

THE THIRD WORLD'S CAMPAIGN
FOR A NEW INTERNATIONAL ECONOMIC ORDER

by

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ABSTRACT.

The third world's campaign for a "New International Economic Order", which was launched in the wake of the oil crisis of 1973, marked a new more aggressive stage in the developing countries' efforts to accelerate their development. The paper looks at the historical roots of the campaign, which it traces back to the hopes for rapid progress apparent at the time when the developing countries were winning their political independence. Given how slow and frustrating achieving development then proved to be, the new campaign was an enthusiastic reaction to the impression given by the oil exporting countries that the third world had real bargaining strength, which could be used to achieve their objectives (Part 1). A clearer understanding of the nature of the campaign is sought through an examination of some of its most characteristic themes. As its title suggests, it concerned the nature of the international economic order, which is seen as the key to the third world's ability to promote national economic development. The very ambitious nature of third world goals for change in the international order is seen against the optimism of the time. Their realism depended on the third world having real bargaining strength (Part 2). In practice, the bargaining strength of the non-oil-exporting developing countries was never clear, despite the degree of solidarity evident among the third world countries. Moreover, deepening worldwide recession gradually undermined what world bargaining power there was, and severely restricted the extent to which the industrialized countries would, or could, make concessions. With the advent of the 1980's, it was clear that there would be no rapid transition to an international order of the type envisaged by the developing countries and, furthermore, that the analyses by the leading spokesmen of both developed and the developing countries of the root causes of under-development, were so far apart as to hamper severely communication between them (Part 3).

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<u>Contents</u>	<u>Page</u>
<u>INTRODUCTION</u>	2
<u>PART 1: EVOLUTION OF THE NIEO CAMPAIGN</u>	2
i. Political liberation.	3
ii. The emergence of economic issues.	4
iii. Renewed impetus.	7
<u>PART 2: SOME CHARACTERISTIC THEMES OF THE NIEO CAMPAIGN</u>	11
i. New rules of the game are needed.	12
ii. The third world should benefit more from raw materials trade.	18
iii. The third world can impose reform.	24
iv. The third world is a unified force.	27
<u>PART 3: THE EXISTING INTERNATIONAL ECONOMIC ORDER</u>	29
i. Still a rich world's world.	29
ii. Signs of change.	31
iii. Reactions in the rich world.	31
iv. Prospects for the New International Economic Order.	34
<u>REFERENCES</u>	36

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INTRODUCTION

Few issues of international politics in the 1960s and 1970s proved more frustrating than that of finding ways in which the developing countries, as a group, could promote their economic development. During the seventies, the third world's proposals in this respect acquired a new framework. They became part of a campaign for a "New International Economic Order" (NIEO). This paper examines the historical background to this campaign (Part 1) and some of its most characteristic themes (Part 2). A concluding section looks at ways in which the existing international order may be evolving and draws some conclusions about the third world's campaign (Part 3).

PART 1 : EVOLUTION OF THE NIEO CAMPAIGN

The ambitious goal of a "New International Economic Order" was formally established as a central focus of third world demands with the adoption, in May 1974, of the "Declaration and Programme of Action on the Establishment of a New International Economic Order" by the Sixth Special Session of the U.N. General Assembly. The origins of this development, however, can be traced much further back in the history of the developing world's relations with the industrialized world. For convenience, this history is divided here into three periods; a first when the achievement of political liberation from colonial rule was the principal third world goal (roughly World War II to the end of the fifties), a second in which third world attention turned increasingly to economic issues (the sixties and the first years of the seventies) and a third, when the whole third world movement was given fresh impetus by the actions of the Organization of Petroleum Exporting Countries (OPEC) and became the campaign for a NIEO (the mid and late seventies). Such a categorization oversimplifies, but serves to highlight important aspects.

i. Political Liberation

In the years following the Second World War, in what must be one of the most rapid phases of political transformation in world history, a considerable portion of the world's population freed itself from colonial rule. By the mid-seventies, only a few small territories remained (such as Hong Kong, Macao, New Caledonia and St.Helena). The objective of formal political independence had, to all intents and purposes, been achieved.

Success in this can be attributed to a number of factors. The war itself, for example, played a vital role in several ways. It had shown that the colonial powers were not, after all, invincible and it had left them in a very weakened state for reasserting their control. This had, however, coincided with and contributed to growing political awareness in the subject territories, a phenomenon which had begun to be apparent even before the war (indeed some countries had never really reconciled themselves to colonial rule). The Russian revolution and President Wilson's principle of self-determination had not gone unnoticed in the colonial territories. Sons of the elites, being educated in Europe, met to discuss these ideas there. They attended conferences, such as the 1926 International Democratic Congress for Peace and the 1927 Congress of the League Against Imperialism and Colonial Oppression. 1.

The objective was freedom from colonial rule. Economic matters received little explicit attention. It almost seemed to be assumed that once the "colonial yoke" was removed, the other desired conditions would follow. To quote one third world author, "Borrowing a leaf from the Bible, it would appear that the third world countries first sought for the 'Kingdom of Heaven' after which all else would be added on to them. They devoted the late 1940's and early 1950's to agitation for political independence....." 2.

Something of a landmark in this campaign was the first of the great third world conferences, the Bandung Conference of 1955, in Indonesia. For the first time these countries demonstrated that there was an alternate forum for the discussion of international affairs. The conference had

been proposed by India at the first Columbo powers meeting (India, Pakistan, Burma, Ceylon, and Indonesia) the previous year. Countries from Africa and Asia, many of them newly independent, were invited, but the established powers were not. The Conference elaborated 10 principles. In line with current preoccupations, they concerned territorial equality, integrity and sovereignty, non-aggression, non-intervention and peaceful co-existence. 3. Not one of the 10 principles dealt with economic matters.

Similarly the non-aligned movement, when it was launched the following year by Nehru, Nasser and Tito, was primarily concerned with political issues. In its early form, non-alignment was a reaction to the bipolar cold-war world. The "non-aligned" countries felt they could create a third force in world politics, which would serve both to promote their independence and reduce world tensions. To the latter end, peaceful co-existence and negotiation between the two "super powers" were endorsed. The acceleration of the rate of decolonization was a related objective; the creation of a third force presupposed independence.

ii. The Emergence of Economic Issues.

The increasing use of the term "neo-colonialism" towards the end of the fifties was perhaps a hint that political independence was proving inadequate or deceptive in some way. It was, however, only as the sixties advanced, that economic issues came to occupy a more central place in third world discussions. It was becoming clear that economic development had not followed from political independence. It should be noted that development had not been seen as such an automatic consequence of independence that no aid was thought necessary. But aid was seen essentially as a temporary measure needed until "take-off" point was reached. 4. Yet by the sixties, quite an appreciable number of third world countries had achieved their independence and a modicum of aid had been received, but the gulf between conditions in these countries and those in the established powers had barely narrowed. With hindsight, it would seem that political independence had engendered false hopes, resulting in frustration and disillusionment.

In addition, such economic development as had taken place, was often as much subject to foreign control as it had been under colonial rule. Thus, even the degree of independence achieved was called into question. To complete the quotation of the third world author cited earlier, "having largely consolidated political independence in the sixties, it was found that political independence without economic independence was a farce". 5.

