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of Developing Nations**

**Edited by
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lowering of barriers to trade and the targets which are to be achieved must be accomplished smoothly. This requires a combination of international rules of the game with domestic measures; a difficult problem of co-ordination but of major importance. The latter approach is a bilateral approach, though if one is using the term for state-to-state as well as region-to-region negotiations, one can agree with both Professor Bauer and Mr. Krohn.

The LDCs need not only an exchange of goods but also the means of acquiring the knowledge to progress in the direction of development, which means that economic relations between the North and the South cannot be reduced to market relations. There must be an educational component in the market process and this cannot be achieved by multilateral arrangements because it is a human problem. Neither human capital nor the organisational capabilities of a country are increased by abstract multilateral arrangements. Therefore, to my mind a combination of multilateral and bilateral approaches could produce results that are more fruitful.

There is another dimension to the multilateral approach which is interesting to consider. It involves the concept of negative income tax on an international level. I find this idea a very appealing substitute for the concept of aid.

There is one issue mentioned in Ambassador Mills' paper which I should like to raise: should the developed countries require something in return from the LDCs when they increase aid or impose a negative tax system? I would answer yes. If we take the example of the class struggles in the nineteenth century and national responses to them we see that the state imposed conditions upon the people receiving the benefits of the income transfer. There is simply no reason to maintain that aid in the original sense should be given without any conditions whatsoever, that is, unless one has a utopian view of life.

I would like to say in conclusion that although I consider the problem of a new international economic order as one of the major problems we are facing today, I believe we should also recognise that basically the problem of development is the problem of the developing countries themselves. Important as they are, they are only marginal in international arrangements. About 95 per cent. of the solution of their problems will lie with the developing countries themselves.

John Ruggie I shall offer my analysis in the terms of political science. Moreover, I am going to stick fairly closely to the papers rather than bring in additional considerations. I think it was appropriate that this afternoon's discussion ended with Constantine Vaitsos' paper, because of all the papers that were presented to us, it raises more effectively and more centrally one of the most critical issues in the political economy of North-South relations. This has to do with the relatively unique form that the internationalisation of capital has taken through the multinational corporation.

available to the Third World in general; and while they receive the backing of the developing countries this does not mean that in future the oil countries can do what they like. In this respect I would like to point out that although the Conference on International Economic Co-operation (CIEC) in Paris has not been spectacularly successful, it has produced, besides the agreement on the Common Fund, a better understanding of the economic impact of the oil price increases. It is now generally understood, particularly by those in oil producing countries, that with a 1,000 per cent. increase in the price of oil there is eventually a feedback effect which can be negative for all concerned. It is now generally understood that OPEC and the Third World countries which contemplate similar actions will probably encounter the feedback effect. I would like to add that it has not been possible as yet to reach explicit arrangements on the problem of oil because of the Middle East conflict which has very little to do with North-South problems in general.

To sum up, if a purely realistic approach is taken towards the North-South problem, it is an exaggeration to say that today the developed countries are forced, by a major change in the international balance of power, to do what the developing world asks. If one accepts these ideas, the conclusion is reached that only matters which are acceptable to all parties have a chance of success. It is unrealistic, however, to believe that we in the North will concede much to the South solely for ill-defined advantages in the future.

It is interesting to see what the developed and the less developed countries want. The developed countries would like to have stable trade relations with the South, particularly with regard to the quantity and price of raw materials which they themselves do not produce. The LDCs in turn want better opportunities to achieve their own development. Is there common ground between the two? Commodity agreements are an example, if they are not considered as a means of achieving income but as a means of stabilising economic conditions in ways which are profitable to all parties.

The most important concern is certainly the opening of borders, that is, to allow the producers of the Third World greater access to the markets of the developed countries. Here we have a major contradiction between what is happening in the short run and what we say will happen in the long run. Developed countries advocate the advantages of trade liberalisation, yet what is occurring in these countries on the basis of short-term considerations is the creation of further barriers to international trade. What does this contradiction mean? First, North-South relations can improve only under better economic conditions. Ambassador Mills has said that this improvement should not wait upon economic recovery. This is understandable, but still, one cannot ask Britain or other countries to give up their textile industries in the face of competition from the Third World. Secondly, Mr. Holmes mentioned that changes must be gradual. The

I underscore and emphasise this because it poses unique problems for developing countries today which none of the developed countries faced in their attempts to industrialise. I do not want to push the analogy too far but it reminds one of the period when the bourgeoisie in the West were trying to get off the ground while the feudal lords were in ascendancy rather than in decline. I think therefore that the form of capital and the accumulation of it in oligopolistic sectors, as was pointed out by Dr. Vaitos, provides a backdrop to the discussion which ought not to be ignored.

