UNCTAD IV and the New International Economic Order*

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For the past two years it has become a 'tradition' for the United Nations General Assembly to hold an extraordinary session in addition to its regular one, a practice imposed by the non-aligned members of the Group of 77. Efforts are now being made to turn these extraordinary sessions into a permanent feature of the General Assembly, for they provide a forum where the Third World can express its views. It was during these two extraordinary sessions that the themes and objectives of a new international economic order were defined and adopted through resolutions and recommendations put forward by the non-aligned group. Within the United Nations family, UNCTAD constitutes the developing countries' main weapon because the institution was set up at their own request to study the specific problems of their integration within the world system and to help create a common platform which would enable Third World countries to unite and so negotiate from a position of strength.

The political problems of the Third World were more or less formally 'solved' when most of our countries became independent in the three decades following World War II. However, this political independence was limited because it was generally unaccompanied by sufficient internal or external changes for real economic independence. The international economic system has remained basically unchanged during the past thirty years (in Africa it is fundamentally the same as during the colonial period) and economic dependence is as strong today as it has been for the past century, despite the fact that some changes have seeped through in the international division of labour. The issue now is whether or not we are entering into a new phase in the battle for our real economic independence. Obviously, this battle presupposes not only internal political and social transformations but also international changes which in turn could facilitate or complicate those transformations.

Over the past twenty five years, the Third World has experienced a pattern of dependent development within which economic growth has merely been a by-product of expansion and growing prosperity in the economic centres of the developed world. The by-product of this prosperity was not only extremely unevenly distributed among our countries but also, within each, among the different social groups. The Third World supplied raw materials and energy in unlimited quantities and at constantly declining prices to meet the insatiable demand of the developed world without in any way considering its own short-term, let alone long-term, interests. Energy, and more specifically oil, provides the most striking example of the plunder of natural resources in underdeveloped countries to boost prosperity and growth in the already developed nations.

Dependent Development

Dependent development has proved to be a total failure and the bill is a heavy one—a staggering increase in poverty and famine in Africa where land is generally plentiful, massive rural migration, chaotic urbanization, proliferating slums, permanent and growing unemployment, increasingly flagrant inequalities in income distribution and, consequently, the penetration of consumption patterns and ideologies of the dominant countries. Furthermore, this 'development', which in isolated cases has given rise to relatively high growth rates, has been extremely uneven among Third World countries. It has clearly accentuated the inequalities, in terms of wealth and development, between the nations of the Third World and, particularly in Africa, between those states which by a freak of nature are

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well-endowed in resources much coveted by the West—oil, copper, bauxite—and those that have, or appear to have, nothing. Even in geographically medium-sized countries this dependent development has resulted in marked regional inequalities, for it has generally polarized around the capital or, occasionally, around mining or plantation areas. It is against this background that over the past decades a number of contradictions have arisen in our countries leading to the present situation where Third World states have decided to engage in battle for a change in the international economic order.

The main issues in this important battle are well known: (a) raw materials and basic commodities, including energy; (b) industry and trade in manufactured goods; (c) the transfer of technology; (d) the international monetary system; (e) uneven development among developing countries; and (f) economic cooperation between Third World countries. These are also the main topics to be discussed at UNCTAD IV in Nairobi in May and it is to be hoped that the conference will bring forth a minimum, if not a maximum, degree of agreement so as to enable the Third World to confront the rich nations as a relatively homogeneous bloc with very precise demands. This is our only hope for achieving real progress in the task of changing the international economic order. The basic assumption here is that the prerequisite for such change is unity, a unity which given the right momentum and direction could facilitate the necessary, nay essential, internal transformations by thwarting the intentions of those in a position to exert pressure on developing countries taken in isolation.

Raw Materials

As far as raw materials are concerned, the Third World has—for at least twenty years—been fobbed off with slogans about price stabilization and the need for special measures to do away with erratic price fluctuations, supposedly due to the laws of supply and demand but in reality only the result of political considerations and political pressures on the Third World. These arguments no longer hold water, which does not mean that stabilization measures have become totally useless but rather that we have become much more demanding; what *we want now is a substantial and stable increase in the price of raw materials.* Without the remarkable victory of OPEC many of us would probably still consider this demand to be wishful thinking. The success of the oil-producing countries is encouraging and clearly shows that the relative prices for raw materials, as compared with those for manufactured goods, are determined neither by inexorable 'economic laws' nor by a *Deus ex machina* in the form of supply and demand, but purely by political power relations. The oil cartel, mainly made up of American monopolies, was in a position to impose unfavourable prices on our countries. These were clearly political prices and now the oil-producing countries have retorted by imposing a different political price and one that, so far, has held good.

