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NEW INTERNATIONAL ECONOMIC ORDER AND STRATEGY FOR THE USE OF FINANCIAL SURPLUSES OF DEVELOPING COUNTRIES*

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In this brief paper, the author shows how the Third World demand for a New International Economic Order (in other words, a more sensible and equitable revision of the existing international division of labour) is consistent, not only within itself, but also with the principle professed by the West itself (viz. that the purpose of division of labour is to make the best use of factor endowments to ensure maximum profitability and common good). In rejecting the demand, the West is repudiating its own conventional wisdom. Aware that implicit in the demand for an international redivision of labour is a demand for international redivision of political power (to which the West, long used to a position of dominance, is not likely to agree willingly), the author suggests a strategy for the Third World to wage its struggle, severally and collectively, on both the political and the economic planes.

October 1973: a turning point in international relations

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 rise in the prices of raw materials, reinforced by a reduction of debt and more favourable terms for the transfer of technologies, constitutes the best means of improving the possibilities of financing a new stage in the industrialization of the Third World. Based on what conven–

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tional wisdom claims to be 'comparative advantages', this industrialization, envisaged from the dual angle of relatively cheap labour and natural resources making it possible for Third World countries to export to the developed world, is seen within a 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. Moreover, these industrial exports would make it possible to cover the Third World's food deficit through the substitution of imports for aid.

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 industrialization of the countries benefiting from the higher prices. In this sense, 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 is, then, a programme perfectly in conformity with all the sacrosanct principles defended by the wisdom of the liberal West. It is a programme which places higher than ever the objective of intensified links of world economic interdependence and which aims at 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 these same academies have constantly reproached for their penchant for 'nationalism', regarded as out of date and contrary to the interests of their peoples. It is the irony of history that this initiative came from the 'nationalist' Third World and that it was unanimously rejected by the apostles of the principles on which it is based!

Certainly, the demand for 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 NIEO – was the 'cause' of the crisis. A veritable campaign was launched on this theme in 1973 and 1974, using all kinds of arguments, but in defiance of all the facts: the onset of the international monetary crisis and the appearance of United States foreign deficits in the beginning of the sixties, the prior existence of stagflation, the extent and persistence of rates of inflation out of all proportion to the (calculable) increase attributable to oil, the (still massive) investment of oil funds on the Western financial markets, the modest role of petro-dollars compared to the mobile assets of the transnationals in speculative movements, etc. It would seem that this campaign is fizzling out, as it seems so obvious that the tenacious nature of the crisis requires a more serious attempt at explanation.

Imperatives of change in the international division of labour

In our view, the main source of the present crisis lies precisely in the present international division of labour (IDL) which is being challenged by these demands.[1] It must be remembered that this IDL confines the developing countries to the export of primary (agricultural and mineral) commodities, their industrialization (import–substitution) being strictly limited to their domestic market. This IDL provided one of the bases on which the period of continuous prosperity of the last quarter of a century 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, regardless of the rates of growth, the same mechanisms which elsewhere ensured full employment and the improvement of real wages entailed a continuous growth of unemployment and underemployment and the stagnation or even deterioration of real wages and the remuneration of rural producers. That is to say, the crisis was there all the time. Only, from the seventies onwards the crisis began to be generalized to the whole of the world system, i.e. to be transmitted to the developed centres themselves.

If this is so, the best way of surmounting the crisis would be precisely to revise the modalities of the IDL and to accept the demands of the Third World. Is it not obvious that Third World industrialization would provide work for a considerable number of Third World unemployed, thereby opening up additional markets for the capital–goods industries of the developed world, and redress the situation concerning 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?

The set of measures for revising the IDL emerges solely from the economic logic of the system. But its logical strength is 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 – that of profit maximization on the world scale without

[1] S. Amin, A. Farhi, M. Hussein, G. Massiah, La crise de l'imperialisme, Ed. de Minuit, Paris 1976.

taking into account the division of the world into nations, which still remain the arenas where the essential and immediate political forces operate; and (b) it is by no means certain that the crisis cannot be surmounted in another way than by the co-ordinated and systematic implementation of the new IDL; and (c) it is by no means certain that this solution is 'the best one', bearing in mind the national facts, or even the most 'probable'.

The peaceful, co-ordinated and systematic implementation of a new IDL may be the dream of a technocrat motivated by a single incentive: the maximization of profit. Curiously enough, the Third World states are behaving like this collective 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 relocation which it would imply.

