Changing Economic Order

World economy has changed to point that major areas of concern to all should be reviewed

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Because of recent broad and profound changes in international and financial relations, the world is a much different place today from what it was at the beginning of this decade.

For the past few years, the collective consciousness of the countries of the Third World, more precisely of the governments of these countries, has taken shape, little by little but untenably. This consciousness has grown from the experience that political emancipation without economic emancipation is an empty phrase. The demands of the governments of the Third World are concerned basically with a redistribution of world income and power.

The evolution of the size, composition and value of the flow of trade between rich and poor countries is in the opinion of many poor the consequence of a systematic action against development. This is closely connected with the fact that a great part of technology is developed, concentrated and monopolized mainly by transnational companies. About 90% of all registered patents are the property of these enterprises.

Domination

The commercial, financial, and technologic flows — all of which are experienced as domination mechanisms by the Third World — constitute the object of the demands of the "Group of 77." The idea of a "New International Economic Order" was at the end of 1973 in Algiers during the conference of non-allied countries. The principles of the new world order were established in the "Charter for Economic Rights and Duties of Countries" at the 29th U.N.O. normal assembly.

It was during the U.N. Seventh Special Session in September 1975 that an accord was reached to negotiate the provisions of the charter. The first progress occurred in the "North-South Dialogue" which began in September 1975 and ended last year. The UNCTAD conference of May 1976 in Nairobi must also be included in this framework. Until now these international assemblies have been partially successful, but many of the fundamental demands of the governments of the Third World remain unanswered.

One point where some progress has been made, however, is the agreement reached whereby developed countries agree to alleviate the official indebtedness of the poorest underdeveloped countries.

In the framework of a new international economic order, the governments of the developing nations explicitly or implicitly connect this new world order with a basic requirements strategy. That is to say that the change in the world order should have a positive effect

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in that the poor in the underdeveloped countries should be satisfied with the basic requirements (clothes, food, housing, training, employment etc.). One of the first and most important contributions in the field of international authorities is the publication of the ILO (International Labor Organization) in the first half of 1976 and entitled "Employment, growth and basic requirements strategy." Another contribution is contained in the report entitled "Reshaping the International Order."

Evaluation

We will evaluate the ILO and RIO reports, which we consider to be two of the most important breakthroughs in the West with regard to the development strategy and international balance of power in the light of the question if a new world order and a basic requirements strategy necessarily are complementary.

The growth philosophy has been the basis of the development strategy in the Third World for more than two decades.

Development was equal to economic growth. The country had to imitate the West by first saving and investing in order to grow. This principally had to happen through emphasis on industrialization and export-oriented growth.

No international meeting is held without former supporters of "growth and efficiency above all" stating that the economic policy must chiefly be directed to combat the misery of the poorest 40% and to redistribute income. It is stated that chiefly agricultural activities and the yield per acre must be encouraged rather than industrialization and that in many cases requiring more labor activities must be preferred to those requiring much capital, even if this choice results in less efficient technology.

Today, in contrast with export-oriented growth, self-reliance is proposed. The idea is that an economy which chiefly relies on export will find itself in a dangerous position of dependency. The frequent fluctuation or drop in prices of raw materials in which the underdeveloped countries are specialized, prohibits

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development planning. Each development plan that is calculated on its exports in order to make the necessary investments in agriculture, industry, etc. suffers by it.

There is—it is true—the unspoken fear in the reports in regard to the consequences of self-reliance on the international trade and economy relations. Since self-reliance was defined as the clsoing of the gap between domestic appropriation of productive sources and domestic requirements, there is a certain trend toward a more closed economy, certainly in comparison with the earlier conceptions of the role of international trade.

Both reports, however, explicitly state that, according to them, self-reliance must not be confused with autarchy. The role that the foreign country (here the industrialized country) should play must be changed, but by no means reduced. "Self-reliance" — I quote the ILO report — "must not stand for self-confinement, isolationism or autarchy. No country, due to the nature of world interdependence can shut itself out of the international system. The world thus becomes too complex. This might well be an attempt to reach a high degree of self-sufficiency in satisfying the fundamental requirements."

Reversal

What is the reason for this reversal in thought concerning the development strategy? Why is it that the international institutions, which were such fiery supporters of the growth philosophy and economic efficiency have now suddenly discovered the enormous problem of misery while this problem really is not at all new.

I would suggest that the international organizations are realizing that the development strategy which up to now, had been conveyed on the basis of dominating Western conception, is a partial success, but especially a partial failure.

A success in the sense that the political independence of the periphery (i.e. the underdeveloped countries) did not result in independent economy in relation to the center (i.e. the West). That means that the supply of cheap raw materials is guaranteed, that the entrance into the markets for the central industries remains open, and is not too much restricted.

On the other hand, the resulting strategy is a failure in the sense that growth often passes over a large part of the population. Misery, hunger, short-life expectancy and mass unemployment: these are the conditions of a large part of the population in the underdeveloped countries. Such situations contain potential violence. This violence might once lead to bigger ruptures with the West and thus is a risk for the existing economic political international interests.

Potential

The enormous potential for markets which a basic requirements strategy might open and the stimulation of the international demand that this can result in, should encourage employment in the West. Mr. McNamara leaves no doubt about the possibility. According to him, the basic requirements strategy and the increase in international trade and capital exchange go hand-in-hand. By 1985 the exports of raw materials by the Third World will have increased by 50% in volume and the finished products will have tripled. This would mean for the West that they can increase their exports to the Third World in the same degree, and that the supply of raw materials keeps stimulating the growth.

The anticipated expansion of the existing flow of trade, assistance, and investment will cost the industrial countries something: it remains an open question if real self-reliance or basic requirements strategy is compatible with that expansion.

In January 1977, Herman Kahn noted among "some widely expected events that did not happen" in 1976 "the creation of a real . . . new international economic order' as against a 'changing international order.'" Thus, whether or not a new order comes into being — either as presently envisaged or in some other, modified form — the world economy has been changing sufficiently and rapidly enough to warrant a broad review of some of the major areas and issues that are of concern to all countries.

This LES International Conference is an attempt to discuss some of these changes and thereby shed some light on a number of the issues which increased interdependence in international economic relations has raised.

I wish you a highly profitable three days.