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NIEO:
HOW TO PUT THIRD WORLD SURPLUSES TO EFFECTIVE USE

Samir Amin

The demands of the Third World states concerning the New International Economic Order form a consistent whole with a perfectly intelligible logic. A substantial and lasting increase in raw material prices, reinforced by a reduction of debt and more favourable terms for the transfer of technologies, constitute the best means of improving the possibilities of financing a new stage in the industrialisation of the Third World. Based on what conventional wisdom claims to be 'comparative advantages', this industrialisation, envisaged from the dual angles of relatively cheap labour and natural resources making it possible to export to the developed world, is seen within the perspective of an intensified web of world trade. Opening the markets of the developed countries to exports of manufactured goods from the Third World would, according to conventional wisdom, serve the collective interest, by making the international division of labour better adjusted to factor endowments. These exports would also cover the Third World's food deficit through imports as opposed to reliance on aid.

1973 and After

The raising of the price of oil at the end of 1973 strengthened the credibility of this programme by highlighting the fact that it was possible to obtain different prices for raw materials, that these were certainly not 'intolerable' for the developed world, and that the financial resources accumulated in this way could be used to accelerate the industrialisation of the countries benefiting from the higher prices. In this connection, October 1973 is a turning point in the history of international relations, the point when the Third World countries became aware, not of their rights, but of their power.

This programme is perfectly in conformity with the principles defended by the liberal West. It places the highest ever priority on the objective of intensified links of world economic interdependence, basing it on comparative advantages, a programme which ought to have been devised and proposed by the economics professors of the most conservative academies rather than by governments

which such academies have constantly reproached for a penchant for out of date 'nationalism', contrary to the interests of their peoples. It is an irony of history that this initiative came from the 'nationalist' Third World and that it was unanimously rejected by the very people who had sanctimoniously invoked these principles in western academia for years.¹

Beginning of the Crisis

Certainly, the demand for the NIEO coincides with the most serious 'crisis' of the post-war period. Is this crisis then the reason for the rejection of Third World claims? It has even been argued that the raising of oil prices, the first, and so far the only measure in the implementation of the Third World programme for a new order, was the 'cause' of the crisis. A campaign was organised on this theme in 1973 and 1974, using all kinds of arguments, all in defiance of the facts, namely the beginning of the international monetary crisis and the appearance of US foreign deficits from the beginning of the 1960s; the prior existence of 'stagflation'; the extent and persistence of rates of inflation out of all proportion to the calculable increase attributed to oil; the still massive investment of oil funds on the western financial markets; and the modest role of petrodollars compared to the mobile assets of the transnationals in speculative movements.

In my view, the main cause of the present crisis lies precisely in the present international division of labour, IDL, which is being challenged by these demands.² It must be remembered that the present IDL confines the developing countries to the export of primary agricultural and mineral commodities, only their import substitution industrialisation being strictly limited to their domestic markets. Thus, IDL provided one of the bases on which the period of continuous prosperity of the last twenty five years was built. Actually, it was a prosperity very much limited to the developed centres of the system, for while in these centres the period in question was marked by a high level of employment, a continuous growth of productivity and a parallel growth of wages, in the underdeveloped peripheries, rates of growth, notwithstanding the same mechanisms which elsewhere ensured full employment and the improvement of real wages, here entailed a continuous growth of unemployment and underemployment and the stagnation or even deterioration of real wages and remuneration of rural producers. That is to say, the crisis was there all the time. Only, from the 1970s onwards the crisis began to be generalised to the whole world

¹ The points that follow were developed by the author in a text published in the first issue of the journal of the Association of Third World Economists, July 1977, under the title, 'Some thoughts on self reliant development, collective self reliance and the new international economic order', IDEP/R/2773. See also, 'Some preliminary notes on oil and Afro-Arab relations', IDEP/DIR/2654-rev. 1, December 1974; 'After Nairobi, Preparing the Non-Alignment Summit in Colombo', An appraisal of UNCTAD IV, DIR/2747, June 1976, 'A Propos de l'Eurafrrique', *Etudes de Politique Industrielle*, Paris, Ministère de l'Industrie et de la Recherche, April 1976.

