction, apart from those already mentioned in connection with Europe. Aid programmes of the oil exporters of the Middle East show a concentration on neighbouring countries, and Mexico, together with Venezuela, has arranged to supply cheap oil to countries in the Caribbean.

In the 1960s there had been an increase in the intra-regional trade for developing countries big enough to raise its share in total trade. This accelerated in the 1970s: if we consider non-fuel products (since fuel trade has been relatively small within regions), there was a rise in intra-regional trade between 1970 and 1979, from 15 per cent to 20 per cent of total developing country exports.^{4/}

As one example of institutional development, a Latin American organization for regional cooperation has emerged without US membership - SELA, based in Caracas, working on food self-sufficiency and energy development.

But regional blocs will only be viable in the long run if they show some cultural cohesion - in terms of common ethnic origins, language, customs, and historical experience - at least enough to be able to 'communicate' despite linguistic differences (so that the members understand each other's problems).

I have neither the space nor the knowledge to discuss what would be the appropriate membership for regional systems in other parts of the world, still less how they ought to be organized. Indeed, it would be an impertinence for me to do so - the usual impertinence of the citizen of a former colonial power trying to arrange the affairs of other people. Those blocs that have a realistic basis will appear and shape themselves. They may be quite different from the existing regional systems of trade.

What a European can say, however, is that it will be costly for all parties if we fail to grasp the logic of these trends, and try to preserve the neo-colonial system by political or military intervention or by aid programmes (or some combination of these, as is usually the case) - just as expensive as the failure of some to recognize, earlier in the century, the breakdown of colonialism. (The temptations for such intervention may be considerable).

A system of large regional economies, with a minimum of 200 million people, would be more symmetrical, even if not completely so: none would dominate, though some would be stronger than others. It should be more stable. There is no certainty about this - one could imagine (as in Orwell's 1984) war between such blocs, perhaps between alliances of them - but I would certainly feel more confident that, if such a system emerges, children in Europe will grow up to be adults.