The Poor Countries and the Rich: A Few Steps Forward

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Three years ago, at its Sixth Special Session, the United Nations General Assembly adopted by consensus two resolutions entitled "Declaration on the Establishment of a New International Economic Order" and "Programme of Action on the Establishment of a New International Economic Order." Through these resolutions, the developing countries (DCs) have succeeded in giving development a priority status on the international agenda. Subsequently, a series of international conferences were held on this topic, which will remain high on the agenda for some time to come. The UN's General Assembly will take it up again when preparing a "third development decade," and various high-level international study groups are in the process of analyzing North-South problems with the purpose of recommending actions regarding development.

The DCs, it is clear, now have achieved one of their major goals—to broaden the purposes of the international economic system so as to include the development of the Third World. They also succeeded in initiating a debate aimed at translating this new purpose into concrete actions. The DCs contend that these actions require a reorganization of the mechanisms and structures of the international economic system, which now is primarily geared to the interests of the developed market economies. The aim, of course, would be to make this system more responsive to the DCs' interests, needs, and special conditions. A New International Economic Order (NIEO) is required that would serve all its members more equitably.

My objective here is threefold. It is, first, to familiarize the reader with the major proposals advanced to achieve a restructuring of the world economy. I shall therefore outline the major elements of the NIEO program in the key areas of North-South relations: trade and commodities, financial matters, science and technology, industrialization and transnational enterprises. Second, I shall examine whether the NIEO program can, in fact, be expected to create a new order or whether it is, rather, an attempt to make the status quo more tolerable for the Third World. Third and finally, I shall explore international affirmative action and individual and collective self-reliance as possible approaches toward structural changes.

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1See United Nations General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).
Glossary

BUFFER STOCK: Stocks created for selected commodities, intended to smooth supply-and-demand fluctuations. The managers of the stocks buy the commodities in question when the price falls below the lower intervention margin and sell out of the stocks when the price surpasses an upper intervention margin.

DCS: Developing countries

DMEs: Developed market economies

GROUP OF 77: The economic interest-group organization of the developing countries within the framework of UNCTAD.

GSP: The General System of Preferences was negotiated under UNCTAD's auspices and provides developing countries for certain products and under certain conditions with preferential access to the markets of participating industrialized countries.

IMF: International Monetary Fund

INDEXATION: Process whereby the value of the developing countries' commodity exports is linked to a change in the value of their imports of manufactured goods.

NONALIGNED MOVEMENT: Group of some 80 countries, nearly all of them from the Third World, trying to exercise some influence that is independent of East and West. Created in 1961.

PRODUCERS' ASSOCIATIONS: Groupings of raw-material producers; OPEC is its prototype.

REAL PRICES: (Nominal) prices adjusted for inflation.

SDR: International reserve assets ("paper gold"), created by the IMF.

SIXTH SPECIAL SESSION: First special session of the UN General Assembly held (April-May 1974) exclusively on development questions. The key result of that session was the concept of the New International Economic Order.

TNCs: Transnational enterprises.

UNCTAD: UN Conference on Trade and Development, established 1964. It has its permanent secretariat in Geneva and is currently headed by Gamani Corea, a citizen of Sri Lanka. UNCTAD's main role is to promote international trade with a view to accelerating economic development.

The NIEO Program

THE DEVELOPMENT STRATEGIES of most Third World countries are largely based on trade with the developed countries. Trade is seen as "the motor of development," needed to generate the foreign-exchange earnings required to finance the import of capital goods and to stimulate industrialization.

So far, this motor has not worked properly. In the last two decades, the DCs’ share in world trade has substantially declined. This deterioration was brought about largely by the structure of the DCs’ exports—mostly primary products—and especially by the long-term worsening of their terms of trade and insufficient access to the markets of the industrialized countries. Earnings from this trade are, moreover, plagued by violent fluctuations. In the NIEO program, therefore, trade and primary-product questions receive detailed attention.