The same could apply to all raw materials of which we are the main suppliers as well as to a large range of strategic mining products and some agricultural commodities which, even if they appear to be less vital, are in fact equally strategic because of their strict inelasticity within the consumption patterns of the rich countries. Yet it is an established fact that the price paid to our producers for all those commodities is extremely low, whereas the prices paid by the consumer at the other end have kept up with the pace of initially creeping and subsequently runaway inflation. The result is that the producer did not benefit from this economic situation because his income did not rise and neither did that of the state since it could not raise the level of indirect taxes on these commodities. This clearly shows that the prices *are* political and only we can reverse the trend by imposing other political prices which correspond to different international power relations.

The time has come not merely to produce precise technical studies on each of these commodities but also to make concrete proposals for producer agreements and price indexing. That should be one of the main objectives of the Nairobi conference.

There is, however, another and more fundamental issue than prices, namely control over the exploitation of natural resources. With independence, the Third World generally inherited economic and commercial structures whereby multinational corporations were in control of most of its resources. The situation has changed, albeit unevenly, both with regard to the countries concerned and the commodities involved, through a series of legal measures such as nationalization, control of foreign trade, marketing, etc. In a large number of Third World countries, especially in Africa, concessions for the exploitation of natural resources were granted in a shameless manner by the colonial administration. Royalties were a matter of mere formality—let it not be forgotten that gun-boat diplomacy was never an empty threat. In some countries many of these agreements have now been revised and in others governments have gone one step further either by becoming majority shareholders in such companies or by completely nationalizing their assets, with or without compensation. However, it has now become clear that the legal ownership of a company does not guarantee control and that at best, nationalization is an instrument which must be strengthened by the formulation of long-term policies for developing natural resources. However, in so far as we are integrated in an international trade system, we have certain financial needs and must therefore continue to export. These financial needs should be defined in accordance with our prospects and potential for internal development. In the long term, we must take measures to protect our natural resources and preserve them for our own use. Up to now, the system has functioned as if we were automatically obliged to satisfy the demand of the developed countries and spontaneously adjust to their needs. We have been compelled to supply, without any restrictions whatsoever, unlimited quantities of commodities through the exploitation of our natural resources, our subsoil and our soil.

Here again, the discrepancy between the developing and the developed world is striking. Not one country among us could force Canada, for instance, to supply wood or to exploit its timber resources at any rate other than that decided upon by Canada itself. No Third World nation is in a position to compel the United States to supply wheat in any quantities or at any rate other than that determined by the American administration. No one could force Poland to exploit its coal more intensively and to export it to those of us who need it. These countries are considered to possess full sovereignty and are able to decide for themselves whether or not to develop, to export or to preserve any of their own natural resources. But in the case of our states, every time we even mention slowing down exploitation of our resources, we hear cries of 'embargo!', 'unilateral decision!' accompanied by the usual threats. When the oil-producing countries, very modestly, spoke of an embargo or of limiting production, these threats became even more vehement than when the question of nationalizing the oilfields was raised. In a number of cases such nationalization measures have been accompanied by agreements entered into with multinational corporations not only to determine prices but also—and even more important for the developed centres—to guarantee supplies at a given rate. This, in effect, constitutes an attack on our sovereignty, which is not just legal but also political, for in no way is the sovereignty of developed countries similarly restricted. The Nairobi conference should, therefore, consider the establishment of export ceilings for each commodity or group of commodities. This would set the stage for the battle to win control over the exploitation of our natural resources to suit our medium- and long-term needs.

Industry and the Transfer of Technology

The second issue concerns industry, which I will link to the transfer of technology. Over the past twenty five years, the Third World as a whole has achieved industrialization rates, however uneven, which in the eyes of the most optimistic proponents of the system could appear truly remarkable.

The average growth rate for the Third World, and even for Africa, is higher than the rate of industrial growth in the developed world. Thus, by mechanically projecting this trend into the future, the optimists are claiming that we shall be able to catch up with the developed countries as far as industrial output is concerned. A projection of between 2 and 3 per cent annual industrial growth over a period of twenty, thirty or fifty years could produce any required result, at least on paper.