Beginning from there I would like to raise five points. The first has to do with a comment that Mr. Moynihan once made in an article on North-South relations when he referred to the London School of Economics as the place in which so many leaders of developing countries have been educated. Essentially, he concluded that because this is so they do not pose much of a threat. To some extent, with tongue in cheek, I tend to agree with Mr. Moynihan when looking at certain aspects of the new international economic order because it seems to me that to a large extent it represents essential classical liberal internationalism verging into aspects of Fabianism. I say this in reference to Ambassador Mill's paper which relies to a great extent on the idea of building philosophical bridges. It strikes me that negotiations for a new international economic order and the attempt to build philosophical bridges through them has thus far been about words and has reached a level of finesse of ambiguity that will be difficult to improve upon under any foreseeable circumstances. Moreover some of the assumptions that are embodied in these negotiations strike me as being farfetched. Some of them mentioned by Mr. Krohn, for example, refer to phasing out of industries in the North, allowing them to relocate in the South and so on. In the case of the textile industry, an interesting comparison to make would be the state of the industry in West Germany 10 years ago when, if my recollection is correct, it was in utter disarray. However, through the instruments of industrial policy, the German textile industry was discouraged from emigrating and today the textile sector appears to be in a healthy state and is a major export earner. Even a country as progressive as Sweden which has been the most forthcoming on many new international economic order concerns (and which advertises the fact that it is engaging in domestic programmes to relocate workers in her textile industry rather than trying to resuscitate this industry) has a self-sufficiency component in its industrial policy which is as high as 80 per cent. in the case of textiles. If we are waiting for a Ricardo-like specialisation of labour, the wait is going to be a substantial one. Let me add a footnote on a subject mentioned today about the world class struggle being a useful analogue to the relationship between labour and management in the nineteenth century. I do not find that analogue particularly useful. First of all, countries are not classes. Classes cut across countries, are organised across countries

and organised hierarchically on a totally different basis than countries are. Secondly, the developing countries find themselves in a position of trying to change the structure of the international system from within. But whereas in the late nineteenth century labour domestically had a state apparatus to seize by which to alter the framework of class relations, as has been attempted by social democracies in the West, internationally, there is no state to seize today. Therefore the new international economic order as an outgrowth of LSE education, if Moynihan is right, strikes me as not going to lead to the sorts of fundamental structural changes that were talked about in these papers.

Briefly, if the NIEO were to materialise, it would not be, as has been indicated in some of these papers, an unmixed blessing internationally. Those components of the new international economic order which provide mutual stability and predictability, like certain aspects of the stabilisation of commodity prices, are undoubtedly in the cards. But as Roger Hanson has put it: the most likely result of those kinds of arrangements is essentially the embourgeoisment of certain kinds of Third World commodity producers rather than a general upgrading of the status of developing countries. The NIEO would probably not be an unmixed blessing domestically either; it would probably tend to perpetuate present development styles and models. Essentially there is a sort of generalised Hans Singer paradox here. As long as the situation remains stable with stable incomes, the need for change is perceived to be quite low but when, on the other hand, instability arises, the possibility for change seems out of reach and one is caught up in a vicious circle. This is what I would like to say about the NIEO in general and Ambassador Mill's paper concerning the NIEO in particular.

As a second point, I would like to point out that very little was mentioned in a systematic way in any of these papers about the current world economic crisis, and what the crisis does, if anything, to alter future relations between North and South. One could look at it either as a constraint or as an opportunity, and probably both. As a constraint, it seems to me that if the world economic crisis—understanding the term as affecting countries in the West—continues, export-led development strategies (as Susan Strange put it in another context) are probably a logical non-starter. On the other hand, if export-led development strategies are indeed a logical non-starter, it seems to me that there are opportunities for domestic market developments in intra-Third-World trade that need to be investigated.