The program’s centerpiece is an integrated approach to commodities intended to arrest the deterioration of the DCs’ terms of trade (indeed, to improve them) and to contribute to a more orderly management of commodity supplies. The key measures proposed to achieve these objectives involve the establishment of international buffer stocks for a number of commodities and the creation of a common fund for the financing of these stocks. The main function of these buffer stocks is to absorb market fluctuations, to balance the supply and demand, by stabilizing the prices of the products covered between negotiated lower- and upper-price margins. Obviously, in a world in which 5 to 10 percent inflation is the rule, these price margins must be periodically adjusted in order to protect the real prices originally negotiated. The adjustment mechanism preferred by the DCs is indexation; thus the initially negotiated price could, for instance, be linked to a basket of prices of goods imported by DCs.

While commodity agreements deal with the basic supply of raw materials, as well as with the receipts for them, the NIEO program also promotes their increased processing by the DCs that produce them and the expansion
and diversification of these countries' exports. To achieve this objective, the DCs must gain greater access to the markets of the industrialized nations. Consequently, the removal, or at least restriction, of tariff and nontariff barriers is an issue of great concern. Special attention is paid to an improvement of the nonreciprocal, nondiscriminatory Generalized System of Preferences (GSP) and to the elimination of restrictive business practices that affect the DCs' trade adversely.

AS SUGGESTED, a major function of trade is to generate the foreign-exchange earnings necessary to finance the import of capital goods that are required for industrialization. Partly because of the conditions outlined above, exports alone are not able to do this; other mechanisms are needed. One of these is official development assistance—i.e., official bilateral and multilateral foreign aid, a minimum of which should be free grants. Such assistance, however, has failed to increase in real terms since the middle of the 1960s; in fact, it has dropped sharply as in terms of the percentage of the industrialized countries' GNP: from 0.52 percent in 1961-1962 to 0.33 percent in 1974. And this has occurred in a period when the standard of living in the developed countries reached unprecedented heights. Thus, the international economic system has failed to assure the DCs an equal share in increasing prosperity. Improvement of the foreign-aid performance is therefore a key plank in the NIEO program, and the developed countries are reminded that their foreign aid should reach, at the latest by 1980, the target of 0.7 percent of their GNP, a target they had accepted earlier (however, without a time limit). Moreover, since one important reason for the decline of foreign aid has been its voluntary character, the DCs desire that an element of automaticity be introduced into concessional flows, in order to make them predictable, assured, and continuous.

The decrease of foreign aid forced the Third World to turn to private-capital markets and their less favorable conditions. Thus the DCs' external indebtedness (over 80 non-OPEC) has risen dramatically from $9 billion in 1956 to over $170 billion in 1976 (of which about $70 billion are owed to commercial banks). Total annual debt-service payments (of about $12 billion in 1974) more than cancel the total annual flow of foreign aid and, for many countries, consume around 15 percent of their annual export earnings. The debt issue has therefore become a priority problem for the DCs, and a number of measures have been suggested to alleviate it. Foremost among them is an international conference of major donor, creditor, and debtor countries to arrange a renegotiation of debts and design multilateral measures to bring relief to debt repayments.

The need for financial resources that are required for development also constitutes one of the reasons for a set of Third World proposals related to the international monetary system. Here the basic issues are the creation and distribution of international liquidity. Like any monetary system, the international monetary system is biased against the poor: they have the greatest difficulties, and face the greatest restrictions, in obtaining credit from the institutions of the system; and since most international reserves result from the international acceptance of a few national reserve currencies—thus giving privileged credit to a few countries (and especially the U.S.)—the DCs play virtually no role in the creation of international liquidity, nor do they benefit directly from it. Thus, for instance, international reserves grew by $102 billion between 1970 and 1974; out of this total, the DCs received only $3.7 billion.

In order to improve their credit line with the International Monetary Fund (IMF)—the main credit institution of the international monetary system—the DCs have proposed to increase the IMF quota (which governs the availability of IMF finance); to enlarge the first (automatic) credit tranche and restrict drawings under the other tranches; to liberalize and enlarge the various existing balance of payments mechanisms; and to liberalize
drawings under the buffer-stock financing facility.

Beyond these improvements, the DCs would also like to change the actual creation of international liquidity. Hence a key plank in the NIEO program is a proposal to reduce the role of gold and national reserve currencies and, instead, to strengthen the role of special drawing rights (SDRs) as the central reserve asset of the international monetary system.

