

## SPEECHES DELIVERED IN PLENARY SESSIONS

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DUDLEY SEERS

*President of Eadi*

## European Conscience and Social Science<sup>1</sup>

It is the privilege of the outgoing president to think aloud, a narcissistic reward for three years of drudgery. Our assembly provides an opportunity for us all to re-examine our concepts of "development", "poverty", "self-reliance", etc. and to look critically at our perception of our role as Europeans researching and teaching in the development field. Thoughts on how this might need amending as the real world changes may be worth discussion at some various points in our agenda. I want to develop further some ideas put forward at Ghent and Linz<sup>2</sup> (speaking of course only in my personal capacity).

Let me go back for a moment to look at the road by which many of us entered the development business. We probably started by studying social science at a university. Presumably we elected to do this in preference to, say, physical sciences or engineering, not merely because the social sciences are softer options, but also because of our concern over social problems. In due course, we saw that these problems were more severe overseas than at home, and we asked

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<sup>1</sup> I am much in the debt of Emanuel de Kadt, Magdalena Goes, Gerry Helleiner, Richard Jolly, Paul Streeten and Robert Wood for comments. None of them is of course in any way responsible for the final product.

<sup>2</sup> Also "Back to the Ivory Tower? The Professionalisation of Development Studies and their Extension to Europe", *Institute of Development Studies Bulletin*, Vol. 9, No. 2.

ourselves: how could we use our discipline to relieve poverty in other continents?

In the post-war period, the time was politically ripe and resources were available for us to work overseas. We gathered information and constructed theories and applied them to policy problems. We taught in tropical universities. We formed missions and advised overseas governments. We travelled much and wrote many papers. We advocated reforms and revolutions. We worked with international agencies. We helped European politicians, mostly of the 'aid lobby' from the centre and the left, to awaken public conscience to the need for tariff preferences and commodity price stabilisation, and above all more aid on softer terms to the former colonies.

I wish I were sure that the net balance of all this activity has been positive. Certainly, financial and technical assistance has contributed to the relief of severe social problems in South Asia and tropical Africa. And European social scientists have sometimes helped clarify issues. But what about the damage? Transfers of resources, usually well-meaning, have strengthened governments which were among the main causes of poverty and inequality. We — and I do not exclude myself — have given the same governments our advice and allowed them to use us politically. We have — unconsciously — encouraged Anglophone, Francophone and Hispanic elites in the rest of the world to look primarily to Europe for patterns of intellectual consumption.

In our desire to be helpful, we have also committed many technical sins. We have advocated whatever was currently fashionable, from balanced growth to population control, the green revolution and basic needs. We have taught European doctrines constructed by Europeans from European experience, such as Keynesianism or Marxism or other forms of neoclassical economics,<sup>5</sup> without warning students about the geographical and historical context in which such theories were developed, claiming universal relevance for them.

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<sup>5</sup> "The Congruence of Marxism and Other Neo-Classical Doctrines", *Institute of Development Studies Discussion Paper*, No. 136.



We have used the tropics as testing grounds for sophisticated techniques such as inter-industry matrices and linear programming — just as European governments have used them for testing new military hardware, and European pharmaceutical corporations for trying out the latest drugs. We have given currency to, and even created, statistics, especially of national income, that were little better than random numbers. We have used these guesses as if they were real facts. We have helped concoct development plans with aggregative data that hid the real social, ethnic or geographical problems, treating economic growth as *per se* desirable. We have helped arouse expectations that processes of development, which inevitably take decades, if not centuries, can be short-cut by a few years of rapid economic growth. Moreover, we have taught students and counterparts to do the same. We have often taken on the role of propagandists for the aid of lobby or public relations officers for some foreign government, claiming that there were commercial and political benefits in aid or trade policies which we really favoured on humanitarian grounds.

If I look for common factors in all our misdeeds, one is a set of semi-conscious belief that social scientists are people who solve social problems; that these are basically technical; that they can be understood by a social scientist from another country; and that governments will tackle them once we provide the planning models and the necessary statistics. These propositions sound absurd as soon as they are enunciated.

Another common factor is a feeling of guilt. Guilt over what? Guilt over the not-so-remote colonial period, over exploitation, colonial wars and the repression of nationalism. Also guilt over the present — over the growing gap between the average incomes of the rich countries and the poor, and over our using up more than our share of the world's brain-power and natural resources, especially oil.

Perhaps future historians may be a little easier on us than we are on ourselves. It is predictable that, before long, books will be published saying that the colonial period was not so bad after all. Still, we

do indeed stand guilty. This applies of course not only to big European capitalists but to whole populations who benefit directly or indirectly from our terms of trade with the "Third World", or receive social expenditures financed partly by taxes on the profits of corporations based in Europe, or use up some of the world's remaining oil in private motoring, and so on.

We Europeans are not alone in our guilt. Most of the citizens of Japan, the United States, Canada and Australia are also guilty, perhaps more so. So are all the classes in Africa, Asia and Latin America which have benefited from the fast-growth policies followed since the war in these continents. Almost everyone, in fact, except landless labourers, some peasants, and some workers in the informal sector and, of course, their families.

But if practically everyone is guilty, nobody is guilty. More than half the human species cannot be guilty because the word then loses its meaning. Guilty people need innocent people. It would perhaps be better if we dispensed with feelings of guilt. As we surely know from our personal experience, the most dangerous people of all are those who do good in order to purge a feeling of guilt. In public life, it introduces permanent bias into policy: for example, guilt directs our criticism of racial discrimination or academic repression only towards countries under the control of Europeans. It encourages indiscriminated transfers of resources to meet global targets whether in aid, import or commodity policy, that may aggravate inequalities, stifle political change and inhibit technological autonomy.

In reality, I believe very few Europeans feel guilty now. We in this room are by no means a representative sample. For most people in my continent, the urge to look after one's own, whether family or nation, is dominant. There are now intractable economic difficulties here in Europe, leaving few resources to spare for, what seem to many, remote problems overseas. It would, therefore, be a mistake for us to continue to base political or professional behaviour on the assumption that a considerable proportion of the European population is motivated to purge their guilt even for the present, let alone

the past. It would also be a mistake for those of other continents to assume that guilt is a politically effective force in Europe, capable of supporting general transfers of resources abroad.

The only feeling of guilt which is productive for social scientists is guilt over their own roles and technical sins. Generalised political guilt encourages the tendentious analyses, based on a naive internationalism, mentioned earlier. I am not suggesting that European social scientists should turn their backs on the past. We can learn a great deal that is relevant to all our work by studying the colonial period. Nor would I criticise those who want to devote their professional energy to the relief of poverty in other continents, especially the really poor countries of South Asia and tropical Africa, out of human compassion. This is quite different from guilt, it is less likely to cloud the mind and divert attention away from political and social realities. (I stress the really poor countries: it is another matter for Europeans to impose their own conception of basic needs in countries where the failure to eliminate poverty is political).

But we could well pay more attention to the social problems here on our own doorstep. These are most obvious in countries on the European periphery: regional imbalances, dependence on foreign suppliers, especially on transnational companies, for equipment, technology and arms. Those nations suffer from persistent inflation, from chronic unemployment and from regular visits by the International Monetary Fund. Indeed, the same burdens now carried by nearly all European countries — though of course there are great differences between them. Most face difficult demands for regional autonomy.

Most are struggling for certain export markets, even parts of their own domestic markets, not only against Japan and the United States, but also South Korea, Brazil, etc. — markets for clothing, steel, television sets, motor cars and aeroplanes. A typical European is dependent on Iranian oil to provide the electric power for television sets designed in Japan on which to watch programmes from the United States, paid for by capital investments of the Saudi princes

and the expenditures of Australian tourists. Development, in brief, is no longer needed just by non-Europeans.

It may be argued that poverty in Europe is not comparable with tropical poverty either in its scale or its severity. That is, of course, true. But the point is that we can do something directly about our own poverty; it is our business.

Moreover, poverty is in one sense a relative concept: Europeans can feel aggrieved simply because they are unable to afford meat, and the millions in Europe searching for jobs have a good basis for grievances. If sufficient people come to feel sufficiently aggrieved, our social fabric will collapse, as it did in the first half of this century here in Italy, for example.

We live in a hard world. Many leaders in other continents bear bitter historic grudges, understandably, and would be only too glad to ruin us economically and politically if they could — and indeed they could if they collectively held up supplies of oil and materials needed by the European economy. Europe could also be ruined as a by-product of wars or political upheavals elsewhere. From an historical perspective, European society may be ceasing to be viable.

The inescapable corollary of growing self-reliance elsewhere is a greater degree of self-reliance in Europe itself: the strengthening of our own national technology and productive capacity, especially in energy, food, materials and equipment, and capacity to bargain with and monitor the transnational corporations. Moreover, collective self-reliance in other continents logically implies collective self-reliance in Europe, including Tcec, which can stand for "technical co-operation among European countries".

Social scientists who have been working in the development field have a special opportunity to pose themselves questions like the following. How can we make ourselves — as a continent or nationally — less dependent on North America, Japan and the Middle East? What relevance is there for Europeans in the experience of foreign governments in the handling of transnational corporations and the transfer of technology? What structural changes would be needed in



Greece, Spain, Portugal and other European countries if the agricultural and industrial sectors of the newcomers were to be accommodated in the Community? The international and intranational problems of Europe are now clearly structural, and development studies are essentially about structure.

We can see perhaps more clearly than our European colleagues in other fields the flaws in simplistic global solutions. From our own experience, we no longer expect problems to be solved purely by economic growth or, for that matter, revolutions or monetarist policy. We know the various social costs of these panaceas. We can appreciate the force of nationalism, including the nationalism of submerged nations. We have benefited from the contributions of overseas social theorists, especially in Latin America. We could be a means by which some much-needed new blood is transfused into European social sciences.

The basic international question for a European social scientist is no longer: How can we help the rest of the world? (That is like asking here: How can we help the workers?) The question is quite a different one: Are there possibilities of reconciling our long-term interests with those of other continents? Not: What do we have to concede to the advocates of a New International Economic Order? But rather: What do we welcome in it as helpful to our own purposes? What can we do to establish the framework for a durable peace?

In tackling such questions, we need perhaps to be a little more objective than in the past. There is no *a priori* reason whatever for believing as a general proposition that European interests are consistent with those of other continents, either North America or the so-called Third World. It all depends on how one defines interest, which European country and which policy area one is talking about, and what is the time horizon. In some cases, such as energy policy, the games are clearly likely to be zero- or even negative-sum. We may conclude that the greatest political and commercial returns would be gained by investing available resources in the underdeveloped regions of Europe. Unless we specify our objectives, we will

be in danger of repeating our guilt-derived mistakes of the past.

On the other hand, this does not by any means imply that social science research need be the hand-maiden of short-term national interests as defined by European governments, West or East. We may well want, whether for humanitarian, commercial or long-term political aims (though let it be clear which) to search for policies that help relieve overseas poverty (or at least do not aggravate it) at short-term costs which we can estimate. We certainly have a function in criticising the simplistic dogmas of politicians and bureaucrats and pointing out the costs of basing action on them.

Let me draw out the implications of this analysis for our field of work. I am essentially suggesting a broadening of development studies and a change of focus, not an abandonment of what we are doing now. There is still a place for our policy-oriented research into socio-economic conditions in Africa, Asia and Latin America. We can even, if we are very guarded and very humble, provide some practical help, should that be genuinely requested in a few foreign countries. Another reason we need projects of this type is to support the other traditional area of our work, the study of "interface" policies such as trade, aid and migration and the policies and practices of transnational corporations. This twin focus — national and international — explains the underlying structure of our conference.

But there is also a clear need, I believe, to move into three other major areas which we have hardly touched at all, but which we will, I believe, begin to talk about in our discussions here. In the first place, now that interconnections have proliferated, "interface" policies are surely not the most fundamental influences on the development of other continents. Our income and price policies, our consumption patterns and production technologies, our levels and types of arms' expenditure, have an influence going far beyond trade and aid. And perhaps our theories and values have, especially in the long run, the greatest impact of all — not least our social science theories. Therefore the agenda for development studies includes also the media by which they are diffused — higher education, TV and radio broadcasting, books, magazines, and the press agencies.

The second dimension which seems to me to be an inescapable one in the light of the above mentioned need to study common interests, is the world as a whole, not excluding the socialist countries, nor simply seen as a set of relations between a group of countries called "the North" and another called "the South". Indeed one of the most urgent needs is to find classifications to supplant the obsolete division of the world into three areas presumed qualitatively different.

Thirdly, we need to study the analogues of development problems in Europe itself, applying the experience and insights of our conventional field to the problems of individual European countries and to Europe as a whole which, as I shall argue elsewhere, shows a clear central-periphery pattern, even geographically.

Finally, running across all these areas of work is a need for a more historical approach to illuminate the basic constraints on development in all parts of the world.

We are, in brief, at a moment of profound change in our subject. It is naturally difficult to see the practical implications of the reformulation of our task. How can it be made manageable? It will be hard to assimilate new advances in all five fields but, on the other hand, there would be a great loss if we divided our work into compartments and failed to attempt a grasp of the inter-relations between them. How would development studies newly defined fit into the departmental structures of the universities? Yet I think it would be wrong to allow such institutional problems to prevent us from moving out of our professional ghetto — just as it would have been wrong for evolutionists in the last century, for example, to halt their work because of worry of what they were doing to the frontiers of anthropology and natural sciences.

This crucial change of approach has many practical implications, notably in our provision for foreign students. We shall have to accept the fact that fewer people will come to Europe to learn our views on how to solve their problems (of course, many will still register for our courses but partly because of their prestige, if not for touristic reasons).

Let us look instead to our comparative advantage. What we can offer foreign students is the opportunity to do research in the markets for their products, and to study at first hand the European corporations, government departments, and communications media that help shape their opinions, indeed their whole lives. (This is the main purpose of the scheme for Eadi Fellowships.)

Secondly, we can provide facilities, hardly available elsewhere, not even in the United States, for research on the world as a whole — to test world models, especially their historical dimension, to carry out taxonomic and cross-section analysis, to do basic comparative research, e.g. on different capitalist and socialist forms of organisation.

Thirdly, we can help people understand European problems, which are often analogues of their problems in another context. We should in fact as a matter of principle include European case studies in education and research programmes in "development" courses. Not only European cases, or even perhaps mainly European cases, but always some, preferably drawn from the host country.

This points to another job we in particular could do, i.e. help the establishment overseas of centres of European studies, national and continental centres, whose work would enable people in other continents to understand us better, view us more "objectively" and negotiate with us more realistically. They might also learn how to avoid copying our mistakes — though that is their business, not ours.

Such steps would reduce the asymmetry in professional work, in which Europeans study the problems of Africa, Asia and Latin America, but not the reverse. We in fact probably need to facilitate foreign research on Europe if we are to continue — as we need to — doing research overseas.