There is no doubt that the West has so far rejected the demand for NIEO, as witness the debates of UNCTAD IV (Nairobi, 1977), the long North-South dialogue (1976-1977) and the intermittent Euro-Arab dialogue. American, European and Japanese neo-protectionism, both towards each other (iron and steel) and towards the Third World (failure of the multifibres negotiation), 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 – 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 in one point or another. After all, the period 1945-1970 had been considered a period of great prosperity because the rate of unemployment in the centre was low (around 1% to 3%). There was a crisis, it was said, when the rate in the centre rose to 7%, but people did not stop talking about prosperity in the periphery even though the real rates of unemployment and underemployment there were between 12% and 25% and had been continually worsening since 1945!

Moreover, it seems obvious that the governments of the world, as they are, are not quite indifferent 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.

Since there is neither a world government organized by the multinationals (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 (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 the industrial relocations (the writer does not deplore it!), the NIEO cannot be implemented, at least not seriously.

West's verbal support a manoeuvre to tame NIEO

It may be exactly for this reason that the NIEO, after having alarmed people in 1973-1974, is now tending to rally unanimous support. As it cannot be achieved, it can be 'speechified' 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 1973–1974 and subsequently stabilized, and, above all, must not involve a generalized 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 the relations between 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 (becoming every day increasingly unjust), is then saved. At the present time, the use of oil surpluses is nothing other than that.[2]

Implications of NIEO for Third World

This perspective is not that of the Third World, nor of the oil producers, nor of the others.

The raising of the price of oil in 1973–1974 was rightly regarded by the whole of the Third World as an important collective victory, if only because it was the first time in four centuries that an important decision concerning the world as a whole had not been taken in its dominant metropolitan countries. It had been demonstrated that this was possible, that the so-called 'laws of the market', invoked to explain that the unfavourable prices of Third World

[2]There are excellent studies illustrating this point. For example, Georges Corm, 'Les capitaux petroliers et la reforme de l'ordre, Financier international, *Monde Diplomatique*, October 1976.

products could not be changed, were nothing but ideological speeches designed to hide the reality of the international power relationships.

That is why the movement of non-aligned countries and the Group of 77 then embarked on a strategy of collective struggle for an overall raising of raw material prices, as witness the resolution adopted in Dakar in February 1975 concerning the solidarity fund and the associations of producers.[3]

This strong and just orientation has not been pursued. Under pressure from the developed countries, a strategy of 'stabilization' has been substituted, through UNCTAD and interminable 'negotiations' and 'dialogues', for the strategy of organization of producers with a view to their collective – unilateral if necessary[4] – intervention.

And yet, the greatest lesson of history, in the last century at least and again confirmed in 1973–1974 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 therefore for the camp of developing countries to strengthen itself beforehand. This may then make 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 thus make it possible to negotiate for Third World participation in the IDL under more favourable conditions.

So a possible favourable evolution of NIEO implies, *first* and *at the start,* a strengthening of the self-reliant development strategy which may entail a more or less marked *delinking* from the IDL. It is then, and only then, that the developed countries can be forced to carry out in their turn the *internal* readjustments which are necessary for NIEO.

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 domains must be devised in this spirit, i.e. in the spirit of the strengthening of the autonomy of the developing regions *vis-a-vis* the developed regions.

Once again, we come back to the question of the possible use of oil surpluses. Of course, if the Third World countries can obtain an overall rise in the prices of their exports, the problem of these particular surpluses would largely disappear.

Meanwhile, the oil surpluses of certain countries must be envisaged as means of strengthening the collective self-reliance of the Third World in general and that of each of the countries constituting it in particular.

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[3]For excerpts from the Dakar Declaration, see *Alternatives II,* 3, 1976, pp. 317–329.
[4]For an appraisal of UNCTAD IV, see Samir Amin, 'After Nairobi ...' (f.n. 1).

It therefore seems to us that here we cannot do better than set out the principles which have been developed by Fawzy Mansour:

The most important reason, however, for the meagre degree of active economic cooperation that has so far materialized 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, classifying those countries, for example, into 'more developed developing countries and least developed developing countries', 'resource-rich and resource-poor developing countries', 'land-locked countries' and 'island countries', etc. The aim is to implement the avowed policy of breaking up the so-called solid block of Third World countries. Consciousness of this aim, however, should not induce Third World countries to ignore the real, and even great, diversity of conditions that exist among themselves. On the contrary, this diversity should be brought out into the open, objectively analysed, and practical measures of active cooperation evolved and implemented which take full account of them.