Since SDRs are created by the IMF and distributed to the member countries on the basis of their quotas, a greater role for SDRs means a greater share for the Third World in new international liquidity—even if the DCs do not control the decisions concerning the issuance of these reserve assets. SDRs are also attractive for another reason: they introduce an element of automaticity into the supply of finance. They would be particularly attractive if their distribution were not undertaken on the basis of IMF quotas but rather in relation to the DCs' special financial needs. The “link” of the distribution of SDRs to development assistance is, in fact, an important part of the NIEO program. Since these changes are unlikely to be achieved under the IMF's present voting system, the DCs are pressing for a greater voice in the Fund and in the management of the international monetary system in general—a system, after all, that constitutes the framework for their trade transactions and development efforts.

In no other area is the asymmetry of relations between North and South so pronounced as in science and technology. Virtually all R and D is conducted in developed countries and, as a consequence, nationals or institutions of these countries hold virtually all the world's patents. Recognizing that a transfer of technology is the only way through which DCs can obtain the technology required for their development, the NIEO program focuses on the regulation of the transfer process and its conditions. It is specifically urged that a legally binding code of conduct be adopted for the transfer of technology, to deal with such matters as relations among suppliers, restrictive business practices, access to technology, and pricing. Changes are also envisaged for the international patent system, and efforts are encouraged to formulate policies that aim at improvement of DCs' scientific and technological infrastructure.

The purpose of restructuring the international mechanisms in trade and finance, science and technology is to serve industrialization—the basic objective of most DCs. At present, the manufacturing output of the entire Third World is about as high as that of West Germany—approximately $108 billion. The DCs' goal is to increase this output more than tenfold before the end of this century—an objective that will require substantial mobilization of resources and major adaptations of the world's industrial structures.

The structural adaptations envisaged by the NIEO program amount essentially to a clearer international division of labor: the DMEs are asked to encourage the redeployment of their less competitive industries (i.e., usually labor-intensive, low-technology industries) to developing countries. A "system of consultations" is urged to facilitate this process. In market economies, the primary agents of any redeployment of industries are, of course, private business firms, especially transnational enterprises (TNEs). TNEs are expected to play an important role in the industrialization process (especially under conditions of decreasing foreign aid) by mobilizing financial and technological resources and by providing the markets for the Third World's expanding economies. TNEs are explicitly encouraged to participate in Third World investment projects. At the same time, since the conditions under which foreign direct investment is made available is a critical matter for DCs, the elaboration of an effective code of conduct for TNEs is an important aspect of the NIEO program.

The NIEO Program: A Liberal Holding Operation

This so far, in broad brush strokes, are the main aspects of the NIEO program. Let me
now turn to the program as a possible way of changing the structures of the international economic system. Could a complete implementation of the NIEO program actually alter the structures of the system and the distribution of benefits between North and South? What would happen if all the concrete measures of the NIEO program were implemented—including the entire integrated program for commodities, unrestricted access to the markets of the DMEs, higher financial flows, better access to IMF finance, the link between SDR distribution and development finance, a greater voice in the management of the IMF, a binding code for technology transfer and TNEs, and the redeployment of industries—what, indeed, would happen if all these measures were implemented?

The answer is, I submit, that the structures of the international economic system would not be changed appreciably. On the contrary, they might even be further solidified. For the underlying philosophy of the NIEO program is essentially reformist; it is aimed at improving the existing mechanisms, not at changing the existing structures. Its main objective is to put the DCs—within the framework of the present system—in a better position to pursue their goals, especially to engage in trade and to participate in a "rational" international division of labor. The emphasis is on "put in position."[3]

The program basically represents—not surprisingly, one may add, in view of the training that many Third World leaders and experts have received in the academic centers of the DMEs—a liberal economic approach to the solution of the developing countries' problems. The special situation of these countries (in a variation of the infant-industry argument), of course, is taken into account by providing for a number of exceptions to the free play of international market forces—e.g., commodity agreements and preferential and nonreciprocal treatment for developing countries in a number of areas.