To develop in these new directions, we Europeans require a different frame of perception; we need to see ourselves more objectively, where we really are, no longer as *the* continent, the mother continent or worse the nanny continent, bringing up the rest of the world. We no longer have the sweets to reward virtue or the stick to punish disobedience. We live in a rather average continent, contain-



ing both rich and poor areas. In the late 1970s, Europe is no longer a big net exporter of technology, equipment, arms or cultural artefacts. We are both source and target of corporate investment. We both receive doctors and other professional manpower and export them. We are just one continent among many, with no special rights nor any special moral responsibilities. If we have a special role, it is as intermediaries, able to understand the interests and concerns of those in other continents, which we indeed partly share. This would imply — as a rather trivial example — forming our own European group in Unctad.

I believe that this is the professionally correct approach for us now, and in any case, it is the only one that is practical diplomatically, especially for Eadi. It enables us to build a proper professional basis for relations with our colleagues overseas, free of guilt and its counterpart paternalism, a basis I hope they prefer.

It provides a new focus for idealism, which is more intellectually challenging, no longer dreaming up Utopian solutions, but finding a practical way through our many difficulties. This is perhaps more challenging to the European young of 1978 — who are not the young of 1968. Our work needs a much broader political base than that of the old "aid lobby". In various senses, it is time for development studies to come back home.



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## Europe's Role in North-South Relations: The Role of the Research Community

### THE BACKGROUND

The basic issues which lie at the centre of the on-going North-South dialogue extend over the entire field of international relationships: politics, as well as economies, trade and aid, raw materials and manufactured products, technological transfers and transnational corporations, nationalisation and compensation rights, volume and terms of international lending. Both in the North and the South, there are centrally planned economies which have, with diminishing success, tried to stay aloof from the confrontation and dialogue between developed and developing countries. The role of centrally planned economies in North-South relations is an important field of study, both politically and economically. However, in the following the focus will be on the relationship between poor and rich market economies.

The North-South dialogue is currently conducted very much in terms of the umbrella concept of a "New International Economic Order". The political demands for a New Order reflect the conviction of the South that the existing international economic system has operated, and continues to operate, to their disadvantage and to the advantage of the industrialised North, which dominates it. It becomes important, therefore, not only to understand the characteris-

tics of the existing order and its operations, in an historical context, but to investigate how it serves the interests of different groups of countries in a changing global environment. The research community can make significant contributions by filling major gaps which exist in the analysis of the issues which make up the agenda of the North-South dialogue.

Up to World War II the prevailing international economic system was not a carefully planned set of rules and regulations; it was more an accepted set of international law and practice, which governed economic transactions between countries. "Law and order" which protected property rights, including claims on payments across the borders, was the key element of this "economic order". An adjunct instrumentality was the gold standard which gave the world internationally accepted means of payment.

The turbulent years between the two great world wars brought the end of the old order as an effective system: international trade suffered tremendously, individual countries felt forced to protect their own immediate interests in a manner which resulted in a further deepening of the world economic crisis.

At the end of World War II in Bretton Woods an agreement was reached on an international economic order that should replace the disorder of the 1920s and 1930s. The Bretton Woods arrangements were far from revolutionary; their primary purpose was to re-establish orderly rules of the game. The interests and views of the United States and the United Kingdom dominated the negotiations; yet at that stage all participating nations shared the view that law, order and stability would benefit them all. The developing countries were represented mainly by Latin American nations, whose positions were undoubtedly dominated by the United States at the same time as the latter's business interests had a direct influence on the governments of those countries. The poorest nations of the world — those in Africa and Asia — were not directly represented. The time had not come for a trade union of poor countries.

Changes in the world scene over the past 30 years have estab-

lished the preconditions for common attitudes amongst developing nations. First, of course, came the emergence of new, independent nations in Asia and in Africa, most of them poorer, less industrialised and more underdeveloped than those countries that were independent before World War II. Secondly, Latin American nations became more and more aware of the vulnerability and dependence of their own economies. A third factor was the rapid and sustained growth in industrialised countries in Western Europe, North America, Oceania, and Japan.

The implications of these changes became visible, in no small part due to the extensive economic analysis carried out by the United Nations and its affiliated organisations, as well as by other national and international institutions, private and governmental. Data on national income became available which showed the enormous, and increasing, gap in income and wealth between the rich industrialised and the poor developing nations. The reasons for these differences became the subject of study and debate, and the realisation that differences between rich and poor nations partly, or even predominantly, were caused by institutional factors gradually gained ground. The moral and political force behind the attacks on the existing economic order was the conviction, increasingly buttressed by analysis, that it benefited and protected individuals, groups and nations that were already strong and established. The developing countries began, therefore, to project their demands in terms of the need for structural changes in the international economic order.

#### NORTH-SOUTH NEGOTIATIONS

The term "New International Economic Order" made its entry into the international vocabulary at the Sixth Special Session of the U.N. General Assembly in 1974 convened in the wake of the major increase in the price of oil effected by the decisions of Opec in 1973. The Declaration of the Action Programme on the Establishment of a



New International Economic Order stressed equality in influence in world affairs and equitable opportunities.

Most of the demands and proposals included in the New International Economic Order were aimed at improving what we might refer to as the terms of trade through stabilisation and indexation of raw material prices, through a better international division of production of manufactures, through cheaper access for the developing countries to modern technology, through a better distribution of capacities and earnings in service industries like international commerce, transport, communications, banking and insurance, and through a redistribution of the access to foreign exchange and capital in general. If all these steps could be implemented, there would, it is argued, be a significant shift in the distribution of benefits between the North and the South.

The programme also contained elements of increased transfers from rich to poor countries, notably by asking for more development assistance. It included the important feature of compensatory financing for loss of or decline in export earnings, similar to the provision made in the Lomé agreement between the Eec and 53 associated countries. It would be fair to state, however, that the main emphasis in the New International Economic Order is on changing the distribution of the benefits of international exchange in favour of the presently poor partners, that is the countries of the South. The Declaration of the Action Programme was adopted "without a vote", but in fact with strong opposition by leading industrialised nations to some key articles in the document. The disputed issues concern property rights, vague but potentially sweeping demands for compensation for past and present exploitation, and interference with the so-called free markets.

The major industrialised countries opposed these demands for at least three reasons:

- (i) Self-interest: the disputed articles would impose some direct cost on the industrialised nations, and weaken their economic power, although, of course, it is by no means impossible that the apparent

costs and disadvantages might be offset by expanding earning possibilities in a growing world economy;

(ii) Legal considerations: the industrialised countries consider that they have an established right to defend the property and other economic interests of their citizens in foreign countries;

(iii) Economic considerations: governments and public opinion in several leading industrial powers are convinced — or appear to be so — that the proposed interference with the established free world market mechanism would lead to the misallocation of resources and an economic loss for everybody, i.e. also for developing countries.

Today a large number of these issues are being negotiated. The hurdles are high and many. Some are matters for administrative and practical solution, e.g. the attempts to establish commodity agreements for some raw materials. The conflicts of interests are not always between a raw material producing South and a raw material consuming North; newcomers have interests which are different from those of established producers and so on. But in many of its dimensions, the creation of a New International Economic Order comes down to a basic conflict between the South and the North.

In the process of verbal confrontation the group of 77 developing countries, formed in 1967, merits special mention. During the ten years of its existence this group (now expanded to 114 countries) has maintained internal cohesion.

There is no similar cohesion amongst the industrialised countries, and we should probably be thankful for that. Thus, European countries are strikingly heterogeneous, and their attitudes towards North-South negotiations mirror this diversity. The opposition to concessions to the Third World is markedly greater in some countries than in others. The Nordic countries, and Norway perhaps most explicitly, support the ideas behind a New International Economic Order with very few reservations. We have certainly no illusions about our ability to persuade other industrial countries to change their attitudes, neither do we believe that we can change economic relationships in the world. But the absence of a frozen frontier

tion, marketing, consumption, stockholding, etc. are agreed along with a decision to establish the Common Fund itself.

Given, however, that this particular element, the Common Fund, has become a test case of political will to move towards a New Economic Order, there is no short-run alternative to supporting the developing countries on this issue. But the matter must not be left at that; alternative and supplementary solutions need to be considered. The experience with the Export Stabilisation Scheme (Stabex) under the Lomé agreement may be evaluated — systems of compensatory financing kept in reserve.

Ultimately, however, developing countries must determine the balance between production of agricultural raw materials and food for export to industrial countries, and their population's need for food. Is food production profitable enough compared to production for export? Will better prices for exported raw materials, of agricultural or other origin, in fact improve incomes of those who actually produce the commodities? There are many fields of research relating to the raw material problem, but common to virtually all of them is an element of speculation: how will small and big producers, traders, investors, consumers, behave under circumstances that in many respects differ from past experience? The effects of the New Economic Order on earnings from export of raw materials can hardly be assessed with any high degree of certainty or confidence.

### *Industrialisation and Technology*

The New Economic Order incorporates the Lima Declaration's target that the share of developing countries in the world's industrial output shall be raised from the present 7 per cent to 25 per cent by the end of the century. To achieve this a series of specific policies have been outlined, including free access for manufactured goods in the markets of the industrialised countries, and every effort to ensure that raw materials are processed where they are produced. The 25 per cent goal may in fact be within reach. However, this might require a large and steady inflow of capital and technology to the developing



countries. The New Economic Order assumes that a large proportion of the increased manufacturing output in the South would have to be exported to the North. Given that it is a problem for which a solution can be sought gradually over a 25-year period, it is hardly intractable for the rich countries; yet, adjustment measures are clearly required.

While a strategy of industrialisation in developing countries based on rapidly growing exports to rich countries may well be regarded as a realistic and feasible alternative, there are many arguments in favour of an industrial strategy which first of all aims at meeting mass demand in the developing countries themselves: demands for basic consumer goods, for agricultural tools and implements, for building materials and for many types of intermediate products. Studies into the different features of alternative industrial strategies are very much needed.

The claim is often made that technology, which already has been developed, should be treated as a free good which should be transferred to developing countries at virtually zero cost. In contrast, the argument is advanced that there are high costs involved in the development of new technologies and, therefore, there is a need to earn profits on existing technologies in order to finance new ones. The answer to this dilemma may have to be that industrialised countries should allocate significant amounts of capital on concessional terms to developing countries for commercial purchase of the technology they need. However, for better or worse, transnational corporations are in fact the most important vehicle for technology transfers to the South, and their behaviour will remain the critical factor. Developing countries may quite understandably wish to force the transnationals to follow certain rules, but while they may be able to impose rules, they may not succeed in getting the transnationals actually to operate under such a set of rules. There is need for research which could contribute towards the formulation of regulatory frameworks within which operations of transnational corporations could effectively be regulated without creating conditions which would significantly deter those operations. The experience of Euro-

pean governments, which have been both base and host countries for transnationals, should be examined in such studies.

### *Capital Transfers and Financial Issues*

The inflow of capital to the developing from the industrial market economies represented by the members of the Development Assistance Committee (Dac) has increased very substantially during the 1970s from nearly \$ 15 billion in 1970 to over \$ 42 billion in 1977. However, the growth in the flow of financial resources to developing countries is more apparent than real. From 1970 to 1977 the amount of official development assistance from Dac countries as a share of their GNP remained practically stable at about one-third of one per cent, while the flow of emergency finance climbed very rapidly in order to cover the fast growing current balance of payments deficits of the non-oil-exporting countries of the South. The financial problems of the South today, therefore, have two dimensions. There is not only the need to accelerate the transfer of resources for the development of poor countries, but also a growing necessity to take care of their massive and growing short-term debt burden.

There is no open controversy about the New Economic Order objective of increasing the transfer of resources from rich to poor countries, and to improve the terms of such transfers. But when put to the test at the national level in most industrialised countries, the political will is lacking — or not effectively mobilised. Moreover, the channels and means for resource transfers proposed by the developing countries are hotly disputed, including the demands for a restructuring of the international monetary system, in particular the so-called "link", and the demand for sweeping, global negotiations of the debt obligations of at least the weakest developing countries.

The debt re-negotiation issue has recently become extremely important for many developing countries — and for their creditors in the rich countries, not least the major banks. The South demands global and automatic rules for such negotiations rather than ad hoc arrangements resulting from negotiations with individual Third

World countries one by one. The latter procedure gives the creditors the upper hand and permits them to retain and strengthen their hold on the debtors to a greater extent than sovereign developing countries find acceptable and reasonable. The pattern is clear: the South wants to get certain rights established rather than to depend on friendly, and paternalistic, gestures by the powerful countries from case to case.

#### PROSPECTS AND OPTIONS

The North-South dialogue is as much a question of politics as of economics, of sovereignty and independence as of levels of material well-being and net flows' resources. But political and economic interests — at least long-term interests — coincide in most respects. The pressures by developing countries for a New Economic Order include demands for a stronger voice in decisions in the international sphere which directly affect their national interests, political and economic. They demand more influence in the determination of strategies and general policies of international bodies; more control over the operations of international institutions; more automaticity relating to resource flows; generally more weight given to the vital needs of the majority of the world's population living in their countries; wider acceptance of these demands as matters of rights rather than concessions granted grudgingly, condescendingly, paternalistically, or even generously by the rich and powerful; the extension of arrangements governing relations between unevenly developed regions and groups within countries of the North to relations between countries and peoples of grossly unequal levels of development and standards of living.

Without subscribing to Marxian theories it is nevertheless justified to state that in a free market economic system — or a capitalist system — there is an inherent tendency for the already strong to succeed, and for the successful to retain an immoderate share of the

gains of economic progress. This tendency is to a large extent offset by the fact that conditions within the industrialised nations themselves have been fundamentally modified away from unregulated markets by specific policy measures, in order to provide a safety net for the weaker "players" in a free market system, and by far-reaching institutional changes to organise countervailing power, in order to ensure an acceptable or equitable balance as between different groups within these countries.

The New Economic Order does not include a comprehensive system of corresponding redistributive measures internationally. The effects of the New Economic Order as now debated, even if accepted by all, in fact may be modest. Nevertheless, European countries might well show more understanding for the claims of the developing world. Some European countries are adamant in their rejection of interventions in the operation of the international free market, while at the same time they institute and operate drastic market interventions inside their own countries, often for the same types of goods. Less dogmatism and more pragmatism is desirable, though it must be recognised that market interventions alone — like free market forces alone — provide no panacea.

This leads us to the demand for larger transfers from rich to poor countries. Such transfers would have two, not only one purpose. The first, to supplement the attempts to improve the distribution of benefits and trade between North and South. The second, to devote some of the abundant richness of the North for economic and social development in the South and to help reduce massive human misery in the Third World.

The first purpose could be fulfilled not only by Stabex-type programmes to offset failing export earnings, but also through measures which would supplement programmes for stabilisation of raw material earnings. Such measures could take the form of transfers aimed at raising the incomes of the "direct" raw material producers — notably small holders, but also wage earners in raw material producing activities — through support programmes in-



spired by the experience in industrialised countries. They would constitute a link between the New Economic Order and the basic needs strategy, but their main purpose would be to achieve what cannot be accomplished through the Unctad raw materials programme and other New Economic Order elements alone.