² S Amin, A Farhi, M Hussein, G Massiah, *La Crise de l'Imperialisme*, Ed. de Minuit, Paris, 1976.

system. It began to be transmitted to the developed centres themselves.

Revising IDL

If this is so, the best way of surmounting the crisis would be to revise the modalities of the IDL and bring it into line with the demands of the Third World. Third World industrialisation would provide work for a considerable number of Third World unemployed and open up additional markets for the capital goods industries of the developed world and redress the situation regarding the levels of profitability of different industrial activities, since the fall in the rate of profit by which the crisis is manifested is mainly rooted in the inadequacy of the present international distribution of activities.

This set of measures for revising the IDL emerges solely from the economic logic of the system. It is its logical strength, but also its real weakness. For:

- a) it is by no means certain that the world system can be reduced solely to its 'pure' economic logic, namely that of profit maximisation on the world scale, without taking account of the division of the world into nations, which still remain places where the essential and immediate political forces operate
- b) it is, therefore, by no means certain that the crisis cannot be surmounted in another way than by the coordinated and systematic implementation of the new IDL, or that this solution is 'the best one', bearing in mind the national facts or, lastly, that this solution is even the most 'probable'.

The peaceful, coordinated and systematic implementation of a new IDL may be the dream of a technocrat motivated by a single incentive: the maximisation of profit. Curiously enough, Third World states are collectively behaving like this hypothetical technocrat, whereas the decision makers of the West, apostles *par excellence* of the philosophy of profitability, are hesitating before the logical consequences of their own philosophy and rejecting the industrial relocations which it would lead to.

Rejection by the West

There is no doubt that the West has so far rejected the demand for a NIEO, as witnessed by the debates of UNCTAD IV, Nairobi, 1977, the long North-South dialogue since 1976 and the more intermittent Euro-Arab dialogue. American, European and Japanese neo-protectionism, both towards each other in iron and steel and towards the Third World regarding the failure of the multi-fibres negotiations, is there to remind our 'technocrat' that nations still exist.

From this point of view, the current crisis is a definite aggravating circumstance for the rejection of Third World demands. This is because, in order to move from the present IDL to the new one, it would be necessary to accept increasing unemployment in the West and its transfer, actually a very small part of it, from the periphery to the centre of the system. But it is not a matter of indifference to the system, as it is, whether unemployment is located at one

point or another. After all, it was assumed that the period 1945–70 had been a period of great prosperity because the rate of unemployment in the centre was low, around 1 to 3 per cent. There was a crisis, it was said, when the rate in the centre rose to 7 per cent, but people did not stop talking about prosperity in the periphery even though real rates of unemployment and underemployment there remained between 12 per cent and 25 per cent and kept continually worsening after 1945. Moreover, it seems obvious that the governments of the world, as constituted, are not entirely indifferent as to whether in the new IDL only the American multinationals get the lion's share, or whether they are obliged to share their profits with European and Japanese capital.

Using Oil 'Surpluses'

Since there is neither a world government organised by the multinationals (and the writer of these observations would not rejoice at that) nor total subjection of the states of the periphery and of national interests to the logic of a government of that kind (and again, the writer is not sorry about that) nor even a necessary absolute subjection of the developed states to the most powerful American multinationals, nor acceptance by the workers of the developed countries of the 'necessary' levels of unemployment that would accompany industrial relocations (and the writer does not deplore it) the NIEO cannot be implemented; at least, not seriously. It is perhaps exactly for that reason that the NIEO, after having alarmed people in 1973–4, is now tending to rally unanimous support. As it cannot be achieved, it can only be 'specified' about without danger. This is the context in which we have to situate the question of the use of oil 'surpluses'.