But exceptions are by no means unfamiliar to liberal practices, as is demonstrated, for instance, by the negotiation of "voluntary" trade restriction agreements, the long-term purchasing agreements between the U.S. on the one hand and Japan and the Soviet Union on the other, the management of the agricultural market, and the organization of the raw material market through transnational enterprises. Thus, it is almost surprising that countries subscribing to liberal economic norms, and especially proponents of the existing structures, should have great difficulties in agreeing with the NIEO program. In fact, a number of the key elements of the NIEO program have clear stabilizing effects on the existing international economic system and, in the long run, their implementation may possibly even give the kiss of death to the pursuit of vigorous restructuring.

The integrated commodity program would not, for example, change a situation in which the South is a supplier of raw materials to the North. Rather, the main effect would be to make this situation more tolerable, especially by preventing a further deterioration of the Third World’s purchasing power and by reducing fluctuations in export earnings. In addition, and as far as the world economy as a whole is concerned, the integrated commodity program would allow a more rational management of the international supply of raw materials and thus remedy one of the most conspicuous areas of neglect in the present international economic system. In doing this, it would facilitate the management of both the business cycles of the economies of the industrialized countries and the development process of Third World countries.

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[3] To quote Mahbub ul Haq, one of the intellectual parents of the NIEO: "The basic objective of the emerging trade union of the poor nations is to negotiate a new deal with the rich nations through the instrument of collective bargaining. The essence of this new deal lies in the objective of the developing countries to obtain greater equality of opportunity and to secure the right to sit as equals around the bargaining tables of the world." See his "Negotiating a New Bargain with the Rich Countries," in The Developing World Speaks Out, Guy F. Erb and Valerina Kallab, eds. (Washington: Overseas Development Council, 1975), p. 158.
At the present time, the prices of most raw materials are characterized by heavy fluctuations. Given the dependence of many DCs on raw material exports as their primary source of foreign exchange earnings, these price fluctuations translate themselves immediately into earnings fluctuations and thus into fluctuation of the availability of funds for the import (from DMEs) of capital goods for development purposes. These short-term earnings fluctuations frequently follow the DMEs’ business cycles. During a period of economic boom, the demand for primary commodities usually rises, and so do their prices; in a period of recession, demand for and prices of raw materials usually fall. Commodity-price movements are therefore largely procyclical in nature. During a boom they add to inflation—directly (through higher commodity prices) as well as indirectly (through increased purchases by developing countries in industrialized ones). During a recession, the reduction of export earnings affects the import ability of the Third World, i.e., demand in DMEs is further reduced. Therefore, severe fluctuations in commodity prices (fluctuations that could be largely stabilized through buffer stocks) complicate the management of the world economy—regardless of whether the aim is development or stabilization of the business cycle, and regardless of whether raw materials originate in developed or developing countries.

There is also a danger that the relief gained from commodity agreements may tempt DCs to relax their efforts to change the product mix of their exports in order to ease their dependence on primary-product exports. Under these conditions, even the move into processing may be neglected. If governments succumb to these temptations, commodity agreements would tend to perpetuate existing structures with their inherent inequities. Indexation could further support this tendency by assuring the maintenance of short- and long-term purchasing power and by further removing pressures for diversification. Indexation is also an example of the holding-operation character of the NIEO program: fearing a further deterioration of their purchasing power, the DCs are willing to ratify the past deterioration of their terms of trade and to institutionalize the existing gap.

In the area of finance and the international monetary system, the implementation of the NIEO program would lead to easier and more plentiful financing as well as to a greater sharing in the management of the IMF. Some progress has been made as regards better access to IMF credit. The danger is, however, that the developing nations might be satisfied with such improvements, while leaving the underlying financial structures unchanged. The distribution of additional funds and the creation of international liquidity have remained solidly under the control of the industrialized states.

Similar considerations apply to science and technology. The current emphasis on transfer of technology and a code of conduct for it places emphasis on the wrong issue. All a code would do is to codify the technological dependency of the Third World. Even worse: if the DMEs actually implement the proposals of the program—that is, encourage, for instance, more Third World-oriented R and D and adaptation of technology in their countries, provide more information about the availability of alternative technologies, ease access to them, and improve the conditions under which they are made available—technological dependence may well become easier to live with for many DCs. The result could be that the establishment of indigenous science-and-technology capacities and infrastructures and the diffusion (rather than transfer) of technology within the Third World would be neglected. In other words, the emphasis on transfer of technology tends to obscure the fact that only indigenous capacities can break the dependent position of the Third World and that, therefore, these should receive primary attention.