As mentioned before, the major forces working for differentiation among Third World countries are the level of their economic development (especially their degree of industrialization), the nature of their external economic relations (surplus versus deficit countries, dependency on one or two raw material exports versus diversification of exports, membership of regional groupings, alignment with metropolitan advanced countries versus relative economic independence, etc.), and the nature of the socio-economic structures prevailing in these countries (countries adopting a completely free market economy, capitalist countries with an important public sector, countries passing through a period of transition to socialism and countries with an already established socialist system, etc.). This differentiation is not likely to diminish. On the contrary, it is bound to increase. Unless it is fully taken into account, it is bound to reflect itself in divergent positions, both *vis-a-vis* global relations of Third World countries with the outside world, and *vis-a-vis* the various issues of direct economic cooperation among Third World countries themselves.

It is our firm conviction that, in spite of the existing diversity of conditions, hence of interests, among Third World countries, and despite the certainty of increasing differentiation among them, there does exist a sufficiently solid basis for fruitful cooperation among them, both as regards relations with the outside world and as regards direct, active cooperation. That cooperation can only materialize on any significant scale if two fundamental conditions are satisfied at the same time :

(i) [That] it takes into account the various, possibly even divergent, interests of various Third World countries. Hence, it has ultimately to assume the nature of a package deal, in which the interests of various groups of countries are balanced against each other, so as to make it profitable for each country to accept the deal as a whole.

(ii) [That the] deal is so devised as to leave each country free to pursue the path of socio-economic development and to adopt the economic policies that are consonant with the nature of the balance of social forces within its own society. Any attempt to put, through schemes of Third World cooperation, Third World countries in the strait-jacket of a definite, predetermined path of socio-economic development is bound to meet with failure.

These two conditions can be satisfied, and yet allow for an ample measure of fruitful economic cooperation among Third World countries, if a charter of cooperation is drawn which is based on some such guidelines as follows:

1. Trade between Third World countries should be direct. Imports from, as well as exports to, Third World countries which pass through a third party should be prohibited.

2. A system of generalized preferences should be established between Third World countries. That system should cover transport and insurance as well.

3. Payments from one Third World country to another should not pass through non-Third World intermediaries.

4. Third World producers' associations which result in rise of prices should compensate other Third World countries for additional payments involved.

5. Technology devised in Third World countries should be made freely available or at especially advantageous terms to other Third World countries.

6. Transnational Third World firms should have preferential treatment in Third World countries. In the sense of this article, no firm in which non-Third World capital participation can be considered a transnational Third World firm.

7. Taxes are to be imposed on all exports from Third World countries to non-Third World countries and on imports from non-Third World countries. The receipts of the taxes should be devoted to development purposes. They should be operated by a special organization in which all developing countries are represented on the basis of equality.

Some brief explanatory comments might not be out of order here:

(i) Changes in the present international economic order are essentially a function of power relationships. As the current North-South dialogue amply testifies, there is little hope for modifications of that order unless Third World countries consolidate their own economic power base. That fundamental rule 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, meaning solving issues by mutual agreement, is essentially the legal expression of the outcome of the relative positions of power attained by the respective negotiating parties. Nor is the talk about the increasing interdependence of the world economy very relevant in this respect; for the question must always be asked : for whose benefit and at whose expense? Besides, the proposed guidelines do not diminish lines of world interdependence. They merely change the direction of some of them, replacing North-South relations by South-South relations. What is really attempted by these guidelines, taken as a whole, is to reduce the vertical integration, and increase the horizontal integration; to make the Third World somewhat introvert towards the First World, and more extrovert towards itself. For the rest, these guidelines are so chosen as to close some of the channels – well known to, and documented by, students of underdevelopment – through which surpluses, a great deal of which are usually unearned, are siphoned off from Third World countries to metropolitan centres.

(ii) [The points outlined above are] so devised as to take account of the various interests of differently situated groups of Third World countries. In that sense, they should be considered as an integrated programme.

(iii) 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. The one condition is that they believe in the objective reasons for, and benefits from, cooperation among Third World countries as an overriding factor to be taken into consideration 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 equally well subscribe to this programme without prejudice to their chosen path of development.

(iv) The above points are no more than guidelines. They need to be more scientifically studied, elaborated and concretized. Special allowance must be made for periods of transition. This can be most profitably done under the auspices of such organizations as UNCTAD, the Third World Forum and the Association of Third World Economists.

(v) The programme is simple to operate. Mostly, it is composed of a series of injunctions and prohibitions which require no complex machinery.

(vi) 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 begemony and subordination which exist between metropolitan countries and Third World countries. Nor, of course, should it be the back door through which these latter relations are maintained or forced upon countries which attempt to liberate themselves from them.

(vii) Subscribing to this charter of cooperation need not necessarily run counter to existing international agreements to which various Third World countries are committed. It certainly does not preclude special regional arrangements.[5]

[5]Fawzy Mansour, 'The Third World Revolt and Self–Reliant Auto–centered Strategy of Development', IDEP/REP/406, April 1977.