The second purpose is somewhat different. Such transfers would not only constitute conventional "development assistance" aimed at raising the productive potential of the developing countries, but also aim to support internationally the same kind of welfare policies which operate internally in some of the wealthy welfare states. Poorer countries could be helped to establish public services, such as universal basic education and health programmes that almost exclusively serve the poorer population groups, to an extent which is impossible on the basis of their present national incomes and government revenues.

One of the aims of developing countries is to get the richer countries to accept an obligation to provide "development assistance" on the basis of some predetermined criteria. Many sources of revenue have been suggested, such as the "link" between Special Drawing Rights and development assistance, tax on the output from the international seabed, taxes on international trade and transport, etc. Why not adopt another approach — or a combination of both — whereby the rich states may assume an obligation to finance wholly or partly certain programmes and services for the benefit of the poorest people in at least the poorer among the developing nations? Tentative estimates of the costs of such programmes suggest that international financing of such programmes on a very broad basis would not require transfers from the rich countries of a magnitude that would be beyond reach.

Europe should be able to take a lead in this field. More than other parts of the industrialised world it has experimented with and carried through programmes which broaden the opportunities of the economically weaker population groups, wherever they live in their own countries. The principle is accepted nationally; is it so unrealistic to

suggest that it could be made internationally acceptable too, if it were advanced in the form of well-researched proposals?

The North-South negotiations will be protracted and will have to deal with a whole range of complex issues. For the research community it is essential to retain a sense of proportion and a high degree of objectivity in the analysis of the propositions and arguments advanced by the representatives of rich and poor nations alike. By an elucidation of the issues and the working out of their implications the research community can contribute towards more constructive negotiations in the different areas of North-South relations.

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## From a Colonial Past to Asymmetrical Interdependences: The Role of Europe in North-South Relations

### INTRODUCTION AND MAIN CONCLUSIONS (\*)

Up to the late 1960s it was not by building on its colonial heritage but by reconstructing itself from the war devastations and by promoting the partial devolution of power back to Western Europe, that the old continent contributed indirectly and positively to various concerns which developing countries confronted in their external sector. Yet, commencing with the present decade, and again as a result of evolving Western European needs and interests, Europe might prove to be one of the main stumbling blocks in meeting various of the crucial developmental needs of developing nations as they are affected by their relations with industrialised countries. In some cases Europe will even tend to create conditions much less attractive for the South than the latter's relations with the two super-powers. The contours of the North-South conflict might find Western Europe in one of its crucial epicentres. It is not accidental that various African leaders, although aware of the dangers from a continued presence of Soviet influence in their continent, have com-

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(\*) Research assistance by Philippe de la Saussay.

mented, after the recent military interventions of France, that Europe is attempting to "recolonise" Africa.

The indirect and positive contribution, during the twenty-five years which followed World War II, was largely the outcome of two factors. First, in the process of re-establishing its economic base from the war, Western Europe had been promoting a multi-polar world economic system. The dominant economic position of the U.S. was partly diluted to the advantage of the rest: a more diversified economic system spreads out the contents of economic power and, thus, it dilutes its political impact. Furthermore, Europe, by not being a world-wide force, offered — in specific cases — certain alternatives (real or perceived) from the cold war implications of the two super-powers. In various parts it was felt that "... better the predatory powers of the past, than the super-powers of the present". Second, the continent's growing economic needs added to the aggregate demand for resources. This process induced, in turn, additional options and degrees of economic manoeuvrability for the less developed countries.

In other parts, though, of the North-South relations, Western Europe (particularly the larger European countries) were trying to preserve part of the economic character and privileges of their colonial past (e.g. the first and second Yaoundé Conventions). Western Europe's economic expansion involved its presence in areas where old colonial ties and present economic interests rendered her an obstacle to necessary changes in the Third World.<sup>1</sup> Furthermore, Europe — like the other industrialised countries — was quick to appreciate and to exploit to its advantage a central axiom characterising international economic relations: the distribution of gains from international trade and investment is not independent from the power play scenarios of the international market mechanism.

After the late 1960s, Western Europe entered into a new phase of relations. In its effort to translate interest into power, Europe has

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<sup>1</sup> For a discussion of the British, West German and French roles in South Africa, see K. L. Aldeman, *Foreign Policy*, 1977, p. 98 f.



demonstrated a political will to develop new forms of association in the North-South context. Among the complex — sometimes conflicting and others re-enforcing — factors which lead to this new position, three stand out as pivotal.

First, the same structural resource deficiencies which initially pushed Europe towards its colonial adventures in the past, persist in an even more acute way today. This structural weakness of Western Europe brings it, as no other industrialised region (except for Japan), into direct conflict with those resource-rich developing nations which attempt not only to organise and bring under their effective control the production and marketing of their resources, but also those who intend to promote development through the downstream processing of primary inputs. Europe's resource vulnerability involves questions of long-run economic security based on an assured access to inputs. It also involves issues of medium-term capacity for capital accumulation due to the evolution of its external terms of trade and the composition of its industrial activities. Trade-offs between these distinct sets of interests could lead Europe, when it cannot impose its own power, to achieve negotiated compromises.

Second, Western Europe constitutes, in trade relations, the weak side in the Oecd triangle: U.S.-Japan-Western Europe, because it is the only one which is facing large and growing trade deficits with both of the other sides. Also, with respect to relative cost/productivity comparisons in a number of mass consumed products, as well as in certain key technological and sectoral specialisations, Europe (with the exception, in various cases, of West Germany) is facing severe competitive pressures from the other two industrial powers. This overall growing trade deficit (which stems from North-North diverging interests), when it is coupled with the need for resource intensive imports from developing countries, reduces Western Europe to an unpromising and tough partner in the North-South context. The calls for "regulated free trade" and protectionism in Western Europe, both towards the rest of the North and towards the South, are symptoms of the two above-mentioned sets of economic

vulnerability which Western Europe faces vis-à-vis the rest of the world.

Third, although Western Europe in general and the Eec in particular constitute by far the principal overall trade partners of the less developed nations, both in imports and exports (as compared to the U.S., Japan, the Comecon countries and developing countries as a whole), the old continent is the least integrated area with the growing industrial capacities and aspirations of the developing countries. More than any other Oecd region, Western Europe's economic relationship with the less developed countries is heavily rooted in the old historical pattern: imports of primary and largely unprocessed goods from the developing countries and exports to them of industrial goods. For multiple reasons (including the structure of economic ties left over by the colonial period, the relatively small or medium economic size of each Western European country, the lack of natural resources, the business policies and technological specialisation of European transnationals, etc.), Western Europe has not cultivated the type of political and economic ties which have enabled both the U.S. and Japan to foment — in admittedly narrow geographic and product areas — a closer industrial relation with the developing nations. A certain change is beginning to show, though, for the West German and to a lesser extent for the Dutch economies.

As a consequence of the above reasons and despite the rise of progressive political forces in Europe (which have been both vocal and instrumental in alleviating part of the repercussions of repressive regimes in the Third World as far as human rights are concerned), the old continent is likely in the future to play a negative role in many of the key developmental strategies of the less developed countries which relate to their external sector. Foreign politics, in this sense, constitute a condensed form of economic interests, which place Western Europe in direct opposition to many developing countries' aspirations, regardless of the political parties ruling Western Europe.

Before, though, we embark on justifying this thesis, an impor-

tant qualification needs to be introduced. The response of Western Europe to developing nations for a restructuring of the world economy is not only highly complex, but also not uniform among its member countries. Important variations exist according to the type of European country one analyses and its historical ties with the rest of the world, according to the different classes and group interests, as well as within such classes and groups in each country, the issues involved and the time period one evaluates.

The European position on the above matters has already demonstrated important internal differences. On the one hand, there exist the "hard liners" which include West Germany (preoccupied by the resource needs of its growing industrial economy and its expansion as a world-wide economic power), France (with the relatively stronger tendencies to linger on the colonial past and its lesser degree of industrial integration with the developing nations, both in manufacturing imports and foreign investments), as well as the U.K. (with a much quicker withdrawal from the colonial heritage, yet a much higher vested interest in the operations of its transnationals in the developing nations and a higher policy linkage with the U.S. position).

At the other end of the spectrum one finds the "like minded" smaller and more progressive countries (the Scandinavians and Holland) who, nevertheless, have strong interests in the activities of their own transnationals (particularly the Swedes and the Dutch), as is also true with respect to the transnationals of the Swiss. Finally, one encounters the Europeans non-activist in the North-South relations whose interests partly overlap with those of the South (in their relations with the "European core"), and who therefore find themselves, both in primary resource needs and in manufacturing exports, in conflict with the developing countries. The non-activists include the "European periphery" (the Mediterranean countries and Southern Italy, Ireland, Finland, parts of Scotland, etc.).

The differences among various European positions become even more specific and in a sense more meaningful if one differentiates

between long-term goals (e.g. stable resource supplies and competition with other developed countries) and shorter term objectives (adjustment policies to deal with production inefficiencies confronting developing countries' manufacturing exports). Similarly, important differences exist between world-wide sub-contracting transnationals with "run-away" plants and organised labour in the developed nations or even between large retailing firms with international sourcing activities and smaller firms also in the developed countries. One also finds important sectoral differences among various types of transnational enterprises. For example, diverging interests might exist between the banking sector, which could be fostering the flow of untapped finance capital to the developing nations, and some manufacturing transnationals which find their market positions threatened by such financing of activities of other transnational companies, state enterprises or other producers in the less developed countries.

Thus, there is no single and uniform European position vis-à-vis the developing nations. Instead, there is a set of complex considerations with conflicting objectives and vested interests depending on the circumstances and specific issues involved.

Despite these differences, though, there exist certain common overall characteristics which condition the various European positions. In what follows we will be concentrating on these "common" underlying conditions.

Also, and in view of the length of this paper, we will have to limit our analysis only to a certain degree of aggregation of Western European attitudes: we will be dealing basically with country (rather than class or group) positions and largely with those of the "hard-liners." The latter account for the largest part of the European involvement with the less developed countries. Also, their position has, in many instances, dominated the European profile towards the South. This level of aggregation constitutes an important limitation, but it is the only manageable one which will permit us, within the length of an article, to single out some key considerations.



*The First Twenty-Five Years*

Right from the initial discussion of the Atlantic Charter between Roosevelt and Churchill in 1941 and as exemplified in the official U.S. circulation of the "Proposal for Trade and Employment Expansion" in 1945, the Europeans (particularly the main colonial powers) faced the imposition of U.S. terms in their future relations with the developing nations. The U.S. orientation involved two broad principles: (a) the promotion of formal political (as distinct from economic) independence for the colonies; and (b) the reorganisation of the world economy by reducing preference zones and by promoting relatively more free trade.<sup>2</sup> (The first article of Gatt refers to the latter principle despite Churchill's attempts to exclude from the Atlantic Charter any reference to the abolition of the system of commercial preferences).

The U.S. had three underlying motives in its position.<sup>3</sup> First, it was to its interest to "Latino-Americanise" Asia and Africa by expanding its economic activities and political influence in areas which were previously under the exclusive domain of European intervention. Second, the U.S. was concerned about the historical connection, which had existed in European wars, between the pursuit of economic autarky (as assisted by preference zones) and military aggression. The third and probably the most important issue on the part of the U.S. related to the political opportunities, offered to the U.S.S.R. by the struggle against colonialism in the Third World. The U.S. was basically concerned that the Soviet Union could exploit to its advantage the efforts towards political independence in the underdeveloped regions of the world.

Up to and including the 1960s, Western Europe attempted to

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<sup>2</sup> Clair Wilcox, 1949.

<sup>3</sup> Oecd, *Interfutures*, 1977, p. 19 f.

TABLE 2

PERCENTAGE SHARE OF EUROPEAN FIRMS IN THE EXECUTION  
OF CONTRACTS UP TO DECEMBER 31, 1976 OF THE 1ST, 2ND AND 3RD  
EUROPEAN DEVELOPMENT FUND

Countries in which firms are registered	Work contracts (69.4% of value of all contracts)	Supply contracts (14.8% of value of all Edf contracts)	Technical co-operation (15.8% of value of all Edf contracts)	All contracts
France	45.3	41.1	28.4	42.0
West Germany	9.3	15.2	23.8	12.5
Italy	12.7	11.0	17.0	13.2
Belgium	4.7	7.1	12.2	6.2
Luxemburg	0.4	0.9	1.8	0.7
The Netherlands	3.2	6.5	9.6	4.7
AASM/OCT	24.5	16.0	7.3	20.5
Third countries	—	2.2	—	0.3

Source: *Official Journal of the European Communities*, No. C. 112, May 9, 1977.

developing nations — not only the characteristics of a regional economic power vis-à-vis the "South" (like Japan in Asia), but those of a world-wide one (Table 1). Similarly, France maintained in the mid-1970s the highest percentage of bilateral (as opposed to multi-lateral) aid among all Dac countries.<sup>11</sup> Also, through multilateral aid channels, she attained by far the highest share of the volume of contracts which are administered by the European Development Fund for work, supply and technical co-operation tasks (for comparative statistics see Table 2).

However, despite such efforts of holding on to old historical ties with some developing countries, the dynamics of economic evolution (both in terms of market size and level of industrial development, and the relative resource availability in the less developed countries) are proving to be far more potent factors in determining the nature and magnitude of European relations with them. An anonymous piece of 16th century writing, found in Peru, concluded: "Where there are mines, there are soldiers and consequently generals. And where there are mines one can also find the gospel and hence God. In

<sup>11</sup> *Oecd, Dac Review*, 1977.

the places where there are no mines, there are no generals nor God". The equivalent story applies nowadays with respect to markets and natural resources in the developing nations. Where either or both of them are present, there exist business opportunities and the latter will attract the transnational enterprises. The corporate strategies of these firms and the long-run economic and technological ties that they can create for host countries with specific developed ones, can radically change the previously existing composition of economic relations.

In the case of Europe, such a change has taken place in view of differentials in market growth rates, industrial capabilities and resource availabilities in the developing nations. For example, if petroleum is excluded, Africa — with the predominant presence of ex-European colonies — dropped in its share of developing countries'

TABLE 3

PERCENTAGE SHARE OF EUROPE'S IMPORTS (EXCLUDING PETROLEUM)  
FROM DEVELOPING COUNTRIES: 1955, 1965, 1970, 1975

Imports to	Total imports from developing nations in US \$ million	Africa	Latin America	South and South-East Asia	Middle East	Total
<i>EUROPE</i>						
1955	7,978	40.1	31.3	24.7	3.9	100.0
1965	11,937	36.2	36.0	23.0	4.8	100.0
1970	16,335	36.4	36.9	21.8	4.9	100.0
1975	34,456	26.8	39.6	28.1	5.5	100.0
<i>EEC</i>						
1955	4,150	45.4	29.9	20.4	4.3	100.0
1965	5,900	41.4	38.0	17.0	3.6	100.0
1970	8,440	39.5	38.9	16.8	4.8	100.0
1975	22,070	30.8	32.5	31.8	4.9	100.0
<i>EFTA</i>						
1955	3,180	35.3	28.9	32.6	3.2	100.0
1965	3,450	35.5	29.6	29.7	5.2	100.0
1970	4,190	35.3	31.8	28.1	4.8	100.0
1975	2,552	19.6	42.8	29.8	7.8	100.0

Source: From CEPAL (1978) based on statistics from Unctad, *Yearbook of International Trade and Development Statistics*, 1976 and United Nations, *Monthly Bulletin of Statistics*, 1977.