It has now become clear that this import-substitution industrialization model, despite its high growth rates for some countries, cannot be prolonged indefinitely because it has produced and intensified an increasingly unequal internal income distribution and demand structure which has now reached its ceiling. Many Latin American countries have long since reached this ceiling which explains their present dramatic plight. Few African countries have as yet attained this level, with the possible exception of Egypt, but in view of the small size of African markets and the very low level of industrialization—with no more than a few tens of thousands employed in industry—we are approaching this point.

In addition, external dependence is reinforced by import-substitution industrialization, both because of the consumption pattern on which it is based, the increasingly unequal income distribution it generates and the high degree of technological dependence which in turn is linked to the consumption pattern. Certain needs must be satisfied—and I am not referring to the needs of the masses—in such a way as to ensure that the goods produced are more or less competitive with similar imported goods. Such an industrialization model has increased not only moral and intellectual but also financial dependence through the transfer of technology. A small part of this process is revealed through the payment of royalties for patents, registered trade marks, etc. But that is only really the tip of the iceberg. What lies hidden underneath in the form of unequal prices for the cost of technology and capital goods (to serve this technology) is quite staggering. Very instructive studies have been carried out on this precise point, particularly by the Lima Group in Latin America. With the possible increase in the prices of raw materials (likely to be highly uneven since the strategic importance of commodities varies), some countries will find themselves in a better financial situation, as is the case for the oil-producing countries at present. This will enable them to think in terms of a further stage of industrialization, but because of technological dependence the spontaneous response of the system is to establish outward-looking export industries to supply the developed countries.

This is indeed in accordance with the conventional view of development. The line of reasoning is as follows: 'We have a cheap production factor available, namely labour (and sometimes other cheap factors too, such as raw materials) and we could therefore sell these factors cheaply to the developed world by producing industrial goods for them.' This is nothing more or less than selling our labour cheaply in the form of consumer goods which, if they were to be produced in the developed countries would cost ten to twenty times more in wages even though productivity is the same in both cases. However, even this battle is far from being won, for the developed countries feel sufficiently sure of themselves to demand that we not only sell our labour cheaply but in addition subsidize these industries; in other words, make the peasants and the whole of our population pay to subsidize those poor consumers in the rich countries!

An alternative model of industrialization can be put forward, i.e. industrialization for ourselves, based primarily on the satisfaction of domestic needs and, as a matter of priority, the needs of the masses both at national level and at the level of groups of developing countries. This represents a different strategy for industrialization, one that does not rely mainly on the transfer of technology but on the development of a self-reliant capacity for technological research geared towards meeting the needs of the mass of the people of our countries.

The International Monetary System

The crisis in the system of the international division of labour first appeared in the sixties as a crisis in the international monetary system. The post-war prosperity of the west had been built on the hegemony of the dollar, which was the monetary symbol of the economic and political domination of the United States over the western world as a whole and over our countries as western dependencies. This hegemony was first threatened by internal transformations within the developed world itself through a crisis in the American balance of payments, the accumulation of dollar reserves in Europe and Japan, the growing external debts of the United States, which for its creditors was becoming an increasingly bad debt, and finally, the *de facto*, followed by the *de jure*, devaluation of the dollar. The result was utter confusion and a gradual deterioration in the Bretton Woods system of multilateral transfers.

The trend, therefore, is towards isolating monetary systems from the international system. Even during the 'great boom', the Third World never really participated in the international monetary system whose virtues (the 'advantages' of unlimited transferability, the relative stability of exchange rates, the liberalization of trade, etc.) were extolled by one and all. The reason is the structural imbalances in the system, caused by our dependence on and over exploitation by the developed world. In these circumstances, we could only draw marginal 'benefits' from the system and it is unfortunate that in the present state of confusion some of us still believe in the need for re-establishing the international monetary system at any cost, for it is thought to be a good thing in itself because of those publicized virtues. In the struggle for establishing a new international monetary order, the Third World only occupies a passenger seat. It is true that every country officially has one vote within the United Nations system, but the situation is quite different in such organizations as the International Monetary Fund, where the richest countries have pride of place with a voting quota proportional to their wealth and 'importance' within the world system. The struggle was, and will no doubt continue to be waged between the United States, Japan and Europe with the Third World being manipulated rather than actively participating. Committees, like the Committee of 20, have been convened by one or other of the protagonists to suit any changes in their tactics or strategy, only to be forgotten immediately afterwards. What is important is whether concurrently with this battle which certainly is not ours the Third World can evolve a different strategy for strengthening its monetary and financial relations. This, I believe, would carry greater weight whenever decisions are taken within the international system.