The first of the Summit Conferences of Non-Aligned Nations, held in Belgrade in 1961*, was still primarily concerned with political and, in particular, foreign policy issues, although the need to "remove the economic imbalance inherited from colonialism and imperialism" and achieve "just terms of trade" was explicitly recognized.6 It was with the holding of an economic conference of developing countries in 1962 in Cairo, and the establishment of the Group of Seventy Seven Developing Countries in preparation for UNCTAD (1964), that economic issues really came to the fore. The second Summit Conference of Non-Aligned Nations** (Cairo 1964) dealt in very considerable detail with economic issues.7

The position of the Group of Seventy Seven also reflected their disillusionment with aid; "trade not aid" was the slogan.8 As in the case of political independence, expectations both as to what aid could achieve, and how much would be forthcoming, seem to have run too high. The Marshall plan for the reconstruction of Europe may have provided a misleading

* The following countries participated at Belgrade: Afghanistan, Algeria, Burma, Cambodia, Ceylon, Congo, Cuba, Cyprus, Ethiopia, Ghana, Guinea, India, Indonesia, Iraq, Lebanon, Mali, Morocco, Nepal, Saudi Arabia, Somalia, Sudan, Tunisia, United Arab Republic, Yemen and Yugoslavia. Bolivia, Brazil and Ecuador from Latin America attended as observers.

** In addition to the countries which took part at Belgrade, the following countries also participated at Cairo: Angola, Burundi, Cameroon, Central African Republic, Chad, Dahomey, Mauritania, Jordan, Kenya, Kuwait, Laos, Liberia, Libya, Malawi, Nigeria, Senegal, Sierra Leone, Syria, Togo, Uganda, Tanganika and Zanzibar and Zambia. Bolivia and Brazil again attended as observers, along with Argentina, Chili, Finland, Jamaica, Mexico, Trinidad and Tobago, Uruguay and Venezuela.

example. In Europe the problem was to recreate, more or less, the order that had existed before and this was seen as vital to US strategic interests. In the developing world the objective is to create entirely new conditions and it is not so clear that this is vital to the interests of the potential donors. As it was, aid to the developing countries never reached the target set by the UN of 0.7 % of GNP. In 1964/66 aid, both grant and loan, was 0.44 %; by 1974 it had dropped to 0.33% (an average heavily weighted by the low U.S. figure of 0.23 %).⁹ "Never did the total aid flows even approach the levels of commitment undertaken by the United States in the post war rebuilding of Europe".¹⁰

The establishment of UNCTAD in 1964 in response to an ECOSOC resolution was a reflection of the growing influence of the third world at the United Nations (UN). If one defines third world countries as being those which possess most or all of the following characteristics: a relatively low level of economic development, dependence on exports of primary products, high rates of population growth and adherence to non-alignment, then by the middle of the sixties these countries formed a majority in the Assembly.

By the time the Third Summit of the Non-Aligned took place in Lusaka in 1970^{*} further fundamental changes had occurred. First, the lines of the stark bipolar world in which the non-aligned movement had taken shape were becoming blurred, and a more subtle and fluid equilibrium was emerging. Moderating Superpower conflict had admittedly been one of the original goals of the movement. Nonetheless the degree to which third world countries could exploit cold war rivalries had now been reduced and the way was open, in principle at least, for mutual Superpower accommodation without regard to third world interests. 11.

* Additions to the attendance list this time were Botswana, Equatorial Guinea, Guyana, Lesotho, Malaysia, Rwanda and Swaziland as full participants and Austria, Barbados, Peru and the Provisional Revolutionary Government of South Vietnam attended as observers. On this occasion Angola, Burma, Cambodia, Malawi and Mexico did not attend, and Jamaica and Trinidad and Tobago attended as full participants rather than observers.

Did the modification of the bipolar world invalidate non-alignment? In a paper on the subject, the Foreign Ministry of Guyana said "no", firmly. The ultimate objective of non-alignment (and of third world countries in general) has always been independence, it asserted, but the appropriate tactics for promoting and defending independence vary according to the circumstances. 12.

Further changes had been caused simply by the passage of time. No quick or easy answers to the third world's development problems had been found. Disillusionment had increased. "The forces of racism, apartheid, colonialism and imperialism continue to bedevil world peace" runs the Lusaka Declaration gloomily.13. The Georgetown Action Programme for Economic Co-Operation, produced in 1972 by the Foreign Ministers Conference in Georgetown, records the conclusion that "imperialism is still the major obstacle to improved ldc (less developed countries) living standards". 14. The latter conference was strongly anti-colonialist and anti-racist.

A parallel development, born of disillusionment, was an increased vogue for self-reliance. Self-reliance and mutual assistance were recurring themes at Lusaka and again in the proposals of the Georgetown Action Programme, which included recommendations for giving preference to fellow developing countries in questions of trade, pooling of information, collective buying from the developed countries where this was unavoidable and of course, "full control" of natural resources.

iii. Renewed Impetus

Small surprise in these circumstances, that it was the positive rather than the negative implications of OPEC's 1973 oil coup that first preoccupied the non-OPEC developing countries. Some western observers seem surprised that these countries were not more conscious from the start of the difficulties more expensive oil would pose for them, but the success of OPEC's action seemed to vindicate so precisely the sort of strategy that the third world had been advocating for itself, that the non-oil ldc's enthusiasm seems to have been quite genuine. Thus a Kenyan professor in the US could write "And then one day the term 'energy crisis' entered the

vocabulary of international affairs. A developing country poet might have written as William Wordsworth did of the French Revolution;

Bliss it was in that dawn to be alive,
But to be young was very heaven!"

He went on "The October 1973 war in the Middle East helped the process of reawakening in the developing world. From the point of view of the rest of Asia, Africa, and the Middle East, it was neither the tank battle in the Sinai nor the air battle over the Golan Heights that was basic to their own destiny. Rather it was the utilization of oil as a political weapon, with all its implications for relations between the affluent industrial world and the primary producers of the Southern hemisphere that fired the imagination of the developing countries". 15.

The industrialized countries, on the other hand, reacted defensively and at times offensively. The US adopted a combative stance. Apart from occasional thinly veiled references to the possible use of military force, US policy aimed at counteracting producer market strength by purchaser solidarity. In early 1974, President Nixon invited the foreign ministers of Britain, France, West Germany, Italy, Holland, Norway, Canada and Japan to attend a conference in Washington in February. "At the conference the ministers were to formulate a programme for joint action by the oil consuming countries which would involve coordinated efforts for developing alternative sources of energy and which would define the relationship between oil consumers and producers in a manner that would secure an adequate supply of oil at acceptable prices". 16 France distanced herself somewhat from this approach, preferring one which put more emphasis on consultations with OPEC. Nonetheless the meeting led to the formation of the Energy Co-ordination Group (12 consuming countries, but excluding France), which in its turn gave birth to the International Energy Agency (again without France).

Meanwhile, the developing countries, fired with enthusiasm, geared up for action. At Algeria's initiative, the Sixth Special Session of the UN General Assembly met in April/May 1974 to consider the problems of raw materials and development. This session, at which the New Economic Order Campaign was officially introduced, was undoubtedly something of a watershed in the story of third world-industrialized world relations. The developing countries acted with unprecedented confidence and assertiveness. The session opened with a speech by President Boumediene of Algeria in

which he pointed out how correct and efficacious Algeria's policy of nationalizing its natural resources had been. "Nationalization of raw materials has become in the end a fundamental prerequisite of economic development". 17. The session debated and finally adopted what remains the major manifesto of the NIEO debate, the Declaration and Action Programme on the Establishment of a New International Economic Order. 18.

The US made clear, and continues to make clear, that it has reservations regarding this document. As it was, it was "adopted without a vote" under the relatively new procedure applicable to situations in which no group of countries chooses formally to record its opposition.