Notes: The 1970 Eec figures are for the original six members while 1975 refers to the present nine Eec members. The 1970 Efta figures include the U.K. and Denmark while 1975 excludes them.

exports to the Eec from a bit below half of the total in 1955 to less than one-third in 1975. Instead, Latin America and South East Asia (the latter especially in the 1970s) took the lead in Eec and European imports. If the case of petroleum is included, then the Middle Eastern share increases dramatically. Equivalent changes have also taken place in the export structure of Europe, particularly towards the petroleum producers as well as the newly industrialising less developed countries. (For a comparative evolution of the imports of Europe, of the Eec and Efta, excluding petroleum, from the less developed countries, see Table 3). Similarly, by 1971, French transnationals had fewer manufacturing subsidiaries in French-speaking Africa than they had in Latin America. The same was true for Belgium-Luxembourg.<sup>12</sup>

In conclusion, the evolving relations of Europe with developing countries during the first quarter of the post-war period, were conditioned by a set of basic political and economic realities. The political ones have been on the whole the area in which Europe was either excluded or proved to be simply playing the role of a supporting actor. In those cases, though, where Western European countries intervened to maintain the privileges of the colonial past, they were outweighed by the growing transnationalisation of the world economy. The effects of such European policies tended to be, on the whole, more pronounced for the internal political structure of some Third World countries, than on the evolution of the international economic scene.

Within the political sphere, the main actors in determining North-South relations were the U.S. and the U.S.S.R., or better the former as a reaction to the latter. This was evident in the first decade of the post-war period. During those years, political issues related to the cold war were prevalent. In contrast, the economic significance of the developing countries was — with the exception of being the source for some essential primary inputs — rather limited. Also, the

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<sup>12</sup> L. Franko, 1975.



cost of administering a foreign policy on development issues was quite inexpensive. In contrast to the Marshall Plan for Europe, up to 1955 the cost of U.S. development assistance had scarcely averaged a few million dollars per year.<sup>13</sup>

In the mid and late 1950s, two sets of, again, political issues linked to the U.S.-U.S.S.R. rivalry, significantly increased the industrialised countries' commitment to development matters. The U.S. contribution to aid jumped from a few million dollars, to more than U.S. \$ 3 billion per year by the early 1960s. These political issues referred, first, to the coming independence of several ex-colonies. The first Black African country, Ghana, achieved its independence in 1956. Conditioning the political evolution of the newly independent states, in competition with the U.S.S.R., was a key concern for the U.S. The second political event was the Cuban Revolution which linked the question of economic development to that of continental security. This, in turn, influenced greatly the U.S. position towards the less developed nations. In all of these crucial cases, the effective political role of Europe was basically peripheral, if present at all.

On the other hand, the economic realities presented a completely different picture for Western Europe. Although she maintained a low political profile towards the Third World (except for some aberrations like the first Yaoundé Convention), she continued to significantly increase its economic commitment towards the developing nations. In so doing, European economic actors challenged the hegemony and even surpassed in various cases the activities of U.S. firms. In the next section we shall explore the magnitude and content of this growing Western European involvement in the Third World.

### *The Extent and Composition of Europe's New Encounter with the Developing Countries*

During the late 1950s and the 1960s, the devolution of part of the world's economic power back to Western Europe and the contin-

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<sup>13</sup> Oecd, *op. cit.*, 1977, p. 21.

uous process of the latter's prosperity created the basis for a multipolar world economic structure. In specific economic areas, this multipolarity, as promoted by Western Europe, assisted the developing countries in their external sector by creating competitive pressures among the industrialised countries and their transnational economic actors. With the entrance in the 1970s, though, a new scenario in North-South relations evolved, and a novel role for Europe was undertaken. Within this scenario economic conditions and economic rivalries, both North-North and North-South, became much more central. In contrast, traditional political rivalries between the U.S. and the U.S.S.R. became secondary, except for the case of Africa. It has often been argued that the two superpowers have reached an alleged agreement or, at least, an understanding on the degree of their competitive behaviour in the Third World.

Instead, Europe's evolving interests with respect to its prosperity and economic survival bring it to the forefront of economic rivalry. In this context, she is bound to play a central role in the North-South conflict, in many cases much more pronounced than that of the two superpowers. A weak Europe reduces the options of multipolarity in the world economic system and thus negatively affects Third World interests. A strong and consolidated Europe, in view of the structural conditions (to be analysed below) which characterise its constituting economies, will tend to create new forms of asymmetrical interdependence with the South. Only a Europe in transition, a Europe which — although prosperous and growing — is not totally in command of its role within an evolving world economy, will tend to provide alternatives and seek more meaningful formulas for the South.

### Western Europe's Expanding Presence in Developing Nations

The economic and psychological demands of the European reconstruction from the war, and the rapid expansion of intra-Eec trade after the Rome Treaty, gave several Europeans an illusion of privacy. Yet, far from demonstrating insularity, the European experience

implied a rapid economic expansion into the rest of the world.

Even if trade between the Eec members is excluded, Europe appears to be, by far, the main customer of the world. Equally, it is the largest exporter of goods. By the 1970s, the European Community accounted for well over one-fifth of the world's exports and/or imports (excluding the volume of intra-Eec trade). Adding up the external trade of non-Eec European countries, the old continent rapidly approaches one-third of the overall world trade. In contrast, the equivalent share of U.S. imports dropped to 13.9 per cent by 1975, and the Japanese increased to 8.3 per cent (Table 4). Similarly, and although relationships between trade figures and the GDP are not strictly comparable (since the former includes more than value added estimates), they are indicative of the external dependence of each economy. The Eec reports the highest such dependence in the world. During the 1971-1975 period, imports and exports of goods and services by the Eec accounted individually for well over one-quarter of its GDP. The equivalent figure for North America (Canada and the U.S.) was around 9 per cent, for Japan around 12 per cent and for the developing countries as a whole between 20 and 30 per cent.<sup>14</sup>

With respect to the developing countries, the Eec represents their main supplier as well as their main export market. By 1975, the Eec exported to the developing nations 60 per cent more than the equivalent value of trade from the U.S. and imported from them over 73 per cent more than the U.S. Much larger differences existed in the comparisons between the Eec/developing countries trade and that of Japan or the Comecon countries with the developing countries (Table 5). Thus, at least as far as trade figures are concerned, the Eec (and Europe as a whole, even more) have a higher orientation and more at stake concerning what happens in the Third World than any other country or group of countries in the industrialised world.

Even more important from the point of view of Western European interests is the fact that, excluding intra-Eec trade, developing

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<sup>14</sup> Computed from U.N. Department of Economic and Social Affairs, *Yearbook of National Accounts Statistics*, various issues.

TABLE 4

ABSOLUTE AND PERCENTAGE PARTICIPATION IN WORLD TRADE  
(INTRA-EEC TRADE EXCLUDED)  
(figures in U.S. \$ million)

Countries	Imports				Exports			
	1972		1975		1972		1975	
	Volume	Percentage in world total	Volume	Percentage in world total	Volume	Percentage in world total	Volume	Percentage in world total
Eec	72,946	22.8	155,600	22.3	73,130	23.7	150,497	22.5
U.S.	55,583	17.3	96,902	13.9	49,778	16.1	107,592	16.0
Japan	23,482	7.3	57,863	8.3	28,657	9.3	55,753	8.3
Sweden	8,062	2.3	18,030	2.6	8,759	2.8	17,343	2.7
Switzerland	8,482	2.6	13,275	1.9	6,867	2.2	12,951	1.9

Source: Computed from Eurostat, *Monthly External Trade Bulletin*, Special Number, 1958-1976.

TABLE 5

COMPARATIVE TRADE STATISTICS OF THE EEC AND THE U.S.  
WITH DEVELOPING NATIONS, 1975 (INTRA-EEC TRADE EXCLUDED)  
(figures in U.S. \$ million)

Countries	Comparative figures	Imports	Exports
Eec	Total volume of trade with rest of the world (intra-Eec excluded)	151,501	149,068
	Total trade with developing nations	68,278	58,160
	% participation of developing nations in Eec total external trade	45.06	39
U.S.	Total volume of trade with rest of the world (intra-Eec excluded)	96,941	106,157
	Total trade with developing nations	39,456	36,392
	% participation of developing nations in Eec total external trade	40.7	34.8
<i>Eec/U.S. trade with developing nations (percent figures)</i>		173.04	159.82

Source: Computed from Oecd, *Trade by Commodities*, Series B, 1975.

Note: The variations in some of the absolute figures between the data appearing in Tables 4 and 5 are due to statistical differences among the two different sources used.

countries constitute the main external source of supply for the Eec, accounting for 45 per cent of the Community's external imports (Table 5). Aggregate published statistics on the participation of



TABLE 6

PERCENTAGE LEVEL OF OFFICIAL DEVELOPMENT ASSISTANCE  
BY DAC COUNTRIES, 1965-1976

Countries	Average 1965-1967	1970	1976
France	12.7	14.3	15.7
U.K.	7.9	6.6	6.1
West Germany	7.5	8.8	10.1
The Netherlands	1.5	3.9	5.3
Belgium	1.5	1.8	2.5
<i>Total Eec listed</i>	<i>31.1</i>	<i>35.4</i>	<i>39.7</i>
U.S.	55.7	44.9	31.7
Sweden	0.9	1.7	4.4
<i>Total Dac</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: Computed from Oecd, *Dac Review*, 1977.

developing countries in world trade, tend to obscure their strategic importance in the prosperity of Western Europe. Among these latter countries, West Germany registers the highest volume of trade with the developing countries (for comparative country statistics see Table 9).

In the area of foreign direct investments in developing nations during the 1970-1976 period, although the reported overall flows from the U.S. accounted for about \$ 22 billion and the Eec's for slightly over \$ 13 billion,<sup>15</sup> the Community's flows of foreign investments in the Third World manufacturing sector were matching if not surpassing those of the U.S. The area which registered the largest share in U.S. investments was the service sector; it accounted for 43 per cent of the book value of the U.S. stock of foreign direct investments in developing countries in 1976.<sup>16</sup>

Among the Eec countries, the largest investor in the developing nations is West Germany (accounting for about one-third of the Eec total) followed very closely by the U.K. In contrast, France is progres-

<sup>15</sup> Computed from U.N., *Center on Transnational Corporations*, 1978, p. 249.

<sup>16</sup> Computed from U.N., *Center on Transnational Corporations*, 1978, p. 243.

sively falling behind in foreign investments in developing countries (inverse behaviour from that of its role in trade with them), while Holland is about to match France in the volume of foreign investment flows to the Third World.

If the number of foreign subsidiaries is taken as an indicator, the Eec-based transnationals are reported as having more than double the number of affiliated firms in developing countries than U.S. enterprises.<sup>17</sup> Even in areas traditionally dominated by U.S. interests, like Latin America, the sales volume in the manufacturing sector of European controlled firms in the mid-1970s was closely rivalling that of U.S. firms.<sup>18</sup>

Thus, in practically every major economic field (including foreign aid, where the Eec contribution has exceeded the U.S. equivalent by 1976<sup>19</sup>), the presence of Western Europe is central if not dominant in the developing nations' external sector.

### The Separability of Power Elements

The elements of power, not only of Europe, but also of other nations, have become distinctly separable in our times. This is true even if countries try to link such power elements together in order to improve their overall performance.<sup>20</sup> The separability of power elements is felt in a particularly acute manner by Western Europe.

This is a consequence of Europe's fundamental and dual vulnerability: its economic survival depends on Middle Eastern oil and its military survival requires the U.S. arms' umbrella. When either of these issues is seriously challenged, Europe is ready to compromise and to offer concessions.<sup>21</sup>

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<sup>17</sup> European Economic Commission (1976).

<sup>18</sup> C.V. Vaitos, 1978.

<sup>19</sup> Table 6 for comparative statistics.

<sup>20</sup> W.P. Bundy, 1977.

<sup>21</sup> The threat and partial imposition of an oil embargo during the 1973 Arab-Israeli war forced the U.S. Nato allies in Europe — except for Portugal — to deny transit facilities for U.S. military assistance to Israel.

There is another area of European dependence. Although in the short run it does not create the immediate vulnerability caused by oil and military security, in the medium and longer run, it will seriously affect the continent's relations with the South. It concerns Western Europe's relative lack of mineral and commodity resources. Unlike the U.S., the U.S.S.R., Canada and Australia (who are net overall resource exporters), Europe's prosperity (like that of Japan) depends significantly on its continuous and secure access to these resources from the rest of the world.

This resource dependence — which is a permanent feature of the Western European needs, and not a passing phenomenon — is evident from the composition of the Eec's import bill. About one-third involved energy goods totalling \$48 billion in 1975 and more than one-quarter referred to unprocessed minerals and materials (excluding oil products) and food substances (see Table 7 for comparative figures between the Eec and the U.S.). Both the absolute level and the growth rate of raw material imports (excluding petroleum and petroleum products), by the Eec have been much higher than the U.S. equivalents.<sup>22</sup>

TABLE 7

COMPARATIVE PERCENTAGE DISTRIBUTION OF IMPORTS  
OF THE EEC AND THE U.S.: 1973, 1974, 1975

SITC categories of goods	Eec			U.S.		
	1973	1974	1975	1973	1974	1975
Food, beverages and tobacco (0+1)	17.4	11.8	13.4	14	10	10
Minerals and other materials (2+4)	18.2	16.3	14.3	7	6	6
Energy goods (3)	19.0	32.6	31.3	12	26	27
Chemicals (5)	4.5	4.4	4.3	4	4	4
Manufactured goods (6)	18.3	16.2	14.8	18	18	15
Machinery and transport equipment (7)	14.4	11.7	13.3	30	24	25
Miscellaneous (8+9)	8.2	7.0	8.6	15	12	13
Total	100	100	100	100	100	100

Source: Computed from Oecd, *Trade by Commodities*, Series B, 1975.

<sup>22</sup> In 1972 such imports by the Eec (excluding trade among its member countries) accounted for \$12,832 million. By 1975 they had increased by 66 per cent to reach \$21,317

The European overall dependence on imported primary materials and agricultural goods is also reflected in its export profile. The five SITC categories of industrial goods (5+6+7+8+9) accounted for nearly 90 per cent of European exports by the mid-1970s. In contrast, the U.S. was exporting nearly 30 per cent of its total primary products. To pay for its raw material imports the Eec is by far the largest exporter of industrial goods in the world (Table 8).