Finally, some brief observations along the same lines regarding industrialization. As already mentioned, a key element here is the redeployment of industries to DCs. The NIEO program recommends an international
division of labor in which DCs would concentrate on (usually) labor-intensive and low-technology industries, while the industrial structures of the developed countries would evolve in the direction of future-oriented, high-technology industries. This creates the real danger that the DCs will remain locked into the present international division of labor, whose division of benefits is highly unfavorable for them. Furthermore, where this redeployment is effected by TNEs (and, as indicated above, they can be expected to play the crucial role), it would be intracompany redeployment, i.e., certain production processes would be moved to the Third World within the framework of a given TNE system. This would leave the foreign affiliate dependent on the parent enterprise for its R and D, transportation facilities, marketing and distribution channels, etc., and its local development, conversely, would be discouraged.

None of the present efforts at controlling TNEs can be expected to change very much in this situation since none of them aim at the internal decision-making mechanisms of TNEs—i.e., at the actual locus of control over decisions relevant to redeployment and, more generally, at the allocation of private resources to DCs. Therefore, the redeployment of industries may not only further solidify the existing international division of labor but may also, where it is effected through TNEs, further consolidate the dependence of the developing on the developed countries. All that a code of conduct for TNEs is therefore likely to accomplish and—similar to a code for the transfer of technology—it is to take some of the edges off the existing situation, thereby making dependence more tolerable.

I do not mean to suggest that the NIEO program is misdirected or the measures suggested by it should not be taken; far from it. Clearly, the implementation of the program would in many ways smooth the functioning of the present system, create better opportunities for DCs, and lead to improvements in their economic situation. The program is a necessary step toward the immediate alleviation of the DCs' most pressing problems. By the same token, however, this stress on stop-gap measures and immediate relief gives the NIEO program the character of a holding action rather than of a restructuring operation. I mean to suggest that the need for changes in the underlying structures of the system be not forgotten under the pressures of the present situation; for only such changes can bring permanent relief. Elaborate measures have been proposed to deal with the symptoms of the problems—but the strategies aimed at their causes are still vague.

Changing Structures: Other Approaches

BUT CAN SUCH STRATEGIES be formulated within the liberal economic framework that characterizes the NIEO program?

The imbalances between developed and developing countries (as well as the imbalances among the latter themselves) are so great, the structural institutionalization of dependence is so strong—encompassing virtually all areas of interaction between North and South—that a mere provision of equal opportunities may simply not be sufficient to bring about the fundamental changes required to establish a more equitable order.

International Affirmative Action

IF THIS is the case, the achievement of fundamental structural changes would first of all require a change in philosophy.

Opportunities would not only have to be provided, but every effort would have to be made to ensure that they are taken advantage of. Therefore, it might be necessary to bolster the liberal economic approach with a massive international program of affirmative action.3

The basis of such an approach would be the recognition that the creation of equal opportunities alone is not sufficient to help the Third World overcome its historically determined disadvantageous position, a position in

3The concept of affirmative action was developed in the U.S. when it was recognized that the mere creation of
which it remains largely for the mere reason that it exists. Going beyond the basic orientation of the NIEO program, the essence of such an approach would therefore be for the developed countries to take affirmative steps to break down the structures created in the past in order to terminate the underprivileged status of the DCs and to build, together with them, a new world economic system.

The concrete mechanisms of an international affirmative action program for development would, of course, have to be elaborated with great care. To give a few examples of the kind of action such an approach could include:

- One should consider the introduction of reverse quotas. Governments of developed countries could agree to ensure that a minimum quota of certain manufactured, semimanufactured, or processed goods produced by developing countries would be sold in their countries.

- Another such method to support the transformation of the DCs from primary-producing suppliers to industrialized countries is to create incentives for the location of processing facilities in the raw-material-producing countries, e.g., by virtually reversing the present tariff structure through a decrease of tariffs on manufactured, semimanufactured, and processed goods exported by DCs while possibly even leveling some tariffs on raw materials imported from them.