The NIEO document was followed in the autumn by the presentation at the twenty-ninth General Assembly Session of the Charter of Economic Rights and Duties of States, prepared over the previous several years under the auspices of UNCTAD. Dubbed by some, the charter of Economic Rights of Developing Countries and Duties of Developed Countries 19, it received 120 votes in its favour, 6 against (including the US) and 10 abstentions. The provisions that proved particularly contentious were those relating to control over natural resources and to producer organizations. However, in general the provisions are ambiguously worded, and it may have been this which permitted the degree of unanimity achieved.

The West then sought consultations in a more restricted forum than the UN. On France's initiative, a conference between the oil producers and the oil consumers in Paris was proposed. From the beginning the oil producing countries were insistent that the scope of the conference should include problems of interest to the third world in general. The first preparatory meeting was a failure. Not only the Americans, but the majority of the OECD countries were preoccupied with the problems of energy. The third world insisted on talking about raw materials and development in general. There was fear on the one side, that too large a subject would lead to confusion and, on the other, that only the interests of the industrialized world would be taken into consideration. A compromise was reached when it was suggested that several commissions could be formed to examine all the various topics. Thus the way was paved to the Conference on International Economic Co-operation (CIEC), more widely known as the North-South Conference.

The first session of CIEC was held in Paris in December 1975 and the last in June 1977. The number of participants was kept down by the device of nominating certain countries to represent three basic interest groups: the developed countries, OPEC and other developing countries (the communist countries were not represented). Four commissions, each with two chairmen representing different groups, were formed to consider energy, raw materials, development and finance respectively. 20.

It has been suggested that the relatively restricted number of participants contributed to a more constructive level of discussion, compared to, for instance, the more unwieldy United Nations. The results however, were limited. The only subject on which there seemed to be a breakthrough was that of commodities. In what constituted a departure from its previous position, the US agreed that it was desirable to discuss the idea of commodity price stabilization and that it should be taken up by UNCTAD (this change of heart may have been due to the influence of newly elected President Carter). More specifically, CIEC agreed that the fund "should be established as a new entity to serve as a key instrument in attaining the agreed objectives of the Integrated Programme for Commodities as embodied in UNCTAD resolution 93 (IV) adopted at Nairobi in May 1976". The fund's purposes and objectives, as well as other constituent elements, were to be further negotiated at UNCTAD in late 1977. 21. Progress was slow however. In November 1977 at UNCTAD, the developing countries were so disgusted by what they considered the negative attitude of the industrialized nations that they broke off the discussions. It was not until the UNCTAD meeting in Manila in 1979 that some modest progress was made in agreeing the basis for the Common Fund. A similar attempt to establish a fund for technical development, at the UN Conference on Science and Technology for Development in Vienna in August 1979, met with still less success. The fund eventually established was merely one fifth of the sum agreed at the conference.

The promise of success which the example of OPEC had held out for the third world, in winning advantages from the industrialized countries, was wearing thin. This may have contributed to a renewed emphasis on self-reliance and co-operation between developing countries. These were the themes of the Conference on Technological Co-operation among Developing Countries at Buenos Aires in 1978, which was followed by proposals for further South-South collaboration and an independent third world secretariat at the UN.

The North-South dialogue was foundering. Attempts to launch "global negotiations" at the UN were abortive. A way forward emerged eventually with the publication of the Brandt Commission's report in February 1980 22. An independent commission, consisting of 18 distinguished politicians and economists from the North and South, the Brandt Commission was largely a Northern initiative. It had been formed by Willy Brandt in 1977 at the suggestion of the then President of the World Bank. While the report did not produce dramatically new proposals, it endorsed "global negotiations" and proposed a summit of 25 heads of state to prepare the way. Despite a marked lack of enthusiasm on the part of the administration of the new US President, Mr. Reagan, the proposed Brandt Summit did take place at Cancun, Mexico, in October 1981, and, as a result, "global negotiations" were put back on the agenda at the UN. However, the scope of the subject matter has yet to be negotiated and, in the US view should be fairly restricted. How far are such negotiations likely to meet the objectives of the NIEO campaign? To an extent the answer to this question depends on one's interpretation of what the NIEO campaign was intended to achieve.

PART 2: SOME CHARACTERISTIC THEMES OF THE NIEO CAMPAIGN

The Declaration and Programme of Action on the Establishment of a New International Economic Order of the Sixth Special UN Session explains that the NIEO would be "based on equity, sovereign equality, interdependence, common interest and co-operation among all states, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic development, and peace and justice for present and future generations".

More particularly, NIEO demands include equality among nations, non-interference in the internal affairs of independent developing nations, the end of all colonialism and racism, sovereignty over natural resources and economic activities, "just" relative prices of developing country imports and exports, control of multinational companies and compensation for damage done to the resources of the developing countries in the past. Reasonable though much of this sounds, the gulf between the world as it is and the vision conjured up in these documents leads one to look for some rigorous

analysis of how we are to get from here to there. After all, few developed countries enjoy many of these conditions. In this respect, however, the more detailed Plan of Action (covering raw materials, food, general trade, transportation and insurance, the monetary system, industrialization, multinationals and self-reliance) is disappointing. To take one example, article xii on trade states that "in cases where natural materials can satisfy the requirements of the market, new investment for the expansion of the capacity to produce synthetic materials and substitutes should not be made." It is not at all clear how such a prohibition could be implemented or, that it would prove helpful even to the ldc's over the longer run, but these points are not analysed.

In the absence of such analysis, it is not clear whether the NIEO was intended literally, as the goal of an immediate and ambitious programme of action, or rather as an ideal which, while improbable, could serve as a reference point for a slow process of reform. Nonetheless, a number of themes can be identified which have been particularly characteristic of the NIEO campaign. Clues to the key sources of inspiration and to the mainstream of NIEO thinking can be sought in an examination of these themes.

i. New rules of the game are needed.

Probably the most characteristic theme, in that it emerged as a leading demand in the campaign, is that the "rules of the game need to be changed". In the light of the NIEO literature, the existing rules of the game are usually "unfair" towards the third world, always "imposed", but rarely explicitly explained. However, discussion of the rules of the game tends to be associated with two subject areas; the procedural and constitutional arrangements of international organizations, and economic liberalism, or its absence, especially in international trade.

The first of these is, relatively, the more simple point. It says that the existing institutions for discussing and resolving questions of international concern were set up before most of the third world countries were independent. The developing countries were thus not consulted and the institutions still reflect the structure of the world at that time. They are thus unrepresentative of the world as it is now and give undue weight to the interests of the developed countries. As one writer put it "third world countries also found that on independence they were obliged to become

members of international organizations, the UN, IMF, World Bank, ILO etc. But these were set up with terms of reference and rules of the game which excluded them from playing any effective role". 23.

The charge that these organizations are "unrepresentative" begs the question of what it is they should represent; population, countries, or some index of power such as wealth or military capability. The first is a common basis of national assemblies, but not yet of any international organization. A number of international organizations are based on the second, the General Assembly of the UN for example. In practice, this enhances the position of the third world. Still other bodies, the Security Council and the World Bank, for example, are based on the third.

The third world campaigns, frequently in rather moral terms, for organizations to be based on country representation (although it could be argued that population constitutes the more moral basis). However, it should be noted that, more generally, the place of the nation in the NIEO scheme is significant. It, rather than the individual, is elevated as the ultimate entity to which sovereignty (a much used word) and equality must accrue. Indeed, as the title, New International Economic Order, suggests, the campaign is first and foremost about relations between nations rather than the structures and conditions existing within them. Once independent, the developing country is not to be interfered with. Where a country, territory or a people are subject to any sort of colonial influence, racism or apartheid, outside assistance is pledged. On the other hand, no interference, no alien influence and virtually no outside comment, is to be tolerated respecting the internal affairs of the independent developing nation (irrespective of whether racist discrimination and repression are being practiced there). It has been argued, however, that the connotations of nationalism are more morally positive in "the South" than in "the North". It should also be remembered that the United Nations Organization, built largely around the nation state, which is enshrined in its charter, was created by the established powers.