Less Developed Countries

The situation of the less developed countries provides a further illustration of uneven development as a result of the dependent development strategy practised over the past thirty years. There is nothing mysterious about that situation, it is totally within the logic of the system. However, those responsible for promoting dependent development are now using its consequences as an argument to divide the Third World. Crocodile tears are being shed about the so-called 'Fourth World' whose peoples are said to be the victims, not of the dominant international system, but of those countries 'lucky' enough to have 'benefited' from a higher degree of integration within the international system.

There are evidently conflicts of national interest and they will persist for a long time to come even among developing countries; the crucial point now is to make sure that these conflicts are resolved among ourselves, through agreements and negotiations that would enable us to present a common front *vis-à-vis* the developed nations and not allow these secondary contradictions to override the primary contradiction between us and the developed world. If we fail in this we shall allow ourselves to be manipulated for the benefit of those who dominate us all.

Economic Cooperation Within the Third World

If the outcome of the Nairobi conference is agreement, or at least some measure of progress, on the issue of economic cooperation, it will be definite proof that UNCTAD has struck a new path. If not, we shall have every reason to be pessimistic, because it will mean that the new international economic order for which we are fighting would only be an empty shell, pure window dressing. The result would be a series of compromises and minor concessions, with the Third World further divided and the process of uneven development more accentuated.

Much remains to be done, for the current conventional approach to economic cooperation is based on the establishment of common markets; because of cultural and ideological alienation, we are trying to imitate structures created in other regions for a very definite purpose, i.e. the furtherance of independent developed capitalism. Our problems are fundamentally different and we must learn to plan together, to think in terms of complementarity in order to arrive at agreements and mutual concessions for the self-reliant development of our countries.

Conclusions

The outcome of the battle for a new international economic order is uncertain. The most innocuous and yet probable end result is that the whole question will be reduced to a series of minor compromises. There is cause for concern at the almost universal approval of the principle of a new international economic order and we may well suspect that the issue has been emptied of all substance. Efforts to shift the debate and concentrate on a few aspects only, such as the recycling of the financial resources of the oil-exporting countries, are highly suspect for they suggest that the industrialized countries are trying to take back with one hand what they have conceded with the other.

This battle for the new international economic order must not be used as an alibi for failing to deal with internal development problems. Development is above all a national issue, a problem of transforming domestic social, economic and political structures. Foreign relations merely reflect internal structures, but they can be used either to reinforce negative aspects or to bring about positive changes. Priority must therefore be given to our own self-reliant development at a national level and to collective self-reliance and collective autonomy within the Third World. With a policy of national and collective self-reliant development, the Third World would be in a better bargaining position and more likely to obtain real changes at the international level, whether on prices for raw materials, control over production or any other issue.

This battle will not be an easy one. It will become even more difficult in the next few years and already 1976 promises to be a year of deepening world economic crisis. This crisis is already grave and has been marked in the United States and Europe by unemployment on a scale unknown since the thirties, combined with slackening growth at a time of galloping inflation. Inflation was slowed down in 1975 because of world-scale deflationist policies in the developed countries, but a reversal of the trend is planned for 1976 in an attempt to reduce unemployment. The United States, Great Britain, Germany, Italy and other countries are due to hold elections and one can therefore expect a recrudescence of runaway inflation this year. The developed countries are planning to shift the main burden of this inflation onto the Third World by, among other things, recovering part of the benefits obtained by the oil producers and by accelerating the deterioration in the relative prices of all raw materials; but above all they will try, through the International Energy Agency, to break OPEC and to bring down the price of oil from 10 to 12 dollars to the floor price of 7 to 8 dollars in accordance with American policy.

The attempt to force the developing countries to bear the brunt of the crisis will have violent repercussions. A Dakar newspaper recently reported that a 'great power' had threatened to reduce its aid to Senegal because, allegedly, Senegal had voted too often against its policy at the United Nations. Such crude and direct language had been used rarely in the past but is likely to be heard more often in future. Is there not a direct link between our battle and the financial crisis of the United Nations? It is no secret that this crisis arose as a result of the response of certain developed countries to the growing majority which the Third World, the non-aligned, represented at the United Nations General Assembly. There was never any talk of financial crisis in the United Nations when it was still a political instrument of the great powers. Things are rather different today and the United Nations could well become a forum, however modest, where the voice of the majority of mankind may be heard. Hence the threat to cut the purse strings! The financial crisis will provide a pretext for increasing attacks against those in the Third World who are trying to turn the United Nations into an instrument capable of serving its peoples. This, then, is the time above all when priority must be given to the Third World and, particularly for us Africans, to African unity and Afro-Arab unity.