With respect to the composition of Western Europe's imports from developing nations, petroleum and petroleum products accounted for well over half of the total import bill in the mid-1970s. The second most important group of products is commodities (close to or over one-fifth of all imports from developing nations) while, interestingly enough, mineral imports were trailing behind manufactured imports from less developed countries. Among Western European countries, West Germany is the largest importer from developing countries, and — in respect of oil — France is the second largest. The distinguishing characteristics of the U.S. import structure from the less developed countries, as compared to the main European economies, are: (a) its much heavier absolute and relative reliance on manufactured imports and (b) its much lesser dependence on minerals. In the case of manufacturers, the U.S. economy imports 75 per

TABLE 8

EXPORTS OF MANUFACTURED GOODS (SITC CATEGORIES 5+6+7+8+9)  
TO THE WORLD FROM THE EEC, THE U.S. AND JAPAN, 1972-1975  
(figures in U.S. \$ million)

Countries	1972	1975
Eec	63,743	131,425
U.S.	36,138	75,628
Japan	27,413	53,899

Source: Eurostat, *Monthly External Bulletin*, Special Number, 1958-1976.

million. In contrast the U.S. imported in 1972 raw materials (excluding petroleum and petroleum products) in the order of \$4,039 million. In 1975 they stood at \$6,112 million after registering a 55 per cent increase. Computed from Eurostat, *Monthly External Trade Bulletin*, Special Number, 1958-1976.



TABLE 9

ABSOLUTE AND PERCENTAGE PARTICIPATION OF DEVELOPING COUNTRIES' IMPORTS  
IN THE TOTAL IMPORTS OF SELECTED INDUSTRIALISED COUNTRIES, 1975 (INCLUDED INTRA-EEC IMPORTS)  
(figures in U.S. \$ million)

Countries	Commodities		Minerals		Petroleum		Manufactures		Total	
	Volume	(1) (2)	Volume	(1) (2)	Volume	(1) (2)	Volume	(1) (2)	Volume	(1) (2)
France	2,656	18 29	1,007	7 24	9,739	67 89	1,031	8 3.5	14,433	100 27
U.K.	2,958	23 23	878	7 25	6,998	55 75	1,883	15 7	12,717	100 24
West Germany	3,255	22 21	1,068	7 21	7,885	54 62	2,565	17 6	14,773	100 20
Switzerland	390	32 18	89	7 14	427	35 32	330	26 4	1,236	100 9
Sweden	433	21 23	119	6 11	1,128	54 40	387	19 3	2,067	100 11
U.S.	6,876	17.5 51	1,857	4.7 36	20,878	53 80	9,606	24.8 18	39,217	100 40

Source: Computed from *Oecd, Trade by Commodities*, Series B, 1975.

Notes: (1) Percentage of imports of each category of products with respect to total imports from developing nations.

(2) Percentage of imports from developing nations as compared with total imports from the world economy for each category of products.

cent more from the developing countries than do West Germany, U.K. and France put together (for comparative statistics see Table 9).

In the case of Western Europe, a more disaggregate product analysis indicates that the commodities for which imports accounted for 40 per cent or more of its consumption involved: maize, coffee, cocoa, tea, cotton, jute, wool, hard fibres and natural rubber. From these products, the cases for which four exporting countries (developed and developing ones) accounted in 1972 for 75 per cent or more of total world exports, involved the following: maize, cocoa, tea, jute, wool and natural rubber.

In each of the cases of minerals listed, except for iron ore, Europe has a share of imports to its total consumption of 40 per cent or more. In many of them, the dependence on foreign (developed and developing nations) sources is absolute. Yet, the cases for which imports from developing countries account for 40 per cent or more of the European consumption involve the following: copper, tin, manganese, phosphate rock and tungsten (Table 10).

On account of this resource dependence, Europe is likely to play a significant and largely negative role in the efforts of those (Third World) countries which will try to organise and bring under their effective control the production, pricing and downstream processing of primary inputs. On the other hand, Europe will find it within its interests, particularly if aggregate demand picks up again in the West, to offer concessions for stabilising — even if at slightly higher monetary and un-indexed prices — the export earnings of Third World primary producers. Such a policy will be in exchange for avoiding disruptive effects that other alternatives might imply for the European economies. The proposal, recently floated by the West German Chancellor, to include the copper of Zaire and Zambia in the European Community export earnings stabilisation scheme,<sup>23</sup> could have a dual effect. It could offer certain short-run concessions to the ailing economies of those two countries, drawing them closer to the

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<sup>23</sup> *Financial Times*, July 3, 1978.

TABLE 10

DEPENDENCE OF THE ECONOMIES OF EUROPE,  
THE U.S. AND JAPAN ON PRIMARY PRODUCT IMPORTS FROM THE REST  
OF THE WORLD AND FROM DEVELOPING NATIONS, 1972  
(figures in U.S. \$ million)

Products	1972 world exports	No. of countries supplying 75% of world exports	Western Europe		U.S.	Japan
			Eec dependence: Imports/ Consump. %	Oecd Europe: Imports from dev. nations/ Consump. %	Imports/ Consump. %	Imports/ Consump. %
Wheat	4,366	4	3			
Maize	2,298	4	42			
Rice	1,120	6	33			
Sugar	3,118	12	0.8			
Coffee	3,049	10	100			
Cocoa	723	4	100			
Tea	745	4	100			
Cotton	2,828	17	100			
Jute & manuf.	762	2	100			
Wool	1,346	3	92			
Hard fibres	87	5	100			
Rubber (natural)	904	2	100			
Copper	4,113	8	93	40	17	90
Lead	418	10	75	14	19	76
Zinc	862	11	61	9	55	80
Tin	730	4	96	84	100	97
Bauxite Alumina	914	10	51	14	88	100
Aluminium				2	14	23
Iron ore	2,608	7	37	28	32	94
Chromium			98*	21	100	100
Manganese			98*	53	95	90
Nickel			86*	6	90	100
Phosphate rock			100*	53	Net exporter	100
Tungsten			100*	55	42	100

Source: Computed from: U.S. Council on International Economic Policy, *Special Report: Critical Imported Minerals*, December 1974; Fao, *Trade Yearbook*, 1972; Soec, *Statistiek*, 1971-1973.

Note: \* = Oecd Europe.

area of direct European influence.<sup>24</sup> At the same time, though it will provide the *coup de grâce* for Cipece (the association of the main

<sup>24</sup> In the medium and longer run, though, the nature of this stabilisation scheme, unrelated to the prices of manufactured goods, could turn against the interest of the participating developing countries. See A. Emmanuel, 1976.

tors and has long been considered by the Department of Agriculture to promote, through a U.S. initiative, the creation of a wheat export cartel. With forms of co-operation similar to Opec's, it has been proposed that such an international cartel be arranged among the four main wheat exporting countries (i.e., U.S., Canada, Australia and Argentina).<sup>27</sup> As for Japan, she has already promoted inter-governmental long-run resource supply contracts. The participation of Japanese private firms is often undertaken in consonance with Miti's set policies, and after broad agreements have been settled among public authorities. Thus, in the future the European hard-liners might develop into Oecd hard-liners in this area.

A set of additional considerations arise when one combines the existence of (a) relatively small or medium-sized European domestic markets with (b) the presence of a number of large transnational enterprises for which not only the origins but also their corporate overheads are concentrated in their home countries.

First, as European transnational companies obtain a substantial, if not the dominant part of their earnings, from their foreign operations (since their home markets are small), they are likely to intervene more actively to try and influence the foreign policy formulation of their governments in favour of their private interests. (In the case of the U.K., more than 50 per cent of the country's overall business savings are linked to the foreign operations of British firms).<sup>28</sup>

Second, for various reasons the smaller the home market is, the stronger will be the tendency to link international expansion and exports to foreign direct investments through a tied structure of inter-affiliate relations. Empirical evidence exists which confirms, in the case of foreign subsidiaries operating in Latin America, that transnationals originating from small European countries (like Switzerland, Sweden and Holland) have a much higher rate of tying inter-affiliate trade transactions to their parents' home economy

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<sup>27</sup> *Washington Post*, September 1978.

<sup>28</sup> Unctad, 1977.



than either the U.S. firms or those belonging to the larger European countries.<sup>29</sup>

Third, the asymmetrical distribution of business activities (with consolidated production and sales spread out internationally while the corporate overhead is concentrated in the home country), implies a much more acute exercising of transfer pricing practices among transnationals which have a small home market. Through such corporate accounting practices, the rest of the world contributes not only to capital accumulation via the reinvestment of business savings and government earnings in the home country of transnational corporations; it also contributes directly — through fiscal losses of the rest — to the level of income, size of employment and overall level of activities in the home economy of the parent firms.<sup>30</sup>

#### The Effects of Faltering Economic Growth and Increased Competition among the Developed Countries and their Economic Actors

For Western Europe, as well as for other countries, the persisting economic slowdown and the combination of structural unemployment-cum-inflation in the 1970s, have created two mutually reinforcing processes: economic problems have become sharper as political institutions have become weaker. Such an evolution is seriously limiting both the willingness and the capacity of governments in the industrialised countries to advance constructively in negotiating the proposals presented by developing nations.

Among the Oecd members, the above concerns are felt in a particularly pronounced manner by Western Europe. This is not simply the effect of a few well-organised groups which can amplify the implications of their causes in view of (a) the relatively small margins by which ruling parties have come to power in Europe, and (b) the small and medium economic size of each individual European economy. Instead, it is a result of more structural reasons. Of these, the following two are central.

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<sup>29</sup> C.V. Vaitsos, 1978.

<sup>30</sup> For a theoretical and empirical analysis of this issue, see C.V. Vaitsos, 1974.

First, intermingled with the overall and European North-South issues, the economic problems which the old continent faces with the other industrialised countries will prove to be crucial for Europe's position towards the less developed countries. In the triangular relationship between the Eec, North America and Japan, the former (as noted earlier) is the only one which registers significant and increasing commercial deficits with both the other vertices of the triangle (see figures in Table 11). As a result of these deficits both at the macro level (e.g. overall balance of payments management) and in sectoral cases (e.g. steel, electronics, etc.), Western Europe will tend to show much less of a flexibility towards the developing nations' aspirations than other industrialised countries.

In fact, the proclaimed commercial "threat" of the Third World manufactured exports to the Eec turns out, at the aggregate level, to be clearly the residual of the latter's other trade relations with the rest of the industrialised countries.<sup>51</sup>

Europe's production and technological competitiveness faces much more serious structural threats, both quantitatively and qualitatively, from the U.S. and Japan. This is true both in strategic sectors (such as electronics, aviation, computers) and in high volume, relatively low technology sectors (such as automobiles). A clear example of this residual nature of the "threat" from the Third World is the iron and steel industry. In the past few years, repeated references have been made about the risks confronting the European industry in this sector in view of the export operations of developing nations. Yet, in 1970, the combined Eec imports of iron and steel products (SITC category No. 67) from developing nations accounted for only 2 per cent of the Community's imports from the world. In 1975 the corresponding figure was 2.5 per cent.<sup>52</sup>

The second crucial issue refers to the development of certain

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<sup>51</sup> It is only in the clothing sector that imports from the developing nations account for a significant part of Eec world imports. In 1975, the corresponding percentage was 24.3. In textiles it was 11.1 per cent, in electronics 3.1 per cent and it was much smaller in other sectors. *Oecd, Trade by Commodities*, Series C, 1975.

<sup>52</sup> Data come from *Oecd, Trade by Commodities*, Series C, 1970-1975.

TABLE 11

TRIANGULAR TRADE AMONG THE EEC, JAPAN AND NORTH AMERICA:  
1970, 1974, 1975  
(figures in U.S. \$ million of Fob exports)

Trade relations	1970	1974	1975
Exports from Japan to the Eec	1,860	5,160	5,670
Exports from the Eec to Japan	1,370	3,280	2,760
Eec deficit	490	1,880	2,910
Exports from North America to the Eec	13,770	26,045	26,680
Exports from the Eec to North America	10,580	21,920	19,510
Eec deficit	3,190	4,125	7,170
Exports from Japan to North America	6,580	14,520	12,400
Exports from North America to Japan	5,410	12,855	11,520
North America's deficit	1,170	1,665	880

Source: From Oecd (1977) p. 100 based on Gatt data.

production conditions which imply the presence of structural unemployment in the industrialised countries if certain acceptable limits of inflationary rates are maintained.

It has been observed for some time now, that there exists a tendency for a reduction in the share of manufacturing output and its employment, when real income reaches a certain level in a country.<sup>33</sup> What is important in the case of Europe is that even the absolute level of industrial employment started to decrease by 1970. This took place before either the developing nations' "manufactures export boom" or the economic slowdown in the industrialised countries commenced. Employment in the Eec manufacturing sector stood at about 30,500,000 in 1970, dropped to less than 30,100,000 in 1973 and stood at 28,352,000 by 1976. In contrast, manufacturing employment in North America continued to increase up to and including 1974.<sup>34</sup> For countries like the U.K., though, the decline in manufacturing employment had started from the 1960s. Furthermore, more disaggregate data at the sectoral level indicate the following: the relative participation in the total industrial employment of the

<sup>33</sup> See references in Tinbergen, 1978.

<sup>34</sup> Oecd, *Labour Force Statistics*, 1977.

sectors in which developing nations' exports were the highest in the 1970s, had changed much more significantly in the developed countries before such exports took place during the 1960s. The percentage decreases in those years in the employment share of sectors such as clothing, leather and textiles tended to be (a) more substantial for many European countries than for the U.S. and Japan, and (b) higher during the 1960s than in the 1970s.<sup>35</sup>

Such structural conditions confronting Western European economies are likely to afford very limited political elasticity for negotiated concessions to developing countries. Regardless of the political parties in power, the combined effects of large trade deficits and increased competition from the other countries of the North and secular unemployment problems at home, will limit severely the options for better conditions hoped for by the Third World.

#### *The Shaping of Future Western European Relations with Developing Countries*

In the previous pages we discussed the setting upon which the evolving position of Western Europe in the world economy is conditioning its relations with developing nations. This included (a) the very heavy involvement of Western Europe in Third World trade, investment and related areas; (b) Europe's structural dependence on foreign-originated resources and primary products; (c) the effects of small and medium-sized individual home economies, and (d) the effects on the relations with developing nations caused by Western Europe's trade deficits and competitive position vis-à-vis the other major Oecd countries as well as the implications of faltering economic growth. With this background in mind, three further central issues need to be examined on Western Europe's future attitude and position towards the developing countries' aspirations in the management of their external sector. These include (1) Western Europe's position on a new industrial division of labour in the world economy;

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<sup>35</sup> *Ibidem.*



(2) Western Europe's reaction to the "commercial threats" created by Third World manufactures' exports; and (3) the nature of Western Europe's "new economic deals" with the developing countries.

#### Western Europe's Position on a New Industrial Division of Labour

In the manufacturing sector there exist two product groups which, in quantitative terms, have the possibility for the most voluminous relocation of industrial activities to Third World countries. In both of them, European interests present particularly conflictive positions with the aspirations for a larger developing nations' participation. These two areas concern (a) the processing of unwrought non-ferrous metals and (b) the production of primary and secondary petrochemical products.