The question also presents itself as to whether the less organizations reflect the real distribution of power, the more they risk being pushed to one side. It has been suggested that, as the third world has increased its strength in the General Assembly, the developed nations

have tended to abandon the latter, regarding it merely as a "talk shop", and to concentrate on bodies such as the IMF and OECD. 24. This may also be the reason why real negotiation over trade remains with GATT rather than with UNCTAD.

Nonetheless some progress has been made towards meeting the third world's objections. A UN Committee of Experts, established for the task, submitted a report entitled "A New United Nations Structure for Global Economic Cooperation" which covered such subjects as the redistribution of voting power in the World Bank and the IMF (where the Arab oil exporting countries had together about the same weight as Belgium) 25. Funds more recently set up, such as the new agricultural fund have stronger OPEC representation and some changes have been made to voting arrangements at the IMF (although the US still retains 20 % of the voting power).

It is true that the developing countries had little influence at the time these institutions were being established, but this was true of Japan and much of Europe as well. One country was dominant to an unprecedented extent. At the end of the forties the US produced more than half of the non-communist countries' GNP. In 1948 US industrial product was double that of all the countries who now form the European Community taken together. 26. It should also be remembered that, in addition, the US was the only nuclear weapons power in the immediate post-war years. Although the effect of this on the formulation of the world's institutions and the economic rules was probably only indirect, it was nonetheless an important element of America's post-war predominance.

Given this predominance, the US frequently had an effective veto, even when she did not have it in any formal sense, as in the Security Council. For example, in 1950 the US withdrew her support from the idea of establishing an International Trade Organization (which she had originally sponsored). 27. No other country saw value in proceeding with the plans without the US and the project was abandoned, leaving only the General Agreement on Tariffs and Trade (GATT), originally established to serve as an "interim measure"

While the role of the developing countries was certainly limited, it is untrue to say they played no part. The Preparatory Committee which drew up the proposals for the GATT in 1946 for example, was one third composed of developing countries*. At the larger Havana Conference on trade, held from November 1947 to March 1948, the developing countries were in the majority. In 1958 GATT established a Committee to consider the expansion of trade "with particular reference to the importance of maintaining and expanding export earnings of less-developed countries and to the development and diversification of their economies". The committee was, in particular, to collect evidence of barriers to trade in certain less-developed countries' commodities and products, to study methods which might be adopted by these countries to improve their production and marketing techniques and to attempt to determine whether any internal measures might be discouraging exports. 28.

The results of the committee's findings were eventually added to the GATT as Chapter IV in February 1965. Its most important provision was the establishment of the "principle of non-reciprocity" by which reciprocal concessions between developed and developing countries were no longer demanded. This principle, which firmly divides the world into developed and developing countries, is most definitely a third world designed rule of the game. In addition Chapter IV attempted to provide for the elimination in developed countries of fiscal measures which hamper the consumption of products produced by developing countries, and for collaboration to improve world markets for primary products.

Thus the third world has succeeded in some instances in having its interests considered in the formulation of the rules of the game, though, critically perhaps, the financial institutions have remained dominated by the industrialized world.

* The 18 countries which attended were Australia, Belgium, Luxembourg, Brazil, Canada, Chili, China, Cuba, Czechoslovakia, France, India, Lebanon, Netherlands, New Zealand, Norway, South Africa, USA and UK.

The arguments concerning economic liberalism are probably still more central to the NIEO campaign, but they vary and are sometimes ambiguous and, at least on the face of it, contradictory. Frequently, the industrialized "North" is assumed to espouse economic liberalism or laissez faire and the underdeveloped "South" dirigism and economic regulation.

Third world spokesmen do, quite frequently, reject laissez faire policies: "development cannot be solved by the mere interplay of the invisible forces of the market" declared UNCTAD Secretary General, Gamini Corea, at UNCTAD IV. 29. The argument has become associated with that concerning the terms of trade of commodities, principally through the influential views of Raul Prebisch, the first Secretary General of UNCTAD and formerly with the Economic Commission for Latin America. According to the Prebisch view, in a situation in which there were already "structural imbalances" or great disparity among the actors, free international trade would actually increase the disparities and thus a self-reinforcing process would be set up whereby a dominant industrialized "centre" becomes ever richer, while the weak raw material producing "periphery" sees its terms of trade, and thus the where-with-all to develop, deteriorate progressively and inexorably. Because of the completely disproportionate weights, the benefits of productivity increases, no matter where they occurred, would all accrue to the "centre". 30.

As expressed by one associate of Prebisch "the developing countries believe that, when foreign trade takes place without impediment, and under conditions of comparative advantage, it does not do what it professes to do, namely, maximise global welfare all around. On the contrary, they view it as having served historically as an instrumentality of economic disadvantage, of contributing to a skewed pattern of global income and wealth... the rules of the game concerning international trade... lead to a very asymmetrical diffusion of the fruits of such (rapid postwar) growth"31

However, it is not always the case that developing countries view free trade this way. The argument in the Declaration of the Dakar Conference of Developing Countries on Raw Materials is rather different. "According to the views imposed by the industrialized capitalist countries concerning world trade in primary products, the free working of the primary products markets should normally ensure an optimum distribution of the

world's resources, and the rising trend of demand in the industrialized countries for exports of primary products from developing countries should stimulate the economic growth of the latter group of countries. This would have been the case if favourable conditions had been created especially with regard to free access to the markets of the developed countries and the marketing of primary products, but the developing countries have, in the performance of their function of suppliers of raw materials to the industrialized countries run into other obstacles imposed on them" (the underlining is this author's).³²

The argument here seems to be that there has been inadequate rather than excessive laissez faire. The development of transnational corporations and the selective reduction of tariff and non-tariff barriers and subsidization of domestic production by the industrialized nations have all served to restrict trade freedom to the disadvantage of the developing countries. "In theory this (the establishment of a mutually advantageous interdependence) is precisely what international specialization and trade are supposed to do. But in practice the history of trade has been one of domination by the strong and deprivation of the weak."³³ It is not so much the rules of the game, as the failure of the industrialized countries apply them consistently, that is under fire. Thus one observer could write "What is at issue now, however, is decidedly not the validity of the economic system which has dominated the world since the great outward thrust of the industrialized West a century ago."³⁴

This ambiguity concerning the basic organization of the international economy has probably been one of the key weaknesses of the NIEO campaign. The third world is giving out conflicting messages on an issue of critical importance: the place of market economics, and its integral element, competition, in the proposed new order. If competition is to be permitted, then it is not clear how some of the NIEO objectives are to be attained. If it is to be suppressed, it is not clear how that is to be done or what "rules of the game" would take its place. Given the variety of domestic policy evident among the third world countries, one could imagine that agreement is unlikely on this point.