In some people's minds, the NIEO must be reduced to the raising of the price of oil only, which was achieved in 1973–4 and subsequently stabilised, and, above all, it must not involve a generalised extension to the other primary exports of the Third World. From this angle, the relocation and the export industry must be a limited operation, only acceptable when it is operated by some multinational backed by its government. So, in this spirit, the oil surpluses must be made available to the developed financial markets to support, on the one hand, their own policy of intervention in relations among developed countries and, on the other hand, their marginal support for the 'survival' of the old IDL in the developing countries. The spirit of 'aid' conceived as a safety valve enabling the perpetuation of an unjust system, which with each passing day is becoming increasingly unjust, is then saved. At the present time, the use of oil surpluses is nothing other than that.³

This perspective is not that of the Third World: neither of the oil producers nor of the others. The raising of the price of oil in 1973–4 was rightly regarded by the Third World as an important collective step if only because it was the first time in four centuries that an important decision concerning the world as a

³ Georges Corm, *Les Capitaux Pétroliers et la Réforme de l'Ordre Financier International*, Le Monde Diplomatique, October 1976.

whole had not been taken in the dominant metropolitan countries. It had been demonstrated that this was possible, that the so called 'laws of the market' which were invoked only to explain that the unfavourable prices of Third World products could not be changed were nothing but ideological speeches designed to hide the reality of international power relationships. The Non-Aligned Movement and the Group of 77 then embarked on a strategy of collective struggle for an overall escalation of raw material prices and a resolution was adopted in Dakar in February 1975 concerning the Solidarity Fund and the Association of Producers. This has not been pursued. Under pressures from the developed countries, a strategy of 'stabilisation' has been substituted through UNCTAD and interminable 'negotiations' and 'dialogues' for the strategy of organisation of producers with a view to their collective, unilateral if necessary, intervention.⁴ And yet the greatest lesson in history in the last century, at least, again confirmed in 1973-4 by the oil battle, is that the international order is not the result of a 'dialogue of wise men', but reflects the real balance of power. It is hence for the camp of developing countries to strengthen itself beforehand. That is the condition which may then make possible future negotiations fruitful. To strengthen itself, in this connection, means to build a national economy which, having a maximum of autonomy, can better resist external pressures and so make it possible to negotiate for participation in the IDL under more favourable conditions.

Delinking from IDL

So a possible evolution of the NIEO implies first and at the start the strengthening of a self-reliant development strategy which can entail a more or less marked de-linking from the IDL. It is then and only then that the developed countries can be forced to carry out the internal readjustments which are necessary for a truly new international order. The strategy of self-reliant national development can be reinforced by a strategy of collective self-reliance by groups of Third World countries and/or by the Third World as a whole. Projects of specific action in various areas must be devised in the spirit of strengthening the autonomy of the developing regions *vis-a-vis* the developed regions.

And what about the question of the possible uses of oil surpluses? If the Third World countries can obtain an overall rise in the prices of their exports, the problem of oil surpluses would largely disappear. Meanwhile, the oil surpluses of certain countries should be envisaged as a means of strengthening the collective self-reliance of the Third World in general and that of each of the countries constituting it in particular.⁵ The most important reason, however, for the meagre degree of active economic cooperation that has so far materialised among Third World countries is the great diversity which prevails among them. It is true that some highly developed countries tend to play up this diversity,

⁴ An Appraisal of UNCTAD IV, article quoted.

⁵ Fawzy Mansour, *The Third World Revolt and Self-Reliant Auto-Centred Strategy of Development*, IDEP/REF/406, April 1977.

classifying countries into 'more developed developing countries' and 'least developed developing countries', 'resource-rich and resource-poor developing countries' *et cetera*. The aim is to implement the avowed policy of breaking up the so called solid block of Third World countries. This ought not to induce Third World countries to ignore the real, and even great, diversity of conditions that exists among them. On the contrary, this diversity should be brought out into the open, objectively analysed and practical measures of active cooperation evolved and implemented.