The first category (which includes metals such as copper, tin, lead, zinc, nickel, bauxite, etc.) ranks second only to petroleum exports from the developing countries. The prior processing of these products in the Third World confronts two fundamental difficulties. First, all of the industrialised countries have set up a cascading structure of tariff and non tariff barriers which strongly discriminate against industrial operations in the developing nations. Second, the technology, and in many cases the commercialisation of products from downstream processing of these metals, are often controlled by industrial countries-based and vertically integrated transnational enterprises. These will strongly object and reluctantly transfer their processing skills to the developing countries. Such an outcome might severely affect a strategic concern of transnational corporations, namely their control over their sources of inputs supply.

According to data prepared by the Secretariat of Unctad, it can be deduced that the primary candidate for a conflict between the North and the South in this area is the Eec, which accounts for well over half of developing countries' exports of unwrought non-ferrous metals to the industrialised world, excluding the centrally planned economies. The U.S. and the Japanese imports from the developing nations account, individually, for less than one-third of the volume of

TABLE 12

INDUSTRIALISED COUNTRIES' IMPORTS OF UNWROUGHT NON-FERROUS METALS  
FROM THIRD WORLD COUNTRIES, 1973  
(figures in U.S. \$ million)

United Kingdom	447
West Germany	460
Benelux	604
Italy	381
France	321
Total of Eec countries listed	2,213
United States	722
Japan	678
Other developed countries	270
Total	3,883

Source: Unctad.

Eec imports in this area (for the 1973 statistics see Table 12).

Arguments against the relocation of metal processing to the developing nations often point out that such activities usually require high energy intensive operations. Such an objection, though, is certainly not valid for keeping metal processing in Europe and Japan. Both of them are highly energy deficient. Contrary to what is happening in Japan — where long-run government planning and policy commitments will, in the future, be moving smelting and other processing activities to the developing nations <sup>36</sup> — Western Europe continues to leave the initiative in this area basically to its transnational enterprises. For the reasons mentioned above, they will, in general, strongly object to any serious activity relocation to the developing countries.

As distinct from what is projected for the case of oil refineries — in which for multiple reasons, at least two-thirds of projected capaci-

<sup>36</sup> Mitü, 1974.

ty in the coming years will be in the oil importing countries<sup>37</sup> in the case of petrochemicals, a major threat to existing industrialised nations based operations might be brewing. This is due to the investment plans of the oil producing countries, including the newcomers, U.K. and Mexico.<sup>38</sup> Such plans could lead to "... the biggest shifts in the international division of industrial labour ever seen in any industrial branch".<sup>39</sup> It could also, though, lead to "a lot of rusting chemical cathedrals in the desert".<sup>40</sup>

More than the availability of technology and investment funds, the key issues involved are: (a) who controls the (import) markets and (b) how will excess capacity affect prices and the need to "organise" the markets. (For a representative petrochemical product, ethylene, world consumption for 1985 is expected to be 45 million tons per year. Production capacity — given a conservative estimate of present investment plans — is forecasted to be about 70 million tons, which is double the 1976 level).<sup>41</sup>

For reasons of geographic proximity — a key issue in many difficult-to-transport petrochemicals — Europe's position will be central vis-à-vis the Middle Eastern producers. Already the Arab League representatives proposed, in June 1977, a tariff arrangement for the Eec market comparable to the Gatt multi-fibre agreement. Except for pollution considerations, the European reaction has been far from welcoming the prospects of having competitive petrochemical plants on the other side of the Mediterranean.

In the case of labour intensive manufacturing products, two main areas of activity are presently of interest: consumer final products and component sub-contracting. In the first case, the die has already been cast with the multi-fibre agreement coupled with bilateral "freezing accords" imposed by the industrial countries on the volumes of developing nations' exports.

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<sup>37</sup> J. Defontenay, *Pétrole Information*, 1975.

<sup>38</sup> "Towards the Chemical Glut", *The Economist*, July 2, 1977, pp. 68-69.

<sup>39</sup> See comments and discussion in Oecd, *Interfutures*, 1977, p. 47 f.

<sup>40</sup> *The Economist*, *op. cit.*

<sup>41</sup> *Chemical Insight*, as quoted by Oecd, *Interfutures*, 1977, p. 50.

Such a scenario is likely to be extended from textiles and clothing to cover products such as electronic consumer goods and automobiles. In the latter case, present policies of some European countries against car imports from Japan are likely to be extended, in the 1980s, to countries like India and particularly South Korea. Both of them — distinct from the Latin American experience — are attempting to promote independent and national, rather than transnationally-controlled, automobile industries. Central in this strategy of national ownerships and control is the objective, at least for South Korea, to promote exports to the industrialised nations.

In the area of sub-contracting in the developing countries, what is taking place is a variation of the intra-industry (rather than inter-industry) specialisation which also characterises trade among industrialised nations. The difference, though, in the case of the developing countries is that, behind the veil of intra-industry specialisation among countries, the intra-firm transactions operate within the activities of the developed countries-controlled transnational enterprises. In the whole issue of sub-contracting in developing countries, there exist certain important differences between the conduct of Europe and that of the U.S. and Japan. We will explore these differences together with other issues in the following section.

#### Manufactured Exports from Developing Countries and the "Commercial Threats" to Western Europe

The dramatic increase in the rate of manufactured exports from some developing nations which started in 1972, and the repercussions of economic slowdown in Oecd countries beginning in 1974, created major political reactions in the industrialised countries vis-à-vis the developing nations. The concern of seeing the Third World on the road to development, is presented as being directly in conflict with the interests of the industrial countries in their commercial, income and employment levels.<sup>42</sup> Discriminatory trade prac-

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<sup>42</sup> *Financial Times*, March 7, 1978, and *The Economist*, June 10, 1978.



tices erected against the developing countries (particularly through non-tariff barriers) have proved to be much more common and powerful than the General System of Preferences. Official positions, even among the more progressive European governments, began to harden vis-à-vis the developing nations. Although the developing countries' export growth was (a) concentrated in a relatively small number of products <sup>43</sup>, (b) originated basically from less than a handful of countries <sup>44</sup> and (c) had several economic actors from the industrialised nations directly involved and reaping the benefits from such trade <sup>45</sup>, it was considered as a dangerous omen of what the future could imply for a direct North-South conflict.

In order to put into perspective the size and importance of the commercial "threat" of developing nations' manufactured exports, this needs to be contrasted with the Eec's GDP. Such developing countries' exports, which — it should be noted — include components and other inputs originating from Europe, accounted for less than 1 per cent of GDP of major Eec countries. The same was also true for the U.S. economy (Table 13). Furthermore, it needs to be

TABLE 13

DEVELOPING NATIONS' MANUFACTURED IMPORTS  
IN MAJOR INDUSTRIALISED COUNTRIES AS A PERCENTAGE  
OF THE LATTER'S GDP

Country	1962	1972	1975
France	0.59	0.32	0.50
West Germany	0.25	0.52	0.85
U.K.	0.66	0.78	0.89
U.S.	0.13	0.37	0.75

Source: Commissariat Général du Plan (1978) based on Unctad statistics.

<sup>43</sup> Four categories of products (clothing, leather goods, electrical and miscellaneous goods) accounted for well over two-thirds of the developing nations' manufactured export increase.

<sup>44</sup> Three sources (South Korea, Mexico and Hong Kong) accounted for nearly half of the export increase in the 1970-1978 period. See Unctad, 1978.

<sup>45</sup> On welfare matters, with respect to the international distribution of benefits, the following issues are worth keeping in mind. In addition to the effects on industrial nations'

understood that despite the increased industrial activities in the Third World, their mid-1970s share in the manufacturing value added (not production) of the world's total, had hardly changed from the corresponding developing nations' participation in 1948. In the immediate post-war period, it was 7.3 per cent, and in 1973 it was 7.6 per cent.<sup>46</sup>

With respect to employment, the presumed export "threat" from the Third World has attracted particular attention, to a large extent because such exports concentrated in a narrow range of products, which frequently affected very specific and depressed geographic regions within the industrialised countries. Yet, cyclical and (more importantly) structural reasons in the employment composition and its level in the industrial nations, far outweigh any employment effects that developing nations' exports might have had (as noted above). In the case of West Germany, which was the largest importer of developing countries' manufactures in Europe, the net displacement of labour which could directly be attributed to the increase of such imports from the developing nations amounted to about 132,000 jobs for the whole period 1962-1975. This figure is less than the impact on labour displacement due to technical progress in the German industry.<sup>47</sup> Furthermore, developing countries' manufactured exports not only include a heavy import content from the industrialised nations, they also permit additional industrial exports in other sectors from the developed countries, by affecting the aggregate balance-of-payments constraint of Third World countries.

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consumers, the recent developing nations' export performance does not simply imply a conflict of interest between the newly industrialising countries and the developed ones. Rather, it often involves the competitive behaviour of different transnational corporations with sub-contracting operations in low-wage areas as well as a competition between a few large firms in the industrial nations (basically retail and trading firms) and smaller producers also in the developed countries. The very liberal terms offered to foreign industrial firms in export platforms by developing nations and the monopsony power of the large retail firms which dominate their trade area, significantly reduce the net benefits accruing to the exporting developing nations.

<sup>46</sup> See Unctad data as analysed by Oecd, *Interfutures*, 1977, p. 8.

<sup>47</sup> *The Economist*, June 10, 1978, p. 85 and *DIW Wochenbesicht*, January 15, 1978.

The key difference between, on the one hand, the U.S. and Japan and, on the other, Western Europe, stems from the composition of their imports. Among the Oecd members, Western Europe is the least integrated area with the manufacturing export activities of the developing countries. Among the major European countries, France is the least integrated with the development of the export manufacturing capabilities of the Third World. In Table 14, the data presented refer to the exports of 422 groups of manufacturing products which accounted (according to Unctad statistics) for the bulk of such developing nations' exports during the 1970s. According to these data, the U.S. and Japan obtained respectively, 16.7 per cent and 18 per cent of their world manufacturing imports from the developing countries in 1976. In contrast, for each one of the Eec countries, the corresponding figure was less than 10 per cent and for most of them it was in the 5 per cent range. The differences between the Eec and the U.S. plus Japan become much more pronounced for the 85 faster growing categories of developing nations' exports. Finally, the growth rates in the share of developing countries' manufacturing exports relative to such world exports destined for the markets of the industrialised countries in the 1970s, were spectacular for Japan, high for the U.S.,

TABLE 14  
DEVELOPING NATIONS' EXPORTS TO THE MAIN INDUSTRIALISED COUNTRIES  
IN 422 MAJOR CATEGORIES OF MANUFACTURING PRODUCTS

Importing country	Share of manufacturing (1)	Share of the 85 fastest growing categories of manufacturing (2)	Growth rates between 1970-1976 in the share of manufacturing (3)
Japan	18.0	21.1	157
U.S.	16.7	27.3	56
U.K.	8.5	13.2	3
Italy	5.5	6.6	41
France	4.3	3.7	0
The Netherlands	3.9	5.7	86
West Germany	7.5	14.0	59

Source: Computed from Unctad, *Dynamic Products in the Exports of Manufactured Goods from Developing Countries to Developed Market-Economy Countries, 1970 to 1976*, March 1978.

Notes: (1) Imports from developing countries as a percentage of total manufacturing imports from the world (1976).  
(2) Imports from developing countries as a percentage of total such manufacturing imports from the world (1976).  
(3) Imports from developing countries, relative to such imports from the world.

West Germany and the Netherlands, and totally insignificant or zero for the U.K. and France.

The reasons behind this type of European performance can be read from two levels of analysis. First, the structure of the old continent's aggregate import statistics in manufactures indicates that the nature of Europe's production ties her basically to the industrial activities of its constituting economies (intra-European trade) and to the other Oecd countries (mainly the U.S. and Japan) than to the developing nations. Second, the corporate strategies of European-based transnational enterprises demonstrate, in certain specific areas of locational diversification, very marked differences from those followed by their U.S. and Japanese counterparts.

First we present the case of aggregate trade statistics. As shown in Table 15, the major exporter of manufactures to the Eec countries is another Eec member, West Germany. In 1976, this country exported to the other Eec members about four times the total value of manufacturing that the whole of the Third World exported to all of the Eec area, including Germany. Also, in the 1970-1976 period, the rate of growth of developing nations' manufactured exports to the Eec, although very high, was still smaller than that of Japan's to the

TABLE 15

EUROPEAN IMPORTS OF MANUFACTURES FROM SELECTED AREAS, 1970-1976  
(Cif figures in U.S. \$ million)

Exports from		France	U.K.	West Germany	Sweden	Switzerland	Eec
Developing nations	1970	256	703	569	125	101	1,961
	1976	1,247	2,469	3,378	507	390	9,750
U.S.	1970	1,345	2,003	2,092	443	419	7,885
	1976	3,414	4,104	4,380	1,010	790	17,159
Japan	1970	171	240	498	—	134	1,343
	1976	1,197	1,347	2,087	599	376	6,720
West Germany	1970	3,669	1,172		1,230	1,705	13,391
	1976	10,610	4,344		3,259	3,651	37,734

Source: Computed from Oecd, *Trade by Commodities*, Series B, 1970-1976.



TABLE 16

BILATERAL TRADE FLOWS OF MANUFACTURED GOODS BETWEEN THE EEC,  
JAPAN AND NORTH AMERICA: 1972, 1974, 1975  
(figures in U.S. \$ billion)

Bilateral trade flows	1972	1974	1975
Exports from Japan to the Eec	3.07	5.45	5.30
Exports from the Eec to Japan	1.45	2.79	2.27
Eec deficit to Japan	1.62	2.66	3.03
Exports from North America to the Eec	8.55	14.69	15.08
Exports from the Eec to North America	12.85	19.00	16.85
Eec surplus with North America	4.30	4.31	1.77

Source: Oecd, *Interfutures*, 1977, based on Gatt and Unctad data.

Eec. (Japan has been pushing exports to Europe as an explicit policy to reduce its dependence on the U.S. market). Furthermore, although the growth rate of developing countries' manufactured exports to the Eec was higher than that of the U.S., the latter still exported nearly twice the total equivalent developing countries' volume. As a result, and as seen from Table 16, the Eec runs a continuously growing trade deficit of manufactures with Japan and a rapidly decreasing surplus in this sector with North America. Instead, the Eec's trade balance of manufactures with the Third World has been positive and significant.

The previous figures strongly support the thesis that the "commercial threat" from developing nations' exports of manufactured products to Europe turns out, at the aggregate, to be the residual of the latter's import needs from the other industrialised countries.<sup>48</sup> As for the activities of the transnationals, the case of Western Europe is, again, largely different from that of Japan and the U.S.

Foreign direct investments in the developing manufacturing sector have been basically local-market-oriented regardless of the country of origin of the parent firms. The European-originated transnationals, though, have characteristically had an even lower participation. This is so, even in sectors, such as electronics and parts

<sup>48</sup> See note 31 on p. 62.

of labour among the already industrialised economies; for others the reverse is true.<sup>58</sup> In the former case, industrial delocation to the South will take place for two basic reasons and as a direct initiative of the North.

First, some intra-sectoral specialisations will be sought with the South for the purpose of fomenting and concentrating certain technological and skill-intensive activities in the developed nations while — by undertaking sub-contracting and related operations — complementary activities will be located in the South. Through such concentration of high human capital and value added in the North, the countries involved will be better equipped to face the challenge from other developed nations.