If the third countries do not always agree on the proper role of the market, they do at least agree on another point, the inconsistency of the industrialized nations' practice of market economics. "Free trade is a doctrine to be preached to the poor, while its frequent breach in the rich countries is taken for granted ... where regulation is preferred, the free trade concepts are abandoned. Where it is necessary to find something to rebut the poor countries' argument, then the same concepts become useful."35 "Two levels seem to exist in international relations. Between developed nations there are regulatory mechanisms. Between developing and developed nations virtual laissez faire prevails".36 Frustration only increases when laissez faire spokesmen attribute to the mechanisms of the market place God-like qualities, beyond the power of man. "The process whereby some continually grow richer while others founder in destitution has come to be raised to the status of some sort of universal law".37 That the third world has on occasions also used or not used free trade arguments as it suited them is sometimes overlooked, but in any case this does not in itself invalidate the argument that the industrial countries have manipulated the rules of the game, largely created by themselves at a time of economic dominance, to maintain that dominance.

ii The third world should benefit more from raw materials trade

The issue of raw materials trade is not new to the NIEO campaign, but it has featured prominently in it. A mythology has grown up about the subject which, like most mythologies, contains some truth and some falsehood.

According to the mythology, the colonial nations exploited their colonies for their natural resources. These were transported in their raw form to the home country, where employment, value added and the good life were created. With independence, the former colonial powers and their like ensured by a variety of means (transnational investment, control of the means of transport, insistence on free trade principles for raw materials and so on) that this situation, in its essentials, continued. By establishing this sort of control, they guaranteed the continuing supply of cheap raw materials, while all the time the value of the elaborated products grew, bringing about a constant deterioration in the terms of trade of the raw material exporting ex-colonies which, in its turn, perpetuated the relative power positions.38 Therefore breaking this cycle

represented a vital step towards development and genuine independence. Measures put forward have related principally to prices, control over production, marketing and demand.

Prices have been the subject of much attention, but there has often been ambiguity concerning the objective: is it stabilization of price around the long term trend, or maintenance or even improvement of terms of trade? The first was the theme of the United Nations Havana Conference on Trade and Employment in 1948. The United Nations Conference on Trade and Development (UNCTAD I) in 1964 moved cautiously towards broadening the objective (as its title suggests). It saw the "basic objective" of international commodity agreements as being "stimulating a dynamic and steady growth so as to provide (the developing countries) with expanding resources for their economic and social welfare".³⁹ In the Declaration and Action Programme on the Establishment of a NIEO, the objective becomes quite explicitly improvement of the terms of trade, but frequently the distinction between these objectives is not made clearly. UNCTAD resolution 93 (IV) on the Integrated Programme for Commodities (Nairobi 1976)⁴⁰, for instance, mixes both objectives. It looks more like the result of a session of clause trading, with phrases to please everyone, than an attempt to talk about the real world. The general tendency to end with a quite meaningless set of wishful thoughts, caused one writer to comment "How a price mechanism could at one and the same time ensure higher than equilibrium prices, promote production in efficient, but poor countries, protect the market share of the traditional producers, inhibit exports from developed exporting countries and prevent burdensome surpluses from arising, is not at all clear".⁴¹ A number of writers start by discussing the need to increase developing countries' revenues from trade, and then switch to proposing stabilization schemes to show that commodity agreements are also in the interest of consuming nations.

Another subject of concern has been control of production, on the grounds that foreign control was one of the ways the market was being rigged. The importance of establishing sovereignty over natural resources is constantly emphasized. The most successful example is, of course, oil. There have been other examples, for instance, in bauxite and copper, though it is open to question how much real benefit has resulted.

Yet another approach concentrates on strengthening the producers' market position in a number of more indirect ways, including research and development to increase the product's competitiveness vis a vis substitutes, economic diversification to reduce the producer's vulnerability and thus, his market weakness, and productivity improvements.

Achievements in negotiating measures in the commodity field have, however, been limited. There have been some commodity agreements between a limited number of participants. The Commonwealth Sugar Agreement, which went into operation in 1951, is an early example of an agreement catering for developing country needs. It guaranteed a price which remained somewhat above the world price until the boom of 1974 and it guaranteed the purchase of minimum quantities.⁴² The Lomé Convention of 1975 between the EEC and 53 African, Caribbean and Pacific (ACP) countries is a more recent example. It launched an export price stabilization scheme known as STABEX, covering a limited number of mainly agricultural commodities. This has since been extended through Lomé II, signed in 1979, to cover some mineral commodities.

Attempts to reach a global commodity agreement, however, remain unsatisfactory. Both indexation and producer associations were endorsed (though as mentioned, without a vote) by the Sixth Special UN Session on Raw Materials and Development in the NIEO Declaration in 1974. The following year, the General Assembly charged UNCTAD with reaching "decisions on the improvement of market structures in the field of raw materials and commodities of export interest to the developing countries, including decisions with respect to an integrated programme". In 1976 UNCTAD passed its Resolution 93 (IV) the "Integrated Programme for Commodities". The programme was to cover 18 basic commodities.* The crux of it was that a common fund was to cater for all of them. It was hoped this would smooth out demands on the fund, it being assumed that all commodities would not be in crisis at the same time. In addition, Resolution 93 covered a series of "other measures" designed to back up the developing commodity exporters' position. This latter package of proposals has become known as the "second window" (not to be confused with the IMF's "Third Window", an arrangement by which the industrialized countries subsidize the interest on Arab loans to the third world).

* Bananas, bauxite, cocoa, coffee, copper, cotton, hard fibres, iron ore, jute, manganese, meat, phosphates, rubber, sugar, tea, tropical timber, tin and vegetable oils and oil seeds.

The common fund proposal was then discussed by the Raw Materials Commission of CIEC which arrived at the somewhat vague endorsement already referred to, to which the Americans also subscribed. The ball was back in UNCTAD's court. The list of commodities was scaled down to ten "hard-core" commodities, eight* were set aside for possible treatment later on.44 The "second window" became an object of controversy. The developing countries viewed it as highly important and argued that pricing arrangements alone would not be sufficient to protect their position, particularly where substitution threatened (tin, jute and cotton among others). The developed countries argued that the relevant measures belong more appropriately to the field of general aid and development, for which institutions and funds exist already. As it is, a Common Fund has now been approved and slightly more than half of it is to be used for "second window" expenditure. However, the total fund amounts to only \$750 m instead of the \$6 bn planned originally, and the commodity by commodity negotiations which will set out the ground rules for using the funds, have yet to be completed.

Why has progress proved so difficult? One response could be that it would have been surprising had it proved easy.

Firstly, the mythology is both oversimplified and in some respects plainly inaccurate. The view that the economies of the developed world are based on the raw materials of the developing world is of limited validity. If one leaves aside energy resources, the developed world imports a significant but not major portion of its raw materials needs from the third world. 26% of the industrial countries' food imports and 27% of their mineral imports came from the developing countries in 1975 45 and the percentage of consumption is normally lower since significant quantities of these products are often produced and consumed domestically. Moreover,

* Bananas, bauxite, iron ore, manganese, meat, phosphates, timber and vegetable oils and oil seeds.

there is considerable potential for expanding production in certain "developed" countries should they wish to do so. The view of a dependent industrial world is more accurate in the case of oil, which became the major energy source and the raw material for a host of important chemical products in the years following the war, but even here dependence on developing world oil seems to be declining, as other sources of oil and energy become available and energy use becomes more efficient.

Nor is the picture of the developed countries as resource consumers necessarily correct. The US is the single largest exporter of primary commodities in the world, excluding the oil exporters.⁴⁶ Australia is more "dependent" on primary commodity exports than the average non-oil developing country. These facts complicate commodity agreements designed to assist developing countries. How can Australia be expected to agree to a scheme designed to boost the share of developing countries in the bauxite market, for instance? Yet clearly an agreement which excludes the world's leading exporter, with some quarter of the world's known bauxite reserves, would be in jeopardy.