- DMEs could also resolve to obtain a certain percentage of their goods and services from the Third World; they could decide to subsidize loans to DCs; or they could require that a certain percentage of bank credits are made available to Third World countries.

In this context, special attention must be paid to TNEs, since the allocative decisions of these enterprises play a very important role in all major areas of economic interaction between developed and developing countries. It is therefore important for the developing countries to gain some influence over the allocative decisions of TNEs. It is the characteristic of current control efforts—including the code of conduct elaborated under the auspices of the United Nations—that they all focus on possible external frameworks that could constrain TNEs. As such, they are mainly reactive and corrective in nature and influence the allocation process only indirectly. In order for host countries to directly influence allocative decisions affecting their economies, they would have to participate in the internal decision-making of these enterprises. One way of achieving this objective is to establish Host Country Councils at TNE headquarters. Through these Councils, host countries could gain immediate influence on the decision-making process of the main enterprises operating in their territories, thus supplementing policies aimed at setting up external control mechanisms.4

Self-Reliance

WE WOULD IGNORE the experience of the past 25 years if we were to expect too much from international development efforts—be they in the form of the NIEO program or of an international affirmative-action program directed at the structures of the international economic system. This is not to say that one should abandon these efforts. It is to say, rather, that Third World countries must also search for alternatives that are independent of the international community as a whole. The developing countries now are moving in this

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direction as they turn to individual and collective self-reliance.

Toward the end of the 1960s, DCs began to realize that, if they wanted to break out from the reproduction process of international inequality, they would have to reduce their dependency on inputs from abroad and to mobilize increasingly their own resources. This realization requires a change in the basic development model because the traditional model is based on capital inputs—inputs that (in the quantities necessary) can only be obtained from abroad. In this traditional approach, the mass of people was essentially regarded as a liability, viewed mainly as consumers who needed to be fed and clothed, i.e., who absorbed already scarce capital. However, questions begun to be asked whether one could not regard the mass of people as an asset whose creative potential, when released and combined with other local resources and with appropriate technology, could be the basis of autonomous development, aimed at the satisfaction of the minimum needs of the entire population. At the same time, a capacity for autonomous goal-setting, decision-making and decision-implementation would be built up. Thus, a model had to be developed that reduces the role of foreign inputs and places greater emphasis on the use of resources that are in plentiful supply in the Third World.

These thoughts are captured in the concept of self-reliance, a concept enunciated at the 1970 Summit of the Non-Aligned Countries in Lusaka, and increasingly (even if slowly) gaining acceptance in the Third World. Self-reliance is not an attempt to replace foreign capital by labor, but rather to change the balance between the two factors by a margin that would make development more independent from foreign aid and, consequently, more autonomous. Improvements in the terms of international economic transactions remain, of course, desirable and must be pursued, but these transactions themselves are seen from a new perspective: the motor of development is no longer trade and transfers from abroad, but rather the mobilization of indigenous resources for primarily indigenous needs.

This deemphasizing of international transactions should not be confused with an effort to achieve autarchy. It represents, rather, a more general application of the infant-industry approach. While ordinarily this approach is only adopted for selected industries, it would, in this context, be extended to the entire economy and to the whole society of Third World countries. The pursuit of this approach may lead to a certain “decoupling” of the Third World from the developed market world. Given the all-encompassing dependence of the developing countries on the developed ones, such a decoupling may in fact be desirable—if not necessary—until the Third World is strong enough to reintegrate itself into a new international economic system.

This change in the approach to development is also important because it represents an act of sociocultural emancipation, a dimension of development (and of self-reliance) that so far has received little attention.