Second, certain countries of the North also see their competitive edge and future prosperity in fomenting inter-sectorial specialisations with the South. Under such a strategy, economic factors in the industrial countries will move into new and monopolistic or oligopolistic activities which can provide lucrative returns. Such operations might involve space and sea-bed technology, non-traditional forms of energy, armament production, information processing linked to electronics and information management, etc. More traditional and more competitive sectorial activities could be delocated to the South. The division of labour will not be based on simple relative factor endowments (since several of the delocated activities might be capital intensive). Instead, the industrial division of labour will be based on relative monopolistic structures and monopolistic returns.

In both cases (i.e., intra-sectoral specialisation based on differentials in the use of human capital and inter-sectoral ones based on monopolistic differentials) the initiative rests with the North. The South, on the other hand, has at least a choice in deciding whether it will promote part or all of its own industrialisation on the basis of such types of specialisations or through other forms more related to its own domestic or regional needs.

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<sup>58</sup> For discussion of these issues, see Oecd, *Interfutures*, 1977.

There is, though, a second category of developed countries' interests which sees the international division of industrial labour as a by-product of (a) the industrial competition and threat from the South and/or (b) the activities of transnational enterprises from other developed nations, who have affiliates in the South. In this case, it is thought that any type of serious industrial development in the South should be suppressed or at least be controlled from the North. Otherwise, the developing countries, whatever the spring board of their industrial development, could eventually come to challenge the interests of the North.

Within Europe — indeed within each industrialised country — there exist some groups which will view the world division of industrial labour as being the outcome of North-North competition, and others that of the North-South. Sectoral policies at the national level, will then be shaped according to the relative political power of each group. Yet, there are certain basic reasons why any overall policy which originates from Europe will attempt to suppress any serious industrial development in the South if such development is controlled by the latter. This is so since, in a common policy, Europe will try to maintain consistency according to the interests of the lowest common denominator in its industrial structure. And this lowest denominator perceives the threat as coming from the South even if intra-North competition is always the crucial issue. Furthermore, in view of the reasons described above, which led to Europe's relative minor integration with the industrial-cum-export capacities of the developing countries, the former will require some major policy commitments on investments and adjustment mechanisms to alter the existing course of specialisation and trade patterns. In the absence of such commitments (as is presently the case), the developing nations' role, as perceived by Western Europe, will be one of interest in promoting industrial exports to them and lack of interest in the reverse flows.

The latter will include the discouragement of developing countries in entering both the processing of their resources and in devel-

oping a manufacturing export capacity. This is patently exemplified in the Lomé Convention.

Clearly the Lomé Convention is an improvement as compared with its predecessors: the first and second Yaoundé Conventions. Reverse preferences were abolished; relatively low negotiating emphasis was placed on aid; more attention was given to marketing promotion and information exchange among the developing nations; the latter participate in deciding how the resources of the European Development Fund are used; a coherent first attempt was made in establishing a "trade union of the poor"; etc. Yet, the Lomé Convention should not be judged with respect to the relics of the colonial period. Instead, attention should be drawn to the asymmetrical interdependences which it created between the Eec and the South.

In this context, there are, among other issues, two fundamental ones which should be remembered. First, the developing countries' membership in the Lomé Convention was not negotiated but was decided unilaterally by the Eec. In so doing, the European countries excluded from the Convention all those ex-British colonies (and the South American countries) which could provide a commercial threat even for the most stagnant and inefficient European industries. Economies with an export potential in final consumer products, such as Hong Kong in textiles and clothing, or countries with a growing and diversified local industrial capacity (like India or Brazil, Mexico and Argentina) were excluded.

Second, both the export stabilisation scheme (Stabex) and the origin rules for market access to the Eec of the Lomé Convention, discriminate in favour of developing nations' resources and against its labour and its industrial development. In the case of Stabex, developing countries are induced not to process their materials since most processed ones (except for some cases, such as oils and cocoa derivatives) are not covered by export stabilisation mechanisms. (Nor is diversification in the market destination of unprocessed primary materials encouraged). In the case of origin rules, goods exported by the Acp countries face important limitations, in not



having preferential access to the Eec, if, given certain limits on Acp/Eec value added, the materials have originated outside the participating nations. This latter provision was partly introduced against non-European transnationals which might use the Acp countries as a base for industrial activity and exports to the Eec.

Europe's interests in the Lomé Convention rest not in the developing nations' industrial development nor in the establishment of alternative and progressive North-South mechanisms of negotiation and interaction. In this sense they expressed the marginal interest that Western Europe had for the overall developing countries' industrial development, except in so far as it provided an export market for Western European products. Instead, the Eec's crucial concerns in the Lomé Convention were: (a) the existence of a stable source of supply of primary inputs, and (b) the opportunities for directly and indirectly promoting European participation in the significant market for infrastructural investments, particularly in Africa.

#### CONCLUDING REMARKS

Examining in an historical context the relations of Europe with the rest of the world, it has been noted that: "... No other civilisation has managed to shape the world in its apparent image, burden or bless others with its technology and thought, exploit, murder, nurture and school other peoples and older civilisations".<sup>59</sup>

In this process and in all epochs, the European tended to have a benevolent image of his contribution to the rest: he brought Christianity (regardless of whether this permitted him to exploit the mines better and suppress other civilisations), he organised the civil service and the railroads better (regardless of whether this enabled Europe to limit the size of its occupying forces in the colonies and

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<sup>59</sup> F. Stern, 1972, p. 113.

thus reduce the costs of colonising), he educated and improved local productivity (regardless of whether this was directed to achieve more abundant and cheaper products for European consumption), and so on.

In the post-1960 period and especially during the 1970s, Europe has been rediscovering and intensifying its relations with the countries in the South which, for a number of decades — indeed centuries — in the past, were subjected to the colonial rule and the arrogance of the old continent. The nature and content of the emerging encounter is, undoubtedly, taking place within the framework of new multi-lateral political and economic conditions and within a drastically different world context. This new encounter is not simply consonant with Europe's past history. It emanates from present European needs and interests, which relate both to its economic and political survival (prosperity) within the North-North interactions as well as to its direct relations with the South.

Within this framework, the emergence of progressive political forces close to or within the power structures of Western Europe, have shown themselves to lend their support and political weight in favour of some important internal causes for change in developing nations. Yet, in the external sector (which is intimately related to the internal changes in the Third World), the nature of Western Europe's own interests might mitigate against any serious contribution for economic development in developing nations, regardless of what parties find themselves in power in Europe.

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## Alternative Development Strategies

We are experiencing a unique moment in the history of mankind. Never before did the world appear so interdependent and the awareness of problems so widespread. Such awareness blows up the ideas we have been taught, questions a century-old order, starts hidden drives and new social forces.

On the threshold of the future, which will be how we shall shape it, we are wondering which way to take or rather which way to clear open. Here we are, facing alternative development strategies.

Development has for quite a long time meant the economic, social and political processes leading to an economic expansion for which the industrialised West supplied the pattern. A developed country was one whose structures served industrial growth; as for developing countries, their structures should evolve in the same direction. Their integration in the world market would be the yardstick of a positive evolution. The political and social implications of such option were never considered as major issues, but at the most as a troublesome but transitory stage. Thus, a country where a tottering traditional agriculture foreshadowed the ghost of famine but where transnational corporations had chosen to open their agencies was looked at as a country having let itself in for development.

Such development policy pursued by industrialised countries and directly or indirectly imposed upon most other nations was given

an ideological justification. According to the "ideology of development", growth was the main street leading step by step to prosperity and social equity.

Nevertheless, some countries, such as China or Tanzania, refused to adopt alien economic strategies.

Keeping to their own peculiarities and yet selectively open to the contribution of other experiences, they went on exploring new ways of development.

In the meantime, the "ideology of development" proved to be a myth.<sup>1</sup> It is true that a number of economists had been meanwhile claiming that the king was naked. They were joined these latest years by the majority of their colleagues, a large number of Third World politicians and finally international organisations in full force.

What caused the general disenchantment?

First of all the failure of this policy in technologically poor countries. The latter in fact are seeing the gap between them and technologically advanced countries widen, their dependence strengthen, their social problems worsen and all their efforts result in a "development of their underdevelopment".

The underdevelopment caused by the industrial revolution turns out to be structurally linked to its contrary and perpetuates insofar as the extraversion of poor countries' economies reduces their freedom of choice.

In the second place it is the economic crises of most industrialised countries which show that they also have come to a standstill.

One more factor is the perplexity of the countries which do not fall within either group and have to face the drawbacks of both situations: neglected basic needs, a rapid social destructuration, ecological havoc, unemployment, emigration and inflation. I am thinking of Europe's<sup>2</sup> peripheral and certain Latin American countries.

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<sup>1</sup> Candido Mendes (ed.), *Le mythe du développement*, Paris, Seuil, 1977.

<sup>2</sup> On European periphery, see Dudley Seers, "Vers un retour à la tour d'ivoire? La professionalisation de l'étude du développement et son extension à l'Europe", *Eadi, Cahier d'information*, 2/1977.



Finally it is the cultural confusion adding to the fundamental questioning about the industrial system itself, its capacity to take over the responsibility of social and ecological troubles it causes, its future and ours.

Thus, the growth-oriented strategy of development is now radically questioned. The problems concerning development shift from the technological level to the social one, and are seen in qualitative rather than quantitative terms. The point is no longer the research of patterns which may be more or less universally applied but rather a down-to-earth approach to specific situations.

Working out alternative development strategies involves new redefinitions of:

- (a) the meaning of development;
- (b) its targets;
- (c) the role of development actors;
- (d) relationships between countries.

#### REDEFINITION OF DEVELOPMENT

We have seen that development most often considered from a restrictive point of view was confined to its economic dimension or even to the mere quantitative aspect of this dimension. Nevertheless, development is in fact the result of processes involving the economic but also the social, cultural and political sectors. These processes are interdependent, even if their rhythms are different.

The first meaning of the word development is: spreading out, extension, throwing forward, rise. Developing is therefore blooming and is thus always potentially existing. Development is becoming from being. Therefore we must know and go on knowing the changing reality to which it applies, and consider that its lever is intrinsic to this reality and is not to be sought elsewhere. This does not exclude opening to the outside, insofar as it helps the ongoing processes, provided that the initiative, the control and the decisions remain

within the framework of an endogenous and self-propelled development. Development will be self-development or it will not be.

If this is so, there will be no room for patterns. Every global society will evolve in the development process working out its own pattern, its own project. That is why, it must first of all define its targets.

#### REDEFINITION OF DEVELOPMENT TARGETS

The concept of development-growth had reversed the end and the means. Man started working for a statistical abstraction. At present we realise that the aim of any development effort cannot be an increase in GNP or another misleading index evening up disparities and neglecting the social cost of any gained point, but should be the better being of the populations. The quality of life sums up the targets of development, whatever the technological level achieved by the countries.

It follows that it is men and women, the peoples, the collective personalities who become the object of the major question: development must meet their needs and expectations.

This is why a new approach, the basic needs approach,<sup>3</sup> sometimes implicit in the criticism against the conventional approach to development and especially underlined by the International Labour Office during its World Conference on Employment in 1976, has been dominating the development debate in these latest years.<sup>4</sup> The concept of basic needs includes first and foremost food, housing, education and health which shall have to be met to ensure a minimum

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<sup>3</sup> Louis Emmerij, "Facts and fallacies concerning the basic needs approach", *Les carnets de l'enfance*, No. 41, January/March 1978.

<sup>4</sup> Within Eadi a working group is already dealing with this topic. In December 1977, in Vienna, Unicef and Eadi jointly held a seminar on development strategies concerning basic needs and basic services. In June 1978, Unicef and Who, in co-operation with the Greek Institute of Children's Health, held a seminar in Athens on the new approaches to children's basic needs in developing countries.

standard of living to everybody. But it also concerns human rights and a reduction of social inequalities, which relates to every country.

If the concept is so far-reaching, its definition must be a specific one. The would-be universal foreign consumption patterns are doubly harmful: they increase frustrations and at the same time strengthen the links of dependence.

By now, in capitalistic countries, the increase in consumption has become a primary objective imposing its guidelines on to the machinery of production. The labour force imprisoned in this spiral is therefore wasted, while consumers paradoxically witness a restriction in their margin of freedom, as new products tempt them.

The definition of basic needs must therefore be very accurate. It is necessary to avoid what Ivan Illich calls "the translation of thirst into a need for Coca-Cola".<sup>5</sup> Bread is not necessary where millet, sorghum and rice grow. The development of a sophisticated therapeutics at the expense of prophylaxis may serve death rather than life.

The transfer of teaching methods from one cultural area to another, instead of meeting an elementary right to education, creates expatriates at home.

Therefore everytime it is a question of drawing up a balance of needs and resources, establishing priorities for the former and exploiting the latter. Poor countries are almost all potentially rich. Not only are their natural resources under-exploited (when they are not over-exploited by some foreign company draining both raw materials and profits, thus hindering capital accumulation), but also their human resources are overlooked. Third World workers, when they are not unemployed, are either not sufficiently paid at home or working abroad, e.g., in the European workshops which they help get going.

Basic needs must also include the people's right to work, and this should not mean that they must sell their labour force on foreign

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<sup>5</sup> Ivan Illich, "Le Tiers Monde peut faire autrement", *Analyse et Prévision*, IX, p. 332.

markets, but rather that they must be allowed to use their own creative capacity in their own country.

A new development strategy based on basic needs would engage non-industrialised countries in:

- (a) working hard for agriculture and especially subsistence agriculture, which would also result in plenty of jobs for the abundant rural labour, would help them meet the population's food needs and finally buffer the by-effects of single-crop cultivations on their fragile economies;
- (b) adopting intermediate technologies, integrating the informal sector in their economy and, generally speaking, granting a priority to any process enhancing the importance of men as against financial investments;
- (c) reducing their recourse to aid, thus putting a curb on their growing debt burden and consequent dependence;
- (d) promoting each country's cultural identity and will of independence which are the best foundations of their bargaining power vis-à-vis both technologically advanced countries and multinational corporations.

As far as industrialised countries are concerned, they should obviously envisage a change in their relations with the countries they depend upon for their raw materials, in their approach to non-renewable resources exploitation, in the way they deal with environment problems, in their reckless pursuit of growth. To the extent that consumers' manipulation decreases, for instance, production would no longer be oriented to meet artificially induced needs, but rather actual needs defined by consumers themselves.

This new development strategy may give rise to a new way of life. No doubt changes would take place gradually and be the result of combined choices and actions. We all know that behavioural changes are difficult and slow, and that above all they need deep motivations involving the individual's personality and stirring group solidarity among those who are most liable to take up the defense of collective interests.



The adoption of a new development strategy aiming at meeting basic needs, combined with a better distribution of basic services will raise the question of the new policy management and control. The chances of success will obviously be proportionate to the extent and level of involvement of the various groups concerned by the process.