Thirdly, I would like to comment on basic needs. I still feel uncomfortable about the tension between the various interpretations of basic needs that have been discussed here in the last two days. At one extreme it has been treated essentially as a global welfare programme, the equivalent to a global food stamp programme which, of course, is not sustainable even if it were desirable. On the other hand, in some publications by Griffin, the ILO and to some extent the

World Bank, it refers to the redistribution of assets to allow for self-sustained growth. I believe the agreement reached here about basic needs is a false one and rests on confusion about what the term means or at least about the clear meaning of the term.

Fourthly, I would like to make a brief comment about the rôle of international organisations. The World Bank, for example, has been most effective in gaining adoption of certain kinds of development styles. But if observed closely they were traditional Western development styles which facilitated the internationalism of capital rather than imposing constraints on it. It will be interesting to see how successful the World Bank can be in pursuing the basic needs strategy. Given the constraints of the international political system, international organisations will play at most a peripheral rôle although not a totally insignificant one. And this peripheral rôle is essentially two-fold. One functions in the realm of global consciousness raising, which I do not discount; in fact the negotiations on the new international economic order have contributed enormously to it. One needs only to go back to the relatively recent past of 1964 and compare the proceedings of UNCTAD I, and the reactions of the developed countries, with what has since taken place. Materially, not much has changed, but at the level of consciousness a good deal is changing. The second, and in the long run perhaps more profound, rôle, is to trigger the creation of indigenous capacities in developing countries: by the provision of information, the stimulating of appropriate research and development, institution-building and facilitating South-South relations to a much greater extent.

My fifth point is in fact to underline again the notion which appeared in several of the papers that where the action has to be for long-term change as far as developing countries are concerned is in the South-South context. The paper of Constantine Vaitos is an extremely interesting one because it points out the difficulties encountered by Southern countries as a result of the multinational corporations. On this subject I commend to you a paper that Dr. Streeten has published elsewhere called "The New Dynamics of the Poor Powers." The paper is an extremely interesting discussion of the intra-Third-World negotiating problems, the old stag-and-hare problem of who defects when in order to maximise private benefits or who stays within the coalition to maximise long-term collective benefits. This is an extremely important discussion which must be kept in mind.

We are fooling ourselves if we think that a new international economic order can be achieved by voluntaristic processes of bargaining negotiations and reasonable give and take. The policy issues at stake are both a global division of labour about which there is little or no negotiation, and the restructuring of the rules of the game in a fundamental way in the absence of power (to go back to Dr. de Montbrial's contribution), or rather in the absence of an international

community. I use the term community as a sociologist would. It requires more imaginative and also much more discontinuous if not radical approaches than are embodied in the new international economic order.

Paul Streeten I would like to begin by saying how much I agree with what Professor Bauer says and writes and how much I admire, when I disagree with him, his clarity, wit and the brevity with which he offers his views. Often we start from the same premise; we sometimes reach the same conclusion but not always.

Let me clarify first why I begin by accepting two premises but end up with different conclusions. First, I agree with the premise that the appropriate target of international action must be the individual. Secondly, in many cases more is not actually better. The conclusion about the target being the individual is, of course, right. However, the world being as large as it is, having about four billion people, it is necessary to use institutions to channel aid; whether it be private or public institutions. It used to be said in Victorian days that one must not give aid to fathers of families because they may drink it away in a pub instead of aiding their children. There is a similarity to this argument when it is said that aid must not be given to governments because they will squander it on impressive investment schemes rather than offer effective aid to the poor in their countries. I suppose that inevitably there will be some failings in the implementation of the Basic Needs strategy as there has been in others. There is bound to be—using current jargon—some leakage. However, in any proper development aid strategy there must be attempts to minimise leakages and maximise the achievement of target goals. And although the targets must be individuals, this should not lead us to the conclusion that we must never use government institutions. After all, in internal affairs family allowances are given to mothers and fathers even though they may spend it on bingo and beer. Also government grants are given to local authorities though this may not always be the best way of benefiting the people. The premise that more does not necessarily mean better should not lead us to the reverse conclusion, that less or none is better, but should lead us to attempt to improve methods and ways to channel aid to assure that target goals are met.

But let me get to the heart of some of the differences between Professor Bauer and myself. One often reads these days that there is a large gap between the achievement of our scientific and technological imagination and our moral achievements; that basically we are still primitive animals. This does not quite hit the nail on the head. The real gap as I see it in the modern world is between the fantastic progress in science and technology on the one hand and the lack of progress in evolving and establishing new institutions which combine the best of the worlds of private and public enterprise. To illustrate