The picture of the developing world as an exporter of primary products is not unfair, but is oversimplified. That their raw materials account for a relatively small proportion of the rich world's raw material consumption does not mean that commodity exports are insignificant in the developing economies. As a group, the developing countries are substantially more dependent on exports of these products than are the industrialized countries (roughly four fifths versus a quarter), however, this result is heavily influenced by the value of oil. Without the oil exporters, the proportion is two thirds and it is dropping. By the same token, manufactures now account for a third of the exports of the latter group and that share is increasing.⁴⁷ But even the still considerable level of "dependence" on primary exports does not mean that these countries' interests necessarily coincide. Often they are net importers of a range of commodities and net exporters of a few. As they industrialize, inevitably at varying rates, potential divergences of interest increase. Thus India argued for a moderate oil price policy in 1976.⁴⁸

Nor is the argument that colonial rule forced on them the role of primary commodity producers without weaknesses. Without denying that it had some influence, the correlation between industrialization and the

absence of colonial rule is far from perfect. A number of Third World countries were never colonies, Thailand and Saudi Arabia are examples, yet their development has not been markedly different to their colonized neighbours. At the time when the industrialization of much of Western Europe occurred, there was no colonial rule in Latin America to force it into the role of raw material producer. Similarly, the colonization of Africa from 1880 succeeded rather than preceded the industrialization of much of Europe, yet industrialization of Africa had not occurred. Eastern and much of Southern Europe was not under colonial rule at the time, yet remained virtually unindustrialized until after the Second World War. Hong Kong is one of the few remaining British colonies, yet it has a highly successful manufacturing sector. It seems that the different countries of the world developed as primary or secondary producers for a variety of reasons; the influence of colonial rule may have been one, but others included factors such as the pre-existing social and economic structures.⁴⁹ Nonetheless, once established as a primary producer, there may indeed be certain self perpetuating aspects, which make it difficult to industrialize. For example, exports may constitute the major opportunity for acquiring the capital equipment and the infrastructure needed for industrialization. Hence the importance attached to the terms of trade. Yet terms of trade are another controversial subject, both as to whether they have in fact, deteriorated and, if they have, what the significance of that is.

The first uncertainty results largely from the difficulties of measurement; what is the relevant period, at what point does a product cease to be a primary commodity and is one trying to measure net barter or single factoral terms of trade. Expert groups have reached different opinions. One convened by UNCTAD reached the conclusion that there had been no long term deterioration in the terms of trade of commodities overall, although there had been considerable fluctuations. The UNCTAD Secretariate disagreed and insisted that the terms of trade of the commodities that developing countries export had deteriorated.⁵⁰ The Commonwealth Secretariate made a study of a number of agricultural commodities and came up with the conclusion that the terms of trade of natural rubber and tea had deteriorated quite significantly, but that others had remained fairly stable.⁵¹ All, bar tea, improved their position during the commodity boom of 1974. The subsequent period seems, on the face of it, to have seen a deterioration.

If there has been a deterioration, can this be attributed to an imperialist plot? The "terms of trade" of American farmers have also deteriorated. In all industrial countries the proportion of national income being expended on food is dropping and, of that decreasing proportion, an even more rapidly shrinking slice is going to the farmers; the processors and the distributors taking an ever greater share of the end value of food. This experience is not unique to third world countries. These sectors in the industrial world have only maintained individual incomes by resort to several mechanisms, the most important of which have been quite massive gains in productivity and equally massive expulsions of labour from these activities. Another mechanism has been the diversion of resources, by a variety of policy measures, from more profitable sectors, as in the Common Agricultural Policy of the European Market. The inconvenience of the first approach for developing countries is that, in so far as the country remains a primary producer, it does not have the option of employing drastically reduced numbers of people, the reality for most of them is to the contrary. The second is difficult if more profitable economic sectors are absent.

iii The third world can impose reform

In the course of the NIEO campaign, it has often been implied, and sometimes stated, that the third world could, if necessary, impose reform. A milder variant of this theme holds that, at the very least, failure to effect reform will significantly harm the industrialized countries. There is little doubt that this attitude stemmed from OPEC's takeover of the oil market in 1973. This had shown that third world countries could deal with the industrialized countries from a position of strength. The approach, it appeared, could be applied more broadly to achieve other goals. This new confidence and assertiveness is probably the key to understanding the NIEO campaign. What looks at first sight like a set of sweeping and quite unrealistic objectives, is more credible if one believes that the third world really has leverage. The way this leverage is perceived, therefore, deserves fuller examination.

A parallel is often drawn, explicitly and implicitly, between the course of social evolution within the industrialized countries and what it is hoped will happen internationally. Thus the poor third world is likened to the proletariat in the industrialized countries a century or so ago.

If these national proletariats could better their lot, why not the "global proletariat", the third world? This is the logic implied, for instance, by the third world author who wrote "the developing countries now perceive their own economic, and hence political power vis-a-vis the developed countries to be sufficiently substantial to warrant a strategy of effective 'trade unionism' to change the rules of the game and thereby to wrest a greater share of the world's wealth and income".⁵² This view depends, in fact, on another concept, that of "interdependence" or the "one world ideology" as it is sometimes called. Because the world has become so "interdependent", it is argued that what was a whole series of fairly self-contained national societies has become, or is becoming, one global society. Thus developments which took place earlier within nations may now be expected at the global level.

How great in fact is this interdependence? The increasing proportion of world GNP accounted for by trade and the degree of specialization there is, albeit uneven, mean that economic fluctuations in one country now may have widespread repercussions. This is accentuated by the transnational spread of business ownership. The revolutionary developments in transport and communications permit political movements in one place to draw inspiration from events elsewhere and to maintain international affiliations more easily. Many environmental problems are perforce shared. Undoubtedly, the world is more interdependent than it used to be, but is it sufficiently so to give the third world the leverage that labour had, and still has, in the industrialized countries?

In achieving its improved position, the proletariat of the industrialized countries had several points of leverage it could use. In particular, it could withdraw essential labour and, as an extreme measure, it could resort to violence or revolution, sometimes with disastrous results for the privileged groups. The third world would not seem to be in the same position.

It does not fulfil an analogous economic role. Although there has been some transfer to the third world of the more labour intensive phases of certain manufacturing processes (certain car and electronics components and clothing for instance), their exports to the developed countries that can be classified as labour intensive (including food and beverages) amount to only 7% of the latter's total imports.

Nor do raw materials, in general, provide a substitute pressure point. The extent of the industrialized world's dependence on third world raw materials has already been discussed. Oil represents the third world's best chance, but in practice it has often proved quite difficult to use oil to force concessions, because of differing priorities of the individual oil producing countries. There is also a small number of other commodities which the developed world imports exclusively from the developing countries, which in theory could be used, but have not been yet. More generally, however, technological advance, and substantial raw material production capability, have permitted the developed countries to form a remarkably self-sufficient bloc. Furthermore, in so far as the third world is a provider of primary goods to that bloc, as suggested earlier, its position may be more analogous to that of the producers of primary products in the rich world than the proletariat. In this vein, the call of third world countries for fair terms of trade, irrespective of the characteristics of the market, is reminiscent of the repeated pleas of the US farm lobby for "100 percent parity", a reference to a scheme, devised in the twenties, for maintaining farmers' purchasing power. In February 1978 US farm prices averaged 67% of "parity".⁵³ It is not clear that the leverage of the third world through raw materials will necessarily prove greater.