A better resource and income distribution would also involve a new distribution of power expressing the new balance of powers between social classes. In view of a reduction of inequalities, structural modifications and institutional reforms will prove necessary. It is obvious that administrative and financial decentralisation would have to keep pace with the growing people's participation and collective management.

#### REDEFINITION OF DEVELOPMENT ACTORS' ROLE

Since the technocratic abstraction of a conventional development approach led to only partial and disputable results, it is now seemingly necessary to accept the inextricable maze of reality which is so difficult to classify into clearcut categories. It is therefore the social universe which is now at the core of the new development approach. A society is never homogeneous. All societies show an overlapping of structures and relations going back to different periods; they are made up of imbrications and juxtapositions of ways of production and stratification.<sup>6</sup> These phenomena, which are more relevant and therefore more evident in the countries going through a period of rapid transition, still characterise to a different extent each and every country. Each society is in perpetual evolution. There is no complete society, there is no socio-economic system in perfect balance.

If it is helpful to acknowledge the shortcomings and the forces of inertia perpetuating or reproducing some of the elements of existing systems, it is helpful to realise that other forces, acting simultaneous-

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<sup>6</sup> Georges Balandier, *Anthropologiques*, Paris, PUF, p. 160.

ly, determine the conditions which will give rise to future transformations. In this perpetual motion, the generators of change find plenty of possibilities and alternatives. Future trends and tendencies will be, in any case, the result of a collective creation.

Therefore, when Unicef, in its basic services strategy,<sup>7</sup> stresses the participation of the community and the definition of basic needs by the populations themselves, it is outlining the future role of development actors in the first stages of a development strategy leading to a growing awareness of the need to participate, and from participation to the redistribution of the power controlling the tools of management. The social control of the development process would at this stage become effective.

#### REDEFINITION OF RELATIONS BETWEEN COUNTRIES

The main consequence of technological progress is the unification of the world. Distances have been abolished. Information circulate (or at least can) throughout the world. There is one geographical space only, there are no more blanks on the map.

Unknown regions, unexplored regions are near at hand; they are a part to our own societies: they are the women, the children, the dropouts, the ethnical minorities, all those who never had a saying, who were always a neglected blank in the picture of the world.

Not so long ago, the large majority of the countries of the world, with their inhabitants, their history, their culture, their strifes, their expectations were looked at as non-existent. Stanley and Livingstone, after crossing huge distances on the back of their carriers, had met no living soul until they met each other. The reason for this lied in the fact that these countries had no saying in the matter. But today they have.

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<sup>7</sup> Unicef, "Une stratégie pour les services de base", *Les carnets de l'enfance*, No. 37, January/March 1977.

Relations between countries may be unequal, they may be marked by technological, economic, political or cultural dependence, but they are reciprocal. In a world unified by technology rather than history, the peoples of the world find out that they are on the same planet, like survivors in one lifeboat only. By now they are necessarily, functionally bound in solidarity.

No doubt, in the short run, disposing of one's country's polluting workshop at the expense of one's neighbour or scheming to exploit some other country's sub-soil may seem clever. But it is like sawing the branch one is sitting on. Pollution, non-renewable resources, inequalities between countries as well as social inequalities with the tensions they entail, multinational corporations escaping any control, the worsening of the quality of life in the name of a gain by which only a small minority can profit, are common problems that every country shares.

New development strategies justifiably involve the approach of a necessary solidarity. It is no longer a question of "aid" to the Third World, with all the ambiguities it entails.

It is time to redefine relations between countries without overlooking any of the implications they involve for the present as well as for the future. It is time for the countries which have been exploited for so long to muster their material and moral strength to affirm their presence and identity. The alternatives of a practical collective self-reliance afford them a number of possibilities: regional or cultural grouping between countries having complementary economies or pursuing similar purposes.

If these countries reckon mainly "on their own strength", industrialised countries shall have to reckon with them. The awakening of these long-forgotten countries not only raises the question of a new world economic order, but is also a big chance for all countries. We are witnesses to this "unprecedented rise"<sup>8</sup> to which Aimé Césaire's *Roi*

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<sup>8</sup> Aimé Césaire, *La tragédie du Roi Christophe*, Paris, Présence Africaine, 1970, p. 59.

practice be thrown up by mixing them in different ways, will be evident from the schematic presentation given below:

*Proximate objectives:*

- Growth
- Equity
- Democratisation of economic power

*Methods:*

- |                                 |                    |
|---------------------------------|--------------------|
| System of ownership of property | (a) private        |
|                                 | (b) collective     |
| Source of demand stimulus       | (c) domestic       |
|                                 | (d) foreign        |
| Mode of resource allocation     | (e) market         |
|                                 | (f) administrative |

This is of course a highly simplified presentation, but it is enough to bring out the complex nature of the issues involved in the adoption and implementation of any particular strategy. If one also brings in (under the methods of development) the differences in priority that may be attached to agriculture, manufacturing industry, etc., still more alternative strategies can be identified. It will be evident from this how much development labels like "growth-oriented strategy", "export-oriented strategy", and "market versus centralised planning" conceal in effect, and how misleading they can be when the entire context in which they are used is not made clear enough.

One of the development slogans which have gained considerable popularity in recent years is "growth with equity". As a summary statement of objectives it is clear enough and there is no reason to quarrel with it. But it is short on the methods of achieving it. One of the things that have also become obvious from the Second Development Decade, for which growth with equity was set as the main goal, is that few of the developing countries have been able to make any perceptible progress towards it. Indeed there is a substantial body of evidence to suggest that inequality has grown rather than dimin-



ished, both in countries which have registered high rates of growth and in countries which have registered relatively low rates of growth. (If there have been exceptions, they would appear to have been mainly communist countries like China, Cuba and Yugoslavia). The related statistics on mass poverty and unemployment in countries of South Asia (as also in parts of Africa), where these problems are particularly acute, do not need to be reproduced as they are well-known.

The reactions to this experience among development economists have been rather diverse. Some have questioned whether equity can be promoted at all along with growth, in the earlier stages of development, drawing justification for their scepticism from the inverse relation between income inequality and GNP per capita to which Professor Kuznets drew attention some time ago. Some others have drawn the inference that substantial asset transfers and related changes in property relationships are essential for promoting equity, and that this will in all probability require a revolutionary rather than a reformist approach. Still others have argued that reformist solutions have not been all that much of a failure and that where, as in South Korea, high enough rates of growth have been achieved through liberal economic policies (above all by getting the relative price structure right and giving adequate incentives to foreign private capital), greater equity has also been promoted.

One way out of these conflicts of opinion would be to concede that there is some truth in each of the positions taken (as may well be the case). But we are not likely to get very far unless we are willing to enter more controversial ground and ask ourselves what is it that is wrong, or not very relevant under present conditions, in these propositions.

It is of course well-known that the finding of Professor Kuznets was based on the historical experience of selected European countries and that, even among them, there was evidence of a reduction in inequality in some countries like Denmark in the 19th century. On the other hand, there are also sufficient empirical grounds to believe

that the industrialisation process in the now-agrarian countries of the world is likely to create much more inequality than it did in the countries of Europe and North America in similar phases in the 19th century. So it is by no means clear what inferences can be legitimately drawn from such evidence.

On the other hand, there is little doubt that asset transfers and related changes in property relationships, particularly if brought about on the scale carried through after revolutionary political upheavals, can promote significant progress towards equity, even though the scope for simultaneously achieving very high rates of growth is by no means firmly established from available evidence. But a question which it inevitably raises is whether revolutions of this kind can be made to order, even if they were considered desirable for the above reason. The class structure of most of the developing countries is more conducive to authoritarian systems dominated by existing oligarchies or to coalitional political alignments under more democratic regimes, in neither case very favourable for carrying out sufficiently radical economic policies (particularly in the crucial agrarian sector).

Though it is a debatable proposition, it is also becoming increasingly clear that the balance of power in the world today, to which the conflicts of interest between the Soviet Union and China over the last decade have made (and continue to make) significant contributions, makes it difficult for revolutionary changes to be brought about by forces within countries (except under very special circumstances), if such changes seem likely to upset this global balance of power too much. The most spectacular evidence of it was seen in Sri Lanka in 1971 when even countries that were hostile to each other elsewhere (like the United States and the Soviet Union in conflict on the global plane, the Soviet Union and China on a more limited ideological and regional plane, and India and Pakistan on a sub-regional plane) came together in unanimous support of the status quo, against the insurrectionists that had suddenly surfaced in this island of considerable geo-political importance. From the viewpoint of those who favour

radical changes in the power equations within the agrarian and partly-industrialised countries of the world, the situation is perhaps even less favourable now than it was in 1971. Political realities of this kind cannot be ignored in discussions on development strategy.

No more tenable and convincing is the position that liberal policies will do, to promote growth with equity, if only these policies are implemented in full as in South Korea. Anyone who cares to study all the factors which have contributed to the spectacular growth record and the apparent reduction in inequality in South Korea will find that there is much more to it than getting the relative prices right (the right exchange rate, the right interest rates, etc.) and being receptive to foreign private capital. (There is of course some doubt as to whether inequality has been reduced, but there is evidence that inequality is not greater now than it was in the early 1950s).

Among factors of equal or even greater importance than "right pricing policies" to the growth performance of South Korea are the following: (a) the high proportion contributed by foreign saving (nearly 8 to 10 per cent of GNP until recently) to domestic investment; (b) the phenomenal rate of increase of wages in neighbouring Japan from the early 1960s which rendered uneconomic the labour-intensive small-scale manufacturing enterprises in that country, and induced sub-contracting in various forms to similar enterprises located in South Korea; (c) the accompanying and equally phenomenal rise in the value of land suitable for industrial expansion in Japan, the restrictions imposed on certain industries for ecological reasons, and, in more recent years, the rise in the value of the yen relatively to the dollar, all of which accentuated the pressure for out-migration of several industries to the adjacent territory of South Korea; (d) the strong geo-political and economic interests of the United States in promoting Korean development, which have been reflected not only in inter-governmental aid but in loans extended by institutions like the Export-Import Bank (not to mention others like the World Bank and the Asian Development Bank over the operations of which the United States has exercised considerable influence); (e) the highly

centralised planning system in South Korea, involving considerable administrative allocation of scarce resources (which is in reality very different from what some of the purveyors of the South Korean experience have made it out to be); and (f) the strong nationalistic urges of the people who have apparently been persuaded to accept an authoritarian political system as part of a policy of "stooping to conquer". For all these reasons, South Korea's record, like China's, appears to be rather unique and not easily replicated elsewhere.

It is also evident that the main reason why rapid growth has not accentuated inequality in South Korea is that the land reform carried out in 1948 and again in 1953, under strong political compulsions from both within and outside, reduced considerably the inequalities in the rural sector of the economy. It was in fact almost as revolutionary as in the neighbouring communist countries. (The impact of this land reform on subsequent developments in the rural sector, and on income distribution in general, has been recently analysed in an excellent paper, still unpublished, by Dr. Eddy Lee of the International Labour Office on "Egalitarian Peasant Farming and Rural Development: The Case of South Korea"). But, for this, liberal economic policies of the kind advocated by some Western economists would have led in South Korea also to less equity (as in Brazil).

Moreover, with growing recessionary conditions enveloping the world economy, of which the conflicts of interest simmering between the United States and Japan and between them and several countries in Western Europe appear to be only a symptom, the prerequisites for rapid economic growth enjoyed by South Korea until now seem unlikely to bless other countries which are being urged to follow its example.

Though export-led industrialisation as a means of accelerating growth (and employment) has been adopted mainly in countries in which the natural resource base was poor (e.g. South Korea, Hong Kong and Singapore), it becomes attractive also when the domestic market is not large enough or is not growing rapidly enough. The prospects for rapid expansion of manufactured exports are therefore



of interest today to many developing countries, including not only the smaller ones but even the largest such as Brazil, India and China. Both in Brazil and in India, extreme inequality of incomes together with the acute poverty of the large majority of the people have been the major constraints on domestic demand, resulting in the emergence of large surpluses (as in foodgrains in India) even at relatively low levels of productivity. In China, incomes have been more equally distributed and acute poverty appears to have been eliminated more successfully, but there is reason to believe that the rate of growth of incomes and the incentives to save are not high enough now to maintain the momentum achieved hitherto. Even in the past, it was not so much higher growth rates that have distinguished the development record of China compared to that of India, as its achievements in reducing inequalities of wealth and income, turning the terms of trade in favour of agriculture, and mobilising idle labour in the rural sector for capital accumulation; the scope for progressing further along these lines appears to be much more limited now, making it necessary to find new strategies to press forward with the development process. From this point of view, the external environment has in a sense become more important to the Third World than perhaps ever before.

Under these conditions it is surprising that so many economists of repute in the Western world not only insist on selling their old prescriptions for the problems of mass poverty and unemployment in the less developed countries of the world — with apparently little sense of history or politics — but refuse adamantly to look deep enough into the root causes of the serious problems emerging even within the economies of their own countries which are accentuating recessionary tendencies the world over. A good example of the latter can be found in a recent pronouncement of Professor Paul Samuelson, in which he objects to a statement by Professor Heilbroner that "another worldwide crisis is upon us".<sup>1</sup> Professor Samuelson is of

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<sup>1</sup> See his column entitled "Economic Scares", *Newsweek*, September 11, 1978.

course entitled to question this statement but one would have expected from him some cogent reasoning and factual evidence to suggest why such a crisis is not upon us or is not just around the corner. Not only does he not do this but he dismisses the whole issue with an analogy:

"I once lost patience with my first-born as she viewed a soap opera, in which before our eyes a chap of my age was experiencing a heart attack following his indictment for embezzlement and discovery in adultery. 'Give me one reason, Jane, why you like looking at such stuff', I asked in irritation. I have always remembered her answer: 'Because it's so scary'".

In fact, the only solid reason he offers for this supercilious response to a major question facing us all today is that, in his view, "modern humans, like the characters in soap operas, do face plenty of problems" and that "modern mixed economies will soon find a cure for their syndrome of chronic stagflation".

Few economists in Western industrialised countries have in fact offered any systematic analysis of the stagflation phenomenon. While Keynesian economics is said to be no longer valid, what is to be put in its place is left rather vague, though it would appear that there is much insight to be gained by taking a fresh look at what Kalecki had to offer.

One hopes Professor Samuelson is right but, when faith is substituted for reasoning by an economist so well known for intellectual rigour and of such eminence in the developed industrialised world (the First World), should he not be showing more compassion to his more underdeveloped colleagues in the profession in the so-called Third World when, in the face of even grimmer realities, all they have to offer on the question of alternative development strategies are solutions which could be dismissed as day-dreaming or just plain rhetoric? The reasons why growth with equity has not been achieved in the less developed countries go very deep into the social and political structures of these countries, and are not unconnected

with the active support they receive from the more developed countries of the world pursuing their own interests. For a fuller understanding of these reasons, and for working out strategies that can make some progress possible towards the desired goals, given the institutional and other constraints facing each country, economists need to be not only more humble, and work with other social and natural scientists, but be more down-to-earth and get involved without too many inhibitions in the political and social processes which alone can bring about development in the true sense of the term.