During the colonial period, the countries of the Third World were not only subjected to political and economic but also to sociocultural colonization. The values and behavioral patterns of Third World societies had gradually been transformed to reflect those of the metropolitan countries. After independence, these patterns were maintained (or even reinforced) through a variety of mechanisms. Increasingly important among them have been TNEs (whose investment package consists not only of capital and technology but also of such sociocultural investments as values and behavioral patterns) and advertising agencies (which directly manipulate a society’s values, especially its consumption values). In addition, the choice of production for foreign affiliates in DCs (and for local enterprises imitating them) is largely a combination of the production and R and D experiences of parent enterprises on the one hand and the foreign-induced wants of the small elites and middle classes in host countries on the other.
The problem is that both these factors reflect the relative abundance of developed countries and not the absolute poverty of developing ones; the wants of consumers in developed countries and not the needs of large proportions of the population in developing countries. At least for the time being, therefore, these wants can only be satisfied through continued inputs from abroad. Consequently, economic dependence on countries and institutions that can help to fulfill these foreign-oriented wants continues and is reinforced. Self-reliance, thus, requires sociocultural emancipation. If this emancipation does not take place, if industrialization continues to model itself on the demand-and-supply situation of the developed market economies, the economic development of the Third World will tend to remain a dependent development.\(^5\)

The achievement of self-reliance, and through it of economic development, demands fundamental internal and external changes. Internally, the implementation of the concept of individual self-reliance requires that conditions are created for the mobilization of the population. This requires a substantial raising of mass-consciousness through greater participation that, in turn, is not very likely to occur without drastic changes in the class structure of the individual countries. Only through the mobilization and organization of the masses can the reliance on foreign capital be decreased. This focus on the population as a whole is a function not only of the need to mobilize available domestic resources but also an expression of the fundamental aim of this approach, which is to satisfy the basic needs of all classes and not only the wants of the elites and small middle classes. The concept of individual self-reliance, therefore, draws attention to the internal conditions in DCs, the need for change within these countries, and the importance of such change for the development process. Partly, this attention follows from the realization that whatever benefits had been reaped in the traditional model (and probably including those to be secured by the NIEO program), they rarely trickled down to the masses but rather tended to be absorbed by the elites.

The implementation of collective self-reliance necessitates less emphasis on relations between developing and developed countries and more emphasis on relations among developing countries. This requires a reorientation in literally all major areas. Trade with other DCs, for instance, accounts for only one-fifth of total trade of the Third World—and this share has been declining. Increased cooperation among Third World countries demands, first of all, measures aimed at facilitating interactions among them. Among these are various measures to provide preferential treatment to imports from other DCs; the expansion and strengthening of existing clearing arrangements and the creation of a broad multilateral payments scheme (including clearing arrangements as well as arrangements for the settling of balances); the facilitation and encouragement of flows of financial resources (especially from OPEC countries); and the encouragement and further strengthening of regional integration schemes and cooperation projects. The last measure involves direct collaboration efforts among developing nations and their institutions, including in the context of producers’ associations.

For many of these schemes, concrete proposals have now been elaborated and some activities are under way to implement them. Thus the Group of 77 decided, during its 1976 Manila ministerial meeting, to establish an intergovernmental working group for the purpose of preparing the details of a comprehensive program for economic cooperation. Similarly, the Non-Aligned Countries decided at their 1972 Georgetown Foreign Ministers’ Conference to designate a

number of coordinating countries to be responsible for implementing the four main areas of self-reliance covered in the Action Programme; there now has been some progress in fulfilling this mandate.

Conclusions

INTERNATIONAL AFFIRMATIVE ACTION AND SELF-RELIANCE aim both at restructuring the international economic system and at creating a system that serves the needs of all its members. The Third World’s efforts to implement individual and collective self-reliance are still in a very embryonic state. Both approaches, if adopted, will take some time to evolve since they require a complete reorientation of existing structures. They are not mutually exclusive. On the contrary, through an international affirmative-action program, the international community could greatly facilitate and serve the task of self-reliance by decreasing the time required to implement it and thus creating the conditions for a reintegration of the DCs into a new international economic system. The two approaches also do not exclude a vigorous implementation of the NIEO program in order to alleviate pressing immediate problems. And all three approaches can be expected to benefit from the politization of the development issue, the new assertiveness of the Third World, and the transformation of the nonaligned movement into a highly organized international pressure group for the reorganization of the international economic system. However, in playing the checkers game of immediate improvements, one should not forget that the chess game of structures is played on the same board. Since the two games are played simultaneously (and, in the real world, interact), one has to ensure that the moves in checkers do not divert attention from the moves in chess—or even prejudice the outcome of the chess game.
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