Looking to more violent means of forcing concessions, the rich world's superior military sophistication should not be forgotten. It is also somewhat difficult to envisage the third world taking to the streets in a global version of, say, the Russian Revolution. There are, however, some more subtle approaches which might serve the third world in a confrontation with the developed countries. Terrorism is a highly mobile form of warfare, which, when skillfully used, can be highly effective. Nuclear weapons may well proliferate and they too could provide the third world with a means of putting pressure on the industrialized world.

Nonetheless, with the (possibly short-term) exception of oil, it is not evident that the third world has at its disposal a means of forcing concessions equivalent to those won by the proletariat in the industrialized world or amounting to a New International Economic Order. More important still to the prospects for reform, few in the industrialized world believe they are imminently threatened. Other than in the immediate aftermath of an "oil shock", the preoccupying problems of the developed

countries are essentially their own: unemployment and inflation and the international financial system. Vis à vis the third world, they feel themselves to be in a fairly strong position.

To say that the third world does not have sufficient leverage to introduce the New International Economic Order, is not to say it cannot exert any pressure. For example, as moral pressure assisted the proletariat, so it will work in favour of the third world to some extent. As the President of the U.S. Overseas Development Council commented, "some of the (developing countries') views will appear unreasonable or extreme to readers in the US and other rich nations - just as the demands of the American Populists at the turn of the century and the early demands of the American labor movement appeared extreme to the then existing power structure in this country."⁵⁴ In time the global rich may come to accept that they must contribute to the welfare of the global poor, as do the rich within most of the industrialized countries. Furthermore, other pressure points will arise from time to time, especially as the economies of some of the developing countries expand to produce an increasingly sophisticated range of products. These pressure points may not amount to the spectacular and decisive leverage which seems to have been envisaged when the NIEO campaign was launched, but will nonetheless affect developed country interests. And finally, there is still oil. The extent to which these factors can be used to promote third world causes will largely depend on the extent to which the developing countries act in concert.

iv. The third world is a unified force

The unity of the third world is a theme which has been stressed many times during the NIEO campaign. Equally it is a notion which has frequently been questioned in the developed countries and it is not hard to see why.

Enormous disparities exist among the countries of the so-called third world. Per capita incomes range from the highest in the world (Kuwait) to the lowest (Laos, Chad, Bangladesh). Some have colonial backgrounds, some do not. Some are net primary commodity importers, some net exporters. Most are non-aligned, but some have quite close relations with the United States (e.g., Saudi Arabia, the Philippines), others with the Soviet Union (e.g., Laos, Cuba). Some are pursuing a development strategy based on labour intensive industries, others on capital intensive industries. One

result of all these differences is that actions that work to the advantage of some work to the disadvantage of others, the most obvious example being the oil price increase, enriching some and leaving others still poorer. If anything these disparities increased during the seventies. The divergences are now such that some argue there are at least "third" and "fourth" worlds (oil exporting and otherwise) if not "third" and "fourth" and "fifth" worlds (oil exporting, industrializing and those who have not yet left the starting post; "the least developed, landlocked and island developing countries", as the NIEO chant somewhat loosely runs). Some observers have even referred to the "end of the third world" as an historical fact.⁵⁵

Nonetheless, at least in so far as the developing countries' strategy in the global fora is concerned, this judgement may be premature. The developing countries generally support each other, as for example when OPEC insisted that the CIEC conference treat matters of general concern to the third world as well as energy. Of course, this can only be partly attributed to feelings of brotherhood among the developing countries. The OPEC countries have some distinct advantages to gain by successfully emphasizing third world solidarity. Not only have oil price increases worked to the disadvantage of the majority of developing nations, but the oil exporters have also invested a large proportion of the resulting funds in the industrialized world and this has not gone unnoticed in the developing countries. Writing on the subject of what Arab money could be doing for Africa, a Zambian diplomat stated that "it is common knowledge that the present Arab decisions are at variance with the economic aspirations of the African peoples".⁵⁶ The OPEC countries risk being isolated, but by emphasizing third world solidarity and the relevance of OPEC's strategy for developing countries in general, they have been fairly successful in ensuring that the pressure remained on the industrialized countries. In fact OPEC goes so far as to attribute the idea of a divided third world to the rich world and alleges it reflects a deliberate plot. Thus, reference is made to "campaigns led by the Western industrialized countries to untie the bonds of unity that hold these countries by classifying them into oil and non-oil producing countries" and to "the American campaign which concentrates on playing the developing countries against each other".⁵⁷ Thus also, the view is expressed that "Restructuring the international system by accommodating the oil states is, in part, an attempt to undermine the solidarity of the third world by bringing actively into the international system those who have that single commodity which presents, when embargoed or highly priced, problems that

other commodities exported by less fortunate third world states simply do not."58

Such statements certainly gloss over the real differences and causes of friction which exist among the developing countries. Nonetheless the third world grouping has proved surprisingly enduring. They do seem to share a common perception that the differences between them and the industrialized (and largely ex-colonizing) countries are greater and more significant than the differences among themselves. Certainly self-interest plays a part, but in many instances self-interest could equally well have led to a publicly divided third world. In practice, considerable priority appears to have been placed on maintaining a united front. Whatever the reasons, the third world has maintained an impressive degree of cohesion in the world fora in what has been a testing period.

PART 3: THE EXISTING INTERNATIONAL ECONOMIC ORDER

What can be said about the existing international economic order? Is there evidence that a new international economic order is emerging and, if so, will it be "the" new one the third world envisages? In what ways are the beneficiaries of the established order responding?

i. Still a rich world's world

There can be little dispute that the international economy is still overwhelmingly dominated by the industrialized world and the achievement of political independence by the developing world did little to change that.

At least at the level of these broad groupings, this was particularly so during the late fifties and sixties (encompassing the UN's First Development Decade). On the basis of the aggregated figures the third world actually lost ground over these years. In 1958, the industrialized countries accounted for 83.7% of the non-communist world's GNP. By 1970 this proportion had risen to 84.6%. The developing nations had increased very slightly their share of agricultural and industrial output, but these two activities had lost ground to those classified as the service sector where the industrialized countries had increased their share. The really striking developments did not result from any sudden release of latent energy in the developing countries following independence, but were rather the phenomenal performance of Japan (who pushed up her share of the

non-communist world's GNP between 1958 and 1970 from 2.9% to 8%), the rebuilding of the European economy and the relative decline of the United States (in 1958 she was preeminent, accounting for approximately 46.5% of the non-communist world's GNP in 1958, by 1970 her share was under 40%).⁵⁹

The seventies saw some modification of these trends. Between 1970 and 1980 the industrialized market economies saw their share of world GNP decline from 69% to 65%. Interestingly, one of the conclusions to emerge during the seventies was that growth in the third world was less dependent on growth in the first world than many hitherto believed. To quote from the 1978 World Bank report summarizing the results of its continuing study of the world economy, "the analysis showed that the effects on the developing countries of the oil price increases, of crop failures and of the recession in the developed countries were generally less serious and the adjustment was less painful, than many had feared. A major conclusion that emerges is that, in general, developing countries have shown an ability not only to continue their long-term structural adjustments in the face of recession, but also to ride out fluctuations in the world economy." It continued, "A recent updating of the data, based on figures for calendar 1977, tends to confirm these conclusions." As a group, the developing countries increased their share of world product from 13.5% in 1975 to 18% in 1980. But the judgement was premature. The recession had by 1981-2 seriously begun to retard the growth of the developing countries.

Moreover, the state of the industrial countries' economies does have implications for the developing countries in a number of ways. In particular, levels of assistance, demand for exports, and market access will be affected by the industrialized world's perception of its own wellbeing. In addition the good record in the developing world has not been evenly spread. In particular South Korea, Malaysia, the Philippines, Indonesia and certain countries in the Middle East enjoyed rates of growth well above the average for developing countries, while that of central Africa was much below the average.⁶⁰ Finally, despite the encouraging levels of growth, the share of the developing countries in world product

* These figures do not include China, which would accentuate the discrepancy.