Forces Against the Third World

The major forces working for differentiation among Third World countries relate to the level of their economic development, especially their varying degrees of industrialisation, the nature of their external economic relations such as surplus versus deficit countries; dependency on one or two raw material exports versus diversification of exports; membership of regional groupings; and alignment with metropolitan advanced countries versus relative economic independence. The nature of the socio-economic structures prevailing in these countries are also important. Some have adopted a completely free market economy, some operate an important public sector within a capitalist structure, others are passing through a period of transition to socialism, while some have already established a socialist system. These differences are not likely to diminish. On the contrary, they are bound to increase. Unless these factors are fully taken into account, they are bound to lead the countries involved into taking divergent positions, both in terms of global relations with the outside world, and in the matter of direct economic cooperation among themselves.

Cooperation Despite Divergence

In spite of these existing diversities and hence diversities of interest among Third World countries and the certainty that these differences will multiply, there does exist a sufficiently solid basis for fruitful cooperation, both as regards relations with the outside world and as regards direct, active cooperation. Mutual cooperation can only materialise on any significant scale if two fundamental conditions are met to begin with. First, a move towards cooperation should take into account the varied, even divergent, interests of Third World countries. It will ultimately have to assume the nature of a package deal in which the interests of various country groups are balanced against each other, so as to make it profitable for each group to accept the deal as a whole. Secondly, each country should be left free to pursue the path of socio-economic development it has chosen and to adopt economic policies consistent with the forces within its own society. Any attempt to put through grand but vague schemes of cooperation that would put Third World countries in a straitjacket or set them on a predetermined path of socio-economic development, is bound to meet with failure.

Not only can these two conditions be satisfied but they can, at the same time, permit an ample measure of fruitful economic cooperation among Third World countries. If a Charter of Cooperation were to be drawn up, the following guidelines should perhaps form its basis:

- a) trade between Third World countries should be direct. Imports from, as well as exports to, Third World countries which pass through the intermediary of a third party should be prohibited;
- b) a system of generalised preferences should be established between Third World countries covering transport and insurance;
- c) payments from one Third World country to another should not pass through non-Third World intermediaries;
- d) Third World producers' associations which should decide upon price fixation of their exports should establish a fund to compensate other Third World countries for additional payments involved;
- e) technology devised in Third World countries should be made freely available or at specially advantageous terms to other Third World countries;
- f) transnational Third World firms should have preferential treatment in Third World countries. A firm in which no Third World capital participation exists should not be considered a transnational Third World firm;
- g) taxes should be imposed on all exports from Third World to non Third World countries and on their imports to Third World. The tax receipts should be devoted to development. The fund thus created should be operated by a special organisation in which all developing countries are represented on a basis of equality.

Consolidating Third World Power

Changes in the present international or economic order are essentially a manifestation of power relationships. As the current North-South dialogue amply testifies, there is little hope for modification of that order unless the Third World countries consolidate their own economic power base. This fundamental assumption should not be lost sight of through the false dichotomy which is often drawn between 'confrontation' and 'cooperation'. As any serious student of international economic relations knows cooperation, insofar as it means solving issues by mutual agreement, is essentially the legal expression of the relative positions of power attained by the concerned negotiating parties. Nor is the talk about the increasing interdependence on the world economy relevant in this context, for the question must always be asked: for whose benefit and at whose expense?

The guidelines outlined above are not in conflict with world interdependence. They merely mean a change of direction, replacing North-South relations by South-South relations. What is really being attempted as a whole is to reduce vertical integration and increase horizontal integration, to make Third World look inwards rather than away from itself and its own problems. This will also close some of the channels, well known and documented by students of under-

development, through which surpluses, a great deal of which are usually unearned, are siphoned off from Third World countries to metropolitan centres.

Cooperation Without Prejudice

It is a programme to which all Third World countries can subscribe irrespective of their level of economic development or of their socio-economic structure. What is important is that they believe in the principle of mutual cooperation as an overriding factor in their own development. More specifically, free market Third World countries, socialist Third World countries, Third World countries with a well developed public sector, can all subscribe to this programme without prejudice to their chosen paths of development.

An essential principle of this programme is that cooperation between Third World countries should not be the occasion or vehicle for reproducing between Third World countries the relations of hegemony and subordination which exist between metropolitan and Third World countries. Nor, of course, should it be the backdoor through which these relations are maintained or forced upon countries which attempt to liberate themselves from them.