(18% in 1980) remains pitifully small, especially compared to its share of world population (54%).* The same is true even when we look at those industries in which third world "performance" is causing such alarm in the industrialized countries. The US produces and exports more cotton cloth than does any third world country. If we take crude steel, another area of alleged third world encroachment, the OECD countries plus South Africa still produce nearly 60% of the world's crude steel. The communist countries produce nearly 35% and all the developing countries together a bare 6%. What can be said is that the third world share is increasing (in 1973 the developing countries accounted only for 4% of crude steel production), but they can hardly yet be said to have a major share.61

ii. Signs of change

It is still a rich world's world but there are some signs of change. As seen earlier, while the overall share of the developing countries in the international economy remains small, their growth rates have been superior and their share of certain industries has been increasing.

Furthermore, they have succeeded in modifying to some degree the "rules of the game" either by direct action as in the case of OPEC or by negotiation as in GATT. For example, it is now accepted that the nations of OPEC, as substantial contributors of funds, must have increased voting power in the financial institutions.

Finally, in relation to at least one commodity, oil, certain third world countries have achieved quite spectacular success in exercising "national sovereignty" over natural resources.

These changes have had, and are likely to continue to have various implications for the economies of the industrialized world. This has been most obvious in the case of oil, but increased industrial activity in the third world is also a factor influencing adjustment in the industrial world and is likely to remain so. How are these developments perceived in the industrialized world and what reactions are discernible?

iii. Reactions in the rich world

Due largely to the impact of OPEC's 1973 price rise, the third world's changed attitude to national resources is now widely recognized, and is a source of concern, in the industrial world. Based as it tends to be on the oil example, third world commodity power has often been exaggerated. Reactions in the industrialized world have tended to be defensive. The International Energy Agency, for example, as noted earlier was created in the wake of the first oil crisis to coordinate consumer action and research, to develop Western controlled substitutes and to reduce consumption of third world oil.

Perceptions of and reactions to increased third world industrial activity are much more varied. The different groups in the industrial world are affected very differently.

Businesses in a position to transfer capital and technology may well welcome the opportunity to use a lower cost workforce to manufacture certain more labour intensive components. This transnational business is, of course, in itself a partial cause of the increased industrial activity in the third world. In respect to this sort of investment, the industrial countries have expended considerable energy in fora such as the UN and the OECD, where codes of conduct for transnational business are being debated, in protecting their interest in minimum restrictions on the use and movement of capital.

Businesses unable to relocate geographically for one reason or another have in some cases turned to protectionist measures, arguing that, for several reasons the competition from the third world countries is unfair and that, therefore, exceptions to the free trade rules of the game are justified. Thus the rules of the game applying to the movement of capital are to be applied only partially to the movement of goods. Examples include not only textiles and steel and some other manufactured durables, but also to a wide range of food products as well.

An alternative approach has been to question, or seek to eliminate some of the concessions and transfers to third world countries designed to promote development. One ground used has been the allegation that such aid has only been benefiting the elites of the recipient countries. Another argument is that there is now a whole group of countries (dubbed the

"pseudo developing countries" by the European textile industry at the Multilateral Fibre Agreement negotiations) which, having made some economic progress, can no longer make a legitimate case for aid. This has been formalized in a concept of "graduation", whereby the developing countries are seen as "graduating" through stages of development, gradually needing less assistance from the advanced countries. It has also sometimes been argued that growth in the industrialized world is a necessary condition for everyone's advancement and should, therefore, have priority.

Ultimately, though, even industries which are tied geographically can respond by becoming more capital intensive. The group whose interests, at least in the short term, are adversely affected either way, is the industrialized world's labour force, especially its less skilled portions. Labour has long been a force behind the rule of the game according to which freedom of movement for the factors of production, applied only with qualifications to goods, is applied on an even more restricted basis to labour. However with the increased mobility of technology, this no longer provides adequate protection. In particular, the existence of alternative non-unionized labour elsewhere seriously erodes that bargaining strength which the trade unions were originally organized to provide. Whatever the motives, attempts in fora such as the ILO, to ensure minimum working standards in the developing countries, do serve the interests of organized labour in the industrialized countries. Furthermore, while they are doubtless generally sympathetic towards the aspirations of the developing countries, more immediate issues often lead trade unions to resist structural change, which would otherwise benefit the developing countries.

If these are underlying influences, political developments which are then superimposed can also have a profound influence. The administration which took over in the USA in 1981 is deeply committed to market economics and to minimizing "artificial" adjustment measures. The USA has never viewed the NIEO campaign with great favour. The new administrations, however, espouses an analysis of the developing countries' problems, and therefore of the solutions to them, that is profoundly different to that underlying the NIEO campaign. It sees the real causes of underdevelopment in the characteristics of the internal situation in the countries concerned, not in the system of international relations. Its proposals for promoting development therefore emphasize internal reform in the developing countries (a taboo subject in NIEO philosophy) and such international

measures as will enhance the role of market economics and international private investment (another villain in NIEO philosophy). While not all of the developed countries share this US view, the influence of the US, through the size of its economy and its contributions to the international organizations, remains great.

iv. Prospects for the New International Economic Order

It has been suggested in this paper that, at least originally, the NIEO campaign was intended to constitute a programme for immediate, substantial change. As such it has failed (and the more recent introduction of the concept of "Global Negotiations" is unlikely to change this). Even as the goal of a process of gradual reform, it cannot be said that the current outlook for the NIEO is propitious.

Recession in the industrialized countries is deepening and there is little sign that any effective solution is in sight, despite the variety of policy approaches which have been attempted. In these circumstances national, rather than global, interests prevail, as governments respond to domestic social and political pressures, and hopes for achieving third world objectives, such as substantial transfer of resources, improved terms of trade and improved access to industrialized countries' markets, recede. Instead protection is being increased, hurting the more successful of the developing countries, and aid flows are being reduced, hurting the poorest. Far from making progress, per capita income and food production are actually declining in some of the latter. Prices for many third world commodities remain depressed and a number of developing countries face severe difficulties in paying for energy and other necessary imports. While the economies of a small number of the most advanced developing countries are probably robust enough to maintain some momentum, the outlook for the majority is disquieting. Moreover, the analyses of the principal spokesman of the 'north' and the 'south' as to the appropriate measures for resolving these problems are, if anything, further apart than ever.

With hindsight it would appear that the ambitious goals of the NIEO campaign were based on a false evaluation of the third world's bargaining strength, born of the oil exporting countries' successes. The oil coup gave rise to false expectations of the progress which could be made, just as political independence had in its time. In practice, oil bargaining

strength has been undermined by changing conditions in the energy markets. It is also clear that no one anticipated the extent to which recession in the industrialized countries would limit the concessions they would, or could, make.

On what will future progress towards a world more to the liking of the developing countries depend? It will depend on the answers to a number of questions. When and to what extent will economic activity in the industrialized countries recover? To what extent will the industrialized countries consider that progress in the developing world is necessary for their own security and wellbeing (for example, to preserve the international banking system, develop export markets or maintain political influence?). Will sources of third world bargaining strength re-emerge (for example, another oil shortage)? How dependent on the industrialized countries will economic growth in the third world actually prove to be? These will be key questions in assessing the prospects for the efforts, which the developing countries will most certainly continue to pursue, to improve their place in